

Integrated annual review 2016/2017

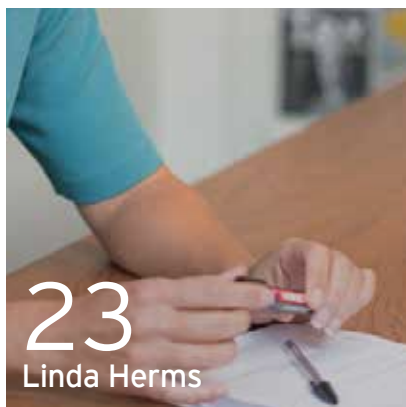
Ernst & Young Nederland LLP



Building a better
working world

EY provides added value for society by implementing its mission: Building a better working world. Our name and signature stand for quality, progress and trust. Every EY employee is committed to delivering on this promise day in day out.

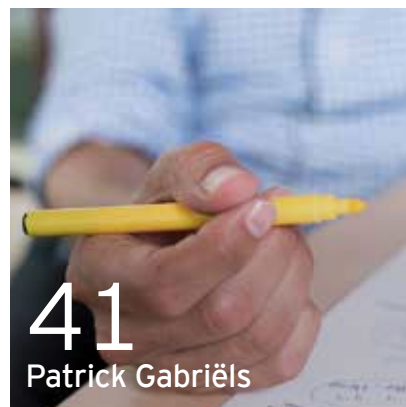
Seven EY employees share their views on this.



'We provide peace of mind and assurance for our clients'



'Quality is our most important asset'



'Innovation starts with the people in the field'



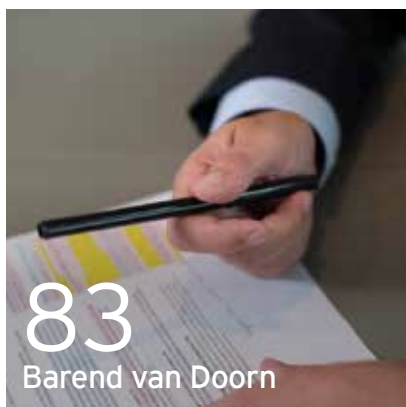
'We are becoming a real learning organization'



'Collaboration between advisers and auditors creates added value'



'We are constantly working on building a relationship with our clients based on trust'



'EY employees provide intellectual added value'

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Rob Lelieveld

Coen Boogaart

Jeroen Davidson

'We should be modest. The enthusiasm about the good results that we achieved in many areas was dampened by the critical assessment of the Dutch Authority for the Financial Markets (AFM) of the quality of the audits performed by our auditors.'

Coen Boogaart,
Chair of the Board of Directors

1. Report of the Board of Directors

Introduction: a year of extremes

It is with mixed feelings that we look back on a hectic and turbulent year for EY Nederland. The enthusiasm about the good results that we achieved in many areas was dampened by the critical assessment of the Dutch Authority for the Financial Markets (AFM) of the quality of the audits performed by our auditors.

Growth in most sectors

Our services have met our clients' expectations, which is evident from the positive scores in the customer satisfaction survey. We are pleased with this. Also in difficult and challenging times, we continue to do everything in our power to provide high quality and customized services.

After the mandatory rotation round of accounting firms, we have succeeded in building a well-balanced client portfolio, in both assurance and (tax) advisory services. Our tax advisers performed well again this year. Within the complex world of international tax laws, they offer our clients sound and sustainable solutions. Advisory and Transaction Advisory Services (TAS) have grown; they have attained a promising position among a partially new group of clients.

Due to the rotation round, we have had to take leave of a number of financial institutions and other large companies as audit clients; however, this has been offset by new audit assignments from other multinationals. If we add up the clients for tax advice and other advisory services and for assurance, EY Nederland can count 18 of the 50 AEX- and AMX-listed companies among its clients. With this, we have a leading position. We are pleased that all of these companies have placed their confidence in us. The attractiveness of the global EY network plays an important role in this.

We are satisfied with our financial results: EY Nederland's revenue rose by 9% from €727 million (2015/2016) to €796 million in 2016/2017. In percentages, TAS stands out in 2016/2017 with a revenue growth of 38% to €54 million. Assurance, our biggest service line, booked a 10% higher revenue at €334 million. Tax, our services in the tax and legal field, followed with €266 million (an increase of 4%). Advisory also performed well: revenue rose by 12% to €110 million.

Criticism of accounting firms

At the same time, we should not have any pretensions. We were also confronted with criticism and negative publicity this year, which was mainly directed at our accountants. For instance, the AFM stated in its report of June 2017 that the big accounting firms in the Netherlands are not implementing changes fast enough in spite of earlier exhortations. Accounting firms are still not doing enough to improve the quality and documentation of audits. The supervisory body also concluded that the firms have not yet succeeded in ensuring that their internal control organization functions properly. According to the AFM, the firms do not adhere sufficiently to their own rules and agreements, and quality improvement measures are not being implemented fast enough. EY is lagging behind the other firms in this respect.

We take this criticism very seriously. Quality is the quintessence of the accounting profession and therefore also of our assurance services. That our clients continue to value EY's services highly is not adequate as a response. In particular in accountancy, we also serve the public interest and that is why all of our stakeholders and society in general in the Netherlands should be able to trust our quality blindly.

Step Change to Quality

We realize that we have to make an extra effort. We have already implemented a number of measures in recent years; many that are visible for the outside world and some that are less visible. Apparently, this was not enough. This is why we launched an acceleration program in April: Step Change to Quality. This program is directed at EY's whole organization in the Netherlands, but the emphasis lies initially on our assurance services.

'Step Change to Quality is not simply a blueprint. More than ever, we are convinced that throughout the whole organization everyone must become aware of the urgent need to change.'

Step Change to Quality is a comprehensive program: we plan to strengthen support functions and our internal control organization, we are accelerating the implementation of improvement measures and we will invest more time and money in education and training of our employees and partners and in improving our internal processes. Furthermore, we will focus more on quality in our corporate culture and on what is necessary for this: we are putting more emphasis on discipline, daring to call each other to account when mistakes are made will be the norm.

We have chosen to alter the composition of the Board of Directors. The appointment of Coen Boogaart as Chair as of 1 July 2016 was the first step. The next step followed in April 2017: Rob Lelieveld was appointed Chair of the Board of Ernst & Young Accountants and, in this capacity, he is now also a member of the Board of Directors. Jeroen Davidson, the leader of our tax service line, remained a member of our Board of Directors, which consists of three board members. New is also the fact that the Quality Leader Nico Pul, who is responsible for quality organization-wide since April 2017, attends the board meetings. His responsibilities include the Step Change to Quality program. With this direct line, the top of the firm will be even more directly involved in the quality program.

Step Change to Quality is not simply a blueprint. More than ever, we are convinced that throughout the whole organization everyone must become aware of the urgent need to change. From the management of the company, who will set the tone and give the right example, to employees in all layers of the organization. The revised Board of Directors regards this as one of its most important tasks: a reorientation process is essential in order to continue to play a role in a rapidly changing world, a world that is becoming increasingly complex, international and dynamic, in which new opportunities and challenges are constantly arising and unexpected events occur.

Windows and doors open

EY Nederland will continue to cherish its brand, its image and the strong and positive characteristics of its corporate culture. We will open our windows and doors wider and we will show the outside world more explicitly who we are and what we stand for. This is also one of the reasons why this

annual review is available in Dutch and in English: to be more accessible to our stakeholders. We are aware that we do not live on an island and that we form part of a larger world. We cannot function without the support of and collaboration with our stakeholders. Their interests, the value that we create for society and our ambitions should be well-balanced. EY's license to operate depends on the endorsement of our environment; it is exactly for this reason that we have to ensure that we create this balance.

We have to strengthen our self-awareness and remain alert. In a highly regulated environment, a strict discipline is certainly a requirement within our own organization and in our work for third parties. This is why we continue to work on building our Highest Performing Teams. Such teams form an essential part of our aim to further improve the level of our services. In addition, it is crucial that we become even more of a learning organization, an organization in which relevant experiences are shared, in which mistakes are discussed and not concealed. Team members must assume responsibility jointly. We compose the teams diversely with a well-balanced selection of competencies and insights as well as personal and cultural backgrounds.

In order to attract and retain the best people, we invest in recruitment, selection, training and coaching. EY Nederland is a company with a youthful élan and holds great appeal for talented professionals, who feel at home at EY, which is also apparent from the EY employee survey. We are proud that we succeed in retaining top talent for a long period of time.

EY in a rapidly changing society

We are living in a time in which society is transforming rapidly. EY Nederland also has to respond to more complex and different types of demands that companies have. This was one of the reasons why we acquired OC&C Strategy Consultants Benelux in August 2016. OC&C is a specialist in strategy consultancy for large and medium-sized companies, government institutions and other public entities. With OC&C, which was acquired by Parthenon-EY B.V., we aim to distinguish ourselves further in strategy determination services. In this manner, we are in a better position to respond to our clients' international growth opportunities.

A development that is having a major impact on our work is the increasing digitalization, which is taking place in all areas of society. This development makes demands on the adaptability of our whole organization. We also regard the technological possibilities of data analysis as opportunities to improve our services. However, there is a downside to digitalization: cybercrime. This is a theme that plays a role throughout society and therefore also at our clients. In the field of combating this form of crime, we wish to position ourselves emphatically as advisers.

If we also want to remain relevant in the future, we will have to make clear choices: in which areas can we distinguish ourselves, which companies and institutions are the most suitable for us? One of the points of departure of our client acceptance process is that we have sufficient energy, time and resources available for our clients. This will have a positive effect on the quality of our work and therefore, ultimately, this will also benefit our competitive position. Of course, we aim to continue to carry out our fair share of work for socially relevant organizations such as healthcare institutions and housing corporations.

Our human capital

All of these changes and developments form a big challenge for our organization. The unabated commitment and enthusiasm of our employees is therefore to be appreciated even more. As for a company such as ours, our people are our most important capital. With their intelligence and dedication, we can make the difference for our clients and take on the challenges of the coming years with complete confidence.

The Board of Directors would like to take this opportunity to thank all of the partners and employees for their hard work and dedication in the past year and for the manner in which they have served our clients. We would also like to thank our clients for the confidence that they have placed in us and for the appreciation that they have demonstrated.

We also extend our gratitude to our internal and external supervisors: they keep us alert and continue to encourage us to further improve our services.

We know what is necessary: a targeted, joint effort - a Step Change to Quality. Only in this manner will we be able to deliver the top quality that our clients and society may expect from us.

Board of Directors Ernst & Young Nederland LLP

Coen Boogaart

Jeroen Davidson

Rob Lelieveld

25 September 2017

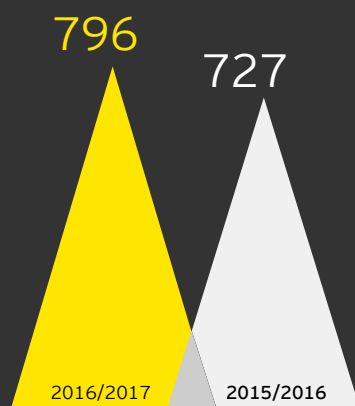
2. EY Nederland at a glance*

Financial

- REPORT BOARD OF DIRECTORS
- EY AT A GLANCE
- STRATEGY
- QUALITY
- RESULTS
- GOVERNANCE
- REPORT SB
- FINANCIAL STATEMENTS

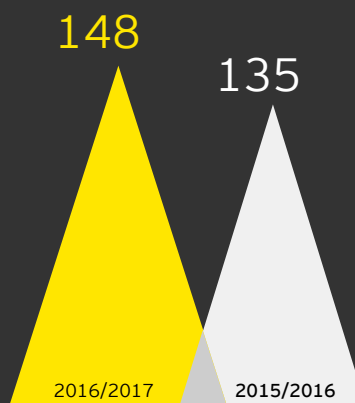
Total revenue

(in millions of euros)



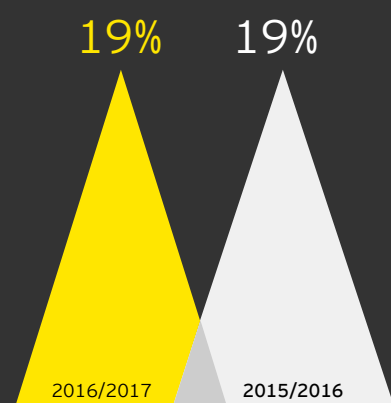
Profit for the fiscal year

(in millions of euros)



Operating profit margin

(% of total revenue)



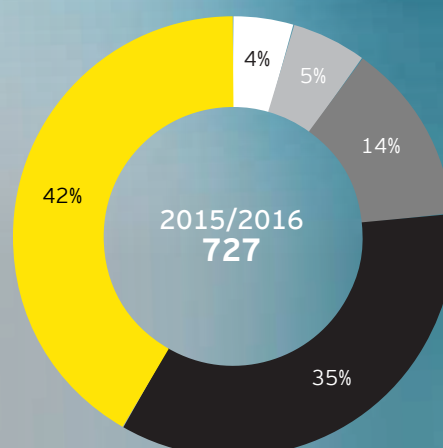
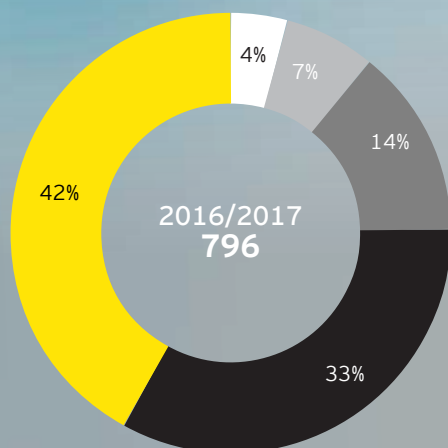
* For EY Nederland at a glance - reporting standards and data compilation, see page 217.
The results and financial position of HVG Law LLP fall within the scope of the integrated report, but are not included in the (consolidated) financial statements.

[Read the explanation here](#)

Financial

Revenue by service line

(in millions of euros)

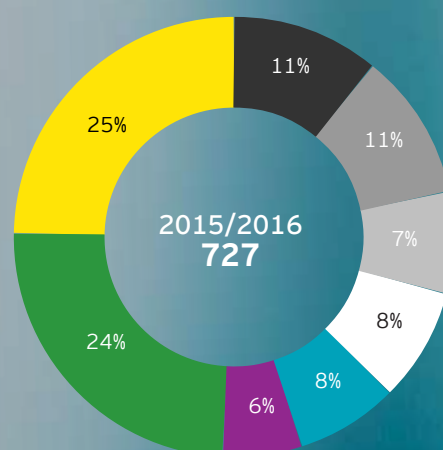
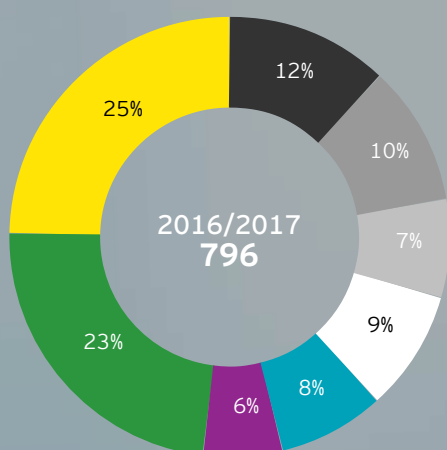


334	Assurance	303
266	Tax	255
110	Advisory	98
54	Transaction Advisory Services	39
32	Corporate Business Services	32
796		727

[Read the explanation here](#)

Revenue by market segment

(in millions of euros)



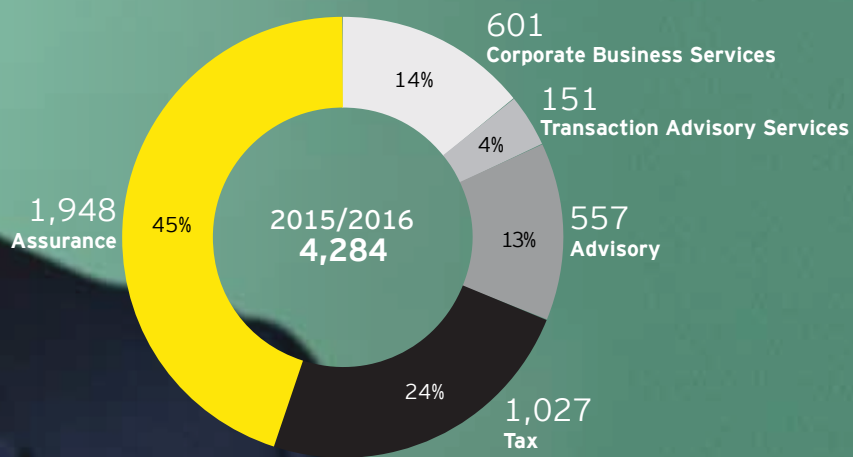
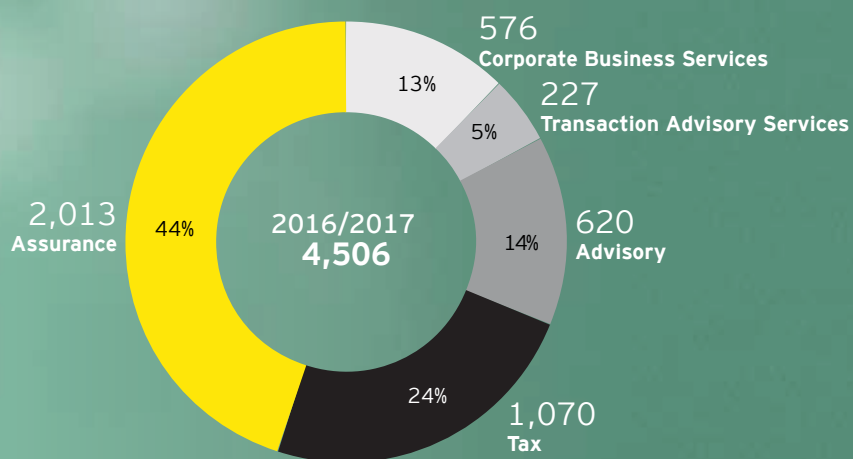
195	Financial Services	179
96	Technology & Telecommunications	79
82	Consumer Products & Retail	79
69	Healthcare & Life Science	60
62	Government & Public	55
58	Energy & Resources	55
48	Real Estate, Hospitality & Construction	42
186	Other*	178
796		727

[Read the explanation here](#)

* Including Transport & Logistics and Industrial Products.

Talent

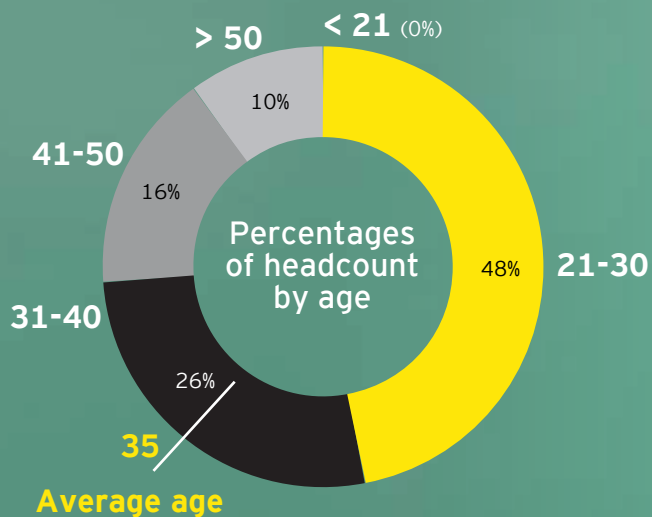
Headcount by service line



[Read the explanation here](#)

Bruno Weijenborg,
Advisor Forensic Technology & Discovery Services

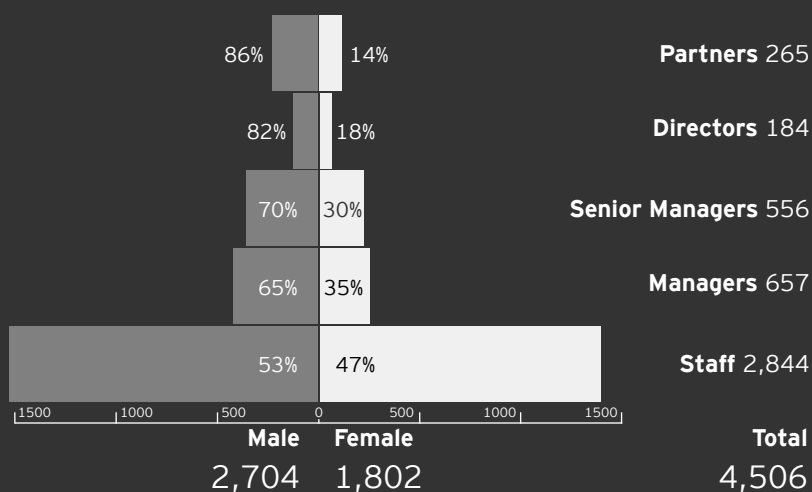
Talent



[Read the explanation here](#)

Headcount by rank & gender

2016/2017



[Read the explanation here](#)

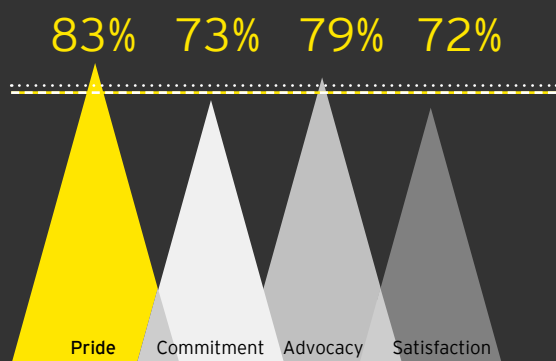
Fazia Khodabaks,
Staff Audit FSO

Talent

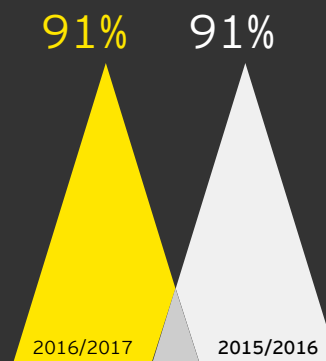
- REPORT BOARD OF DIRECTORS
- EY AT A GLANCE
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- QUALITY
- RESULTS
- GOVERNANCE
- REPORT SB
- FINANCIAL STATEMENTS

People Pulse Engagement Score

— 2016/2017 77%
 Best in class 78%
 - - - - - 2014/2015 77%



Retention rate top talents

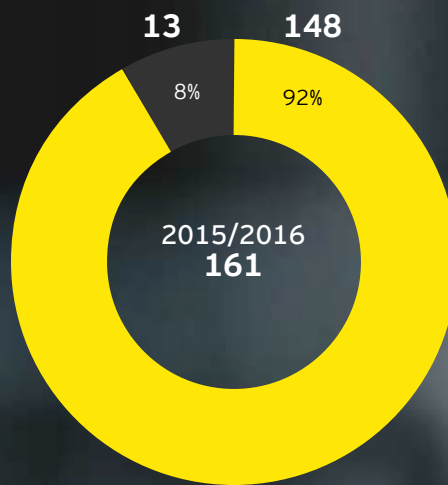
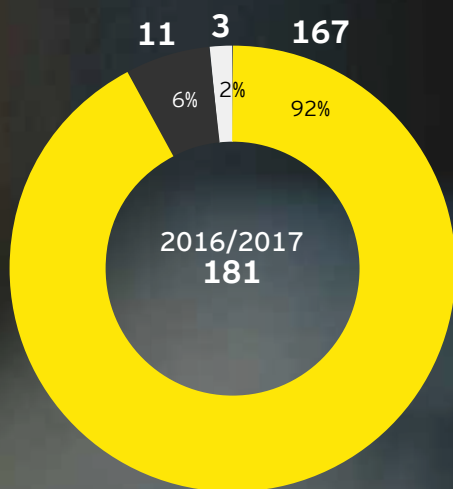


Jerôme de la Chambre, Advisor Climate Change and Sustainability Services

[Read the explanation here](#)

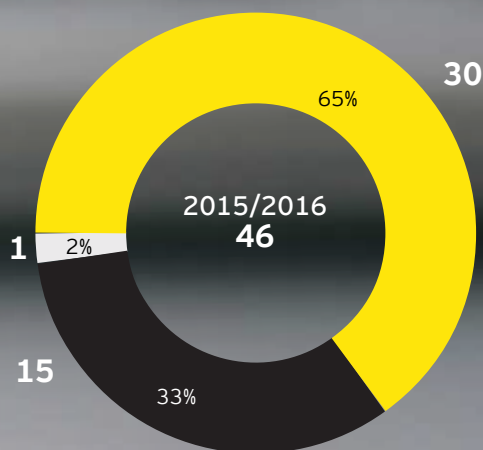
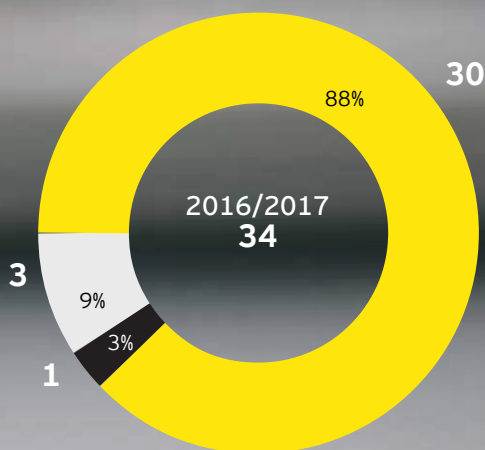
Quality

Quality review engagements



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

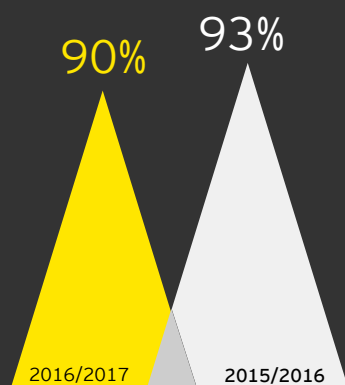
Independence review partners



- No violations**
- Administrative violations**
- Independence violations**

[Read the explanation here](#)

Assessment of service quality: recommendation score 7 or higher



[Read the explanation here](#)

Quality

REPORT BOARD
OF DIRECTORS

EY AT
A GLANCE

STRATEGY

QUALITY

RESULTS

GOVERNANCE

REPORT SB

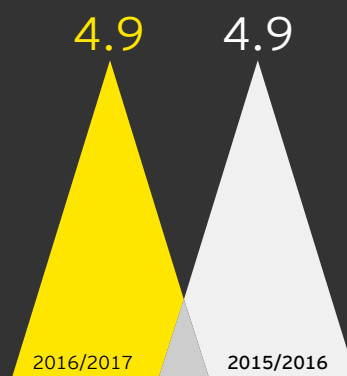
FINANCIAL
STATEMENTS

Community investment hours



[Read the explanation here](#)

Emission in tCO₂ per FTE



[Read the explanation here](#)

Rebecca Scholten, Senior Consultant Corporate Responsibility

Key figures*

	2016/ 2017	Δ	2015/ 2016	Δ	2014/ 2015	Δ	2013/ 2014	Δ	2012/ 2013	Δ
Finance (in millions of euros)										
Assurance	334	10%	303	2%	297	3%	289	1%	287	0%
Tax	266	4%	255	1%	253	5%	241	1%	238	4%
Advisory	110	12%	98	1%	97	9%	89	3%	86	3%
Transaction Advisory Services	54	38%	39	7%	37	23%	30	-30%	43	26%
Rendering of services	764	10%	695	2%	684	5%	649	-1%	654	3%
Corporate Business Services										
(Other income)	32	1%	32	24%	26	5%	25	7%	23	-18%
Total	796	9%	727	2%	710	5%	674	0%	677	2%
Financial results										
Profit for the fiscal year	148	9%	135	-8%	147	7%	138	24%	111	-2%
Income available for distribution	126	10%	115	-7%	123	8%	114	0%	114	25%
Average partner income										
(in thousands of euros)	485	3%	470	-12%	537	5%	511	1%	505	28%
People										
Average number of FTE staff and partners										
Client serving staff	3,502	7%	3,263	10%	2,977	8%	2,754	4%	2,660	-3%
Support staff	524	1%	521	-1%	525	0%	526	-30%	750	-10%
Total staff	4,026	6%	3,784	8%	3,502	7%	3,280	-4%	3,410	-5%
Partners	261	6%	245	7%	229	2%	224	-1%	226	-3%
Total	4,287	6%	4,029	8%	3,731	6%	3,504	-4%	3,636	-5%
Environment										
Travel	17,641	9%	16,113	3%	15,605	0%	15,557	-4%	15,879	-3%
Offices including paper usage and waste	3,297	-4%	3,443	18%	2,913	-7%	3,132	-37%	4,769	11%
Emissions (tCO₂)	20,938	7%	19,556	6%	18,518	-1%	18,689	-9%	20,648	0%
tCO₂ per FTE	4.9		4.9		5.0		5.3		5.7	

* The results and financial position of HVG Law LLP fall within the scope of the integrated report, but are not included in the (consolidated) financial statements.



Global leader

Assurance
Tax
Advisory
Transaction Advisory Services

250,000 people

31.4 billion dollar
Global revenue

154 countries

Our mission: Building a better working world

If the business community and the public sector function better, the world will work better. Increasing the confidence and the creditability of the business community and economies throughout the world is therefore one of our most important drivers. We aim for sustainable growth within and outside of our company, the development of human capital and talent, and more collaboration. We have a strong sense of duty: we do everything in our power to meet the needs of all our stakeholders. They must be able to count on the high quality of the work that we deliver and the reliability of everything we do. EY employs its global network to conduct cross-border dialogs on challenges with which companies, economies and capital markets are being confronted. Each individual EY employee is committed each and every day to fulfill our joint obligation to our clients and society.

The Netherlands 16 offices



4,506 people



Oldest firm
In our field in the Netherlands



About EY

Ernst & Young Nederland LLP ('EY Nederland') is a member firm of Ernst & Young Global Ltd. (EY Global), a globally operating and leading accountancy and advisory services organization. From within the Dutch organization, we support and are involved in determining the global organization-wide vision and strategy. At the same time, we have our own responsibility on a local, national level.

EY Global is a central entity organization that does not provide any services to clients. The underlying firms in the various regions and countries provide these services. EY Nederland is an LLP, a limited liability partnership. EY Nederland also does not provide any services. Services are provided by, among others, Ernst & Young Accountants LLP and Ernst & Young Belastingadviseurs LLP.

We are the oldest firm in the Netherlands in our field. Our history dates back to 1883, when the first foundation was laid for what has now become EY Nederland, one of the large professional services organization in the Netherlands.

Our clients are active in all major sectors of the economy. EY Nederland employs 4,506 people, including 265 partners, working from sixteen offices.



Source: EY Global



Our services

The services that we provide cover multiple disciplines. We distinguish four service lines: Assurance (mainly accountancy), Tax, Advisory, and Transaction Advisory Services (including mergers and transactions). Depending on our clients' needs and the complexity of the assignment, we form teams with specialists from these service lines.

Ernst & Young Belastingadviseurs LLP has concluded a strategic alliance with HVG Law LLP (previously Holland Van Gijzen Advocaten en Notarissen).

Assurance: transparency provides clarity

Our auditors serve the public interest by conducting reliable and relevant audits. They play a vital role in building confidence in global capital markets and in the quality of the (financial) reporting of our clients, which is essential for the proper functioning of society and the financial markets. We support our clients with constructive feedback, we address important themes and, as auditors, we provide the audit committees with sound and clear perspectives. Our client base includes both listed companies and non-listed large and medium-sized companies and organizations.

Our services are tailored to our clients' needs. We respond to the many challenges that companies are facing these days. For instance, we provide Climate Change and Sustainability Services, Accounting Compliance and Reporting Services and Fraud Investigation and Dispute Services. Financial Accounting Advisory Services focus on innovation within the audit: digitalization and computerization of audits and analyses as well as providing advice on this. We are making increasing use of large-scale data-analysis in connection with these services. The aim of our services is to ensure that clients are able to provide reliable and clear information to investors and other stakeholders.

Tax: local expertise, global insights

Our tax service line helps our clients to control their tax position and to satisfy all obligations pursuant to laws and regulations and reporting. We provide advice on, for example, the tax structure that is most suitable for the client in view of the client's profile. Together with clients, we evaluate, assess and improve the tax processes, internal and external controls, risk management and the computerization of relevant processes. We maintain a positive and open relationship with the tax authorities. We offer support with regard to a wide range of relevant themes such as direct and indirect taxes and compliance,

tax assistance for expatriates, providing advice to HR departments on tax matters but also in other areas and on the differences in taxation systems in various jurisdictions. Our leading tax professionals are familiar with the large commercial centers worldwide. They are able to combine local expertise and global insights and developments. Legal and notarial services are provided by HVG Law, with whom the tax advisers have a strategic alliance. These services concern, for instance, company law, mergers and acquisitions, real estate, labor law, intellectual property and IT law.



Advisory: working on improving business performance

With our advisory services, we help companies realize their strategy. These services focus on large, complex changes in various business sectors and the public sector. We provide advice to clients about how they can capitalize on developments, how they can grow, optimize and protect their business. The themes are very diverse, such as supply chain optimization, better customer management or changes in the IT infrastructure. The added value for our clients lies in the fact that our advisory services are integrated: we make use of the same methodology worldwide. Our approach is sector-based. Our point of departure is that we help the client with initiatives and projects to improve results.

Developments such as digitalization, robotization and computerization are important issues for our clients. In our Advisory services, we analyze the impact of these developments and guide our clients through these new times. We do this with services in areas ranging from cyber security and Robotic Process Automation (RPA) to data analytics.

In addition, EY's Advisory services remain strong in the more 'traditional' areas such as risk management, finance, supply chain, strategy and performance improvement. We are also helping more and more clients to benefit from the positive aspects of globalization with the implementation of global sourcing solutions and the transformation to more global business models. More than before, we are involved in projects in which we help our clients prevent disruptions and accelerate growth.

Transaction Advisory Services (TAS): capital decisions

In TAS, we help companies to create social and economic value with well-considered decisions about strategic capital management and transactions. The focus lies on how clients can invest, grow, optimize and protect their capital in a rapidly changing world in order to maintain or increase the confidence of investors and other stakeholders. Our teams bring together transaction specialists from various

functional fields, sectors and regions; we evaluate the client's Capital Agenda together with the client. Our expertise includes Transaction Support, Valuation & Business Modeling, Corporate Finance Strategy, M&A advisory, Transaction Tax, and Operational Transaction Services. Whether our client buys, sells, merges or restructures, our aim, in all cases, is that our client achieves an optimal capital performance, offers value to its stakeholders and can execute its business strategy.

Role of the partners

EY's partners are co-owners of the Dutch firm. The partners hold the ultimate responsibility for the quality of the services provided to clients and manage part of the client portfolio. The partners share in the realized result (profit or loss) annually. The profit share of a partner depends, in general, on the score that the partner achieves in the annual partner assessment. Quality is the most important factor in the weighting. (See Performance and remuneration of partners, page 88.)



EY worldwide

EY is a globally operating organization with an integrated approach - we are not a loose collection of national firms. Every member firm is an independent legal entity. EY works based on a structure with a Global Executive and the country organizations that are clustered per region. The Global Executive is responsible for global leadership and governance and it supervises EY's global strategy, the brand, the investments and the priorities. The Executive directs four geographical areas: North, Middle and South America; Asia-Pacific; Japan; and Europe, Middle East, India and Africa (EMEIA). These contain in total 26 regions which house the EY activities of the country groups.

EY has opted for this streamlined structure in order to respond adequately to the globalization, to be able to take decisions quickly and to execute our strategy everywhere. Countries and companies throughout the world are connected to each other through knowledge, technology, trade and investments. Due to EY's finely woven structure, clients can count on receiving integrated, cross-border services of a consistently high quality all over the world.

EY's head office is located in London. EY employs around 250,000 people worldwide, spread over more than 150 countries.

EY Nederland falls under the EMEIA area and, within this area, it forms part of both the WEM and the FSO EMEIA regions. WEM stands for Western Europe and Maghreb. This region arose in April 2017 from the merger of the regions FraMaLux (Algeria, France, Luxembourg, Monaco, Morocco, Tunisia) and BeNe (Belgium, the Netherlands) and has been operational since 1 July 2017.

Our Financial Services Organization (FSO), which focuses on, for example, asset management, banking institutions, insurance companies and pension funds, forms part of EMEIA as a separate region.

Excellent services and customization

As is the case for other firms under the EY umbrella, EY Nederland is part of large network in which knowledge, experience and technical skills are paramount. As a result, we can respond to many challenges and opportunities in this rapidly changing world, with volatile markets and a succession of new business models.

The needs and wishes of society and clients are also constantly changing. If we adopt a proactive approach, we are better able to understand these developments and offer excellent services and customization.

Approach per sector

We serve our clients in their own environment. Our strength is that we have knowledge about their business climate and the industry sector in question.

We focus on eight sectors:

- ▶ Financial Services
- ▶ Technology & Telecommunications
- ▶ Consumer Products & Retail
- ▶ Energy & Resources
- ▶ Healthcare & Life Sciences
- ▶ Government & Public
- ▶ Real Estate, Hospitality & Construction
- ▶ Other, including Transport & Logistics and Industrial Products

In this way, we are able to gain in-depth insight into the business and to respond adequately to new developments. We work from offices spread over the whole country. We pay special attention to important themes such as innovation and entrepreneurship, and we have various programs in place for specific target groups, including family businesses.

'I observe that we are discussing the contents of our profession with our stakeholders more and more. We want to listen to their opinions and expectations. We want to learn from their points of view and advice and, at the same time, explain what we are doing to improve the quality of our services.'

Catalina Hemmink, Advisor Climate Change & Sustainability Services



Our people, our values

Our employees constitute our most important capital. Their professionalism, competencies, integrity and personalities are decisive for the functioning of our company. All employees must adhere to the values that EY promotes. Within the organization, we emphasize that complying with our basic principles begins with each individual, in all echelons of our organization worldwide. The behavior of individuals and teams has an impact on the quality of our work and determines how clients and society perceive us.

We expect from each employee that he or she demonstrates integrity and shows respect, within or outside of a team. EY employees must have the required energy, enthusiasm and courage to take the lead where necessary. They must be able to build and maintain relationships.

At EY, we stimulate a culture of integrity. We endorse the EY Global Code of Conduct. This Code of Conduct contains clear guidelines, rules and social norms which everyone must adhere to at all times. Our objectivity and independence are also embedded in this code of conduct.

Responsible citizenship

Sustainable entrepreneurship is in line with our mission and our values. We aim to deliver sustainable added value to our employees and clients, to society and the environment which we form part of. (See also 'EY's role in society', page 55.)

We are a knowledge organization. We provide support to clients and other stakeholders with the realization of ecological, social and economic value – as an integrated part of their strategy. We thus stimulate sustainable economic growth. A company's financial and non-financial performance must be well-balanced.

Our own entrepreneurship is directed at broader value creation. We are part of the business community, we are part of society. It can be expected from us that we give the right example.

'At EY, it is about discipline, calling each other to account, learning from mistakes and attention for learning on the job. We not only follow the existing rules and methods, but also call each other to account when people don't. Together, we aim to learn from our mistakes.'

Veljko Dimitrijevic, Senior Advisor Assurance



The side note of Linda Herms



'We provide peace of mind and assurance for our clients'

Linda Herms, Partner Business Tax Advisory

'Our Tax services and the HVG law practice make an important contribution to the revenue of EY NL: around one third of the revenue comes from our legal and tax advice services. We guide our clients through the increasingly complex system of laws and regulations. Our advice provides the peace of mind and assurance that they are complying with these laws and regulations. We are also helping our clients to make the transition to computerized support of the tax function which improves the reliability of their reporting.'

Called to account on ethical awareness

'You can see two important developments within the tax field where clients are concerned. The international discussion about the 'fair' payment of taxes influences the way people think about taxation and especially about international tax planning. We, or actually the multinationals, are called to account on ethical awareness with regard to the application of laws and regulations, whereas there is no other framework than these laws and regulations. On the contrary: countries are actively competing with each other in the area of taxation. As their advisers, we point out the possibilities and risks to our clients. A lot of work is directed at avoiding double taxation. We enter into a dialog with our clients about their tax policy and how this is applied in practice.'

'A second important development concerns computerization. The tax world is on the verge of a huge wave of computerization and digitalization. Increasingly, tax authorities are starting to check company data real time. Companies will have to respond to this by having their own tax data available real time. This is a challenge for which we provide assistance.'

Appropriate from the client's perspective

'We can be proud that we are known as a high-quality organization in this complex field. In our training programs, we spend a lot of time on the computerization and digitalization aspects of our field. Our challenge is to provide advice that is correct from a tax perspective and that is also appropriate from the client's perspective. The training that our people receive focuses on this challenge.'

3. Strategy

Our environment



How EY Nederland structures its work and strategy is also determined by the social context in which it operates. Our operations are affected by various developments, which we are able to influence to a greater or lesser extent. Below, we outline a number of distinctive trends.

Economic developments

After years of economic decline and stagnation, the economy is picking up again, both in the Netherlands and elsewhere. This is visible in the Netherlands in a decrease in the number of bankruptcies, an increase in business activity such as the expansion of businesses, acquisitions and innovation and an increasing tightness on the employment market. At EY, these developments mainly have an impact on our advisory services (Advisory as well as TAS). Our Assurance and Tax Services are less affected by economic

developments, these service lines are less sensitive to economic cycles. At the same time, there were also developments that brought uncertainty, such as the Brexit and disturbances of the global market due to geopolitical events (for instance, unrest in the Middle East). The Netherlands, as an open economy and an open country, is an active participant in the global market and therefore it feels the consequences of these developments almost immediately.



Developments on the employment market

Developments in our services confront us with challenges on the employment market. EY is shifting from a 'traditional' accountancy organization to a multidisciplinary services organization. The profession of the advisers and accountants is changing, also as a result of the impact of digitalization and innovation. The role of our advisers has become much broader. More often than before they are the 'trusted business advisor' instead of, for example,

the 'trusted tax advisor'. This requires other skills. For instance, in accountancy, we have a need for people with a different background than the traditional accountants training. We are looking for colleagues with an IT or data-science background. It is difficult to find these professionals, also because they do not immediately think of a company in our sector when they are looking for a job. We are working on a broader profile for the employment market. For instance, a study carried out by Universum Global shows that in attractiveness of employers, EY ranks number 1 in the category professional services and number 4 among business students (our traditional target group). However, it ranks number 49 among technology, IT and science students (our new target group).



Developments in society

The digitalization process within society is accelerating. We also see this reflected throughout our whole organization. Data analysis is becoming increasingly important in all our service lines. Digitalization offers us huge opportunities. We can further improve our services with new tools and techniques and make them more efficient.

Another consequence of the digitalization is cybercrime and the pressure on data privacy. Companies must protect themselves better against external digital threats. This also presents an opportunity: we can distinguish ourselves by providing advice in this area. If we respond adequately to new developments, we can take the lead.

Of course, EY itself also has to remain alert to external threats. We do everything in our power to ensure that cybercrime cannot threaten the correct and reliable functioning of our organization and its systems.



Developments in regulations

Regulations for various sectors are becoming increasingly complex. This has a major impact on our clients' business operations and on compliance and audit issues both internally and externally. Further internationalization of companies also plays a role in this. Moreover, individual countries within Europe are implementing EU regulations differently.



Developments in tax advice services

The tax advice sector is undergoing a profound transformation worldwide. International tax laws and regulations are changing rapidly and this affects the tax strategy of multinational companies. This is apparent, for example, from various EU initiatives and from the Base Erosion and Profit Shifting (BEPS) project of the Organization for Economic Cooperation and Development (OECD). The objective of these changes in regulations is to ensure a more equitable tax contribution of multinationals in the countries where they are active. The underlying concept is that companies should pay their fair share of taxes in every country. The situation for companies and their advisers is challenging as another trend continues unabated, i.e. fierce tax competition between national governments. After all, many countries wish to create an attractive business climate for international companies. At the same time public opinion and politicians are calling for a reasonable distribution of tax revenues between countries.

Companies are increasingly called upon to act in accordance with the spirit of the law instead of just the letter of the law and to be guided by what is right and not by what is formally legally possible. This means that many companies and their tax advisers have to change the way they think and act. In addition to the technical quality of the advice, the environment and reputation of both the client and the advisor are becoming more important than previously for tax advisers. This is a challenging development as gray areas inevitably arise during a period of transformation regarding what is acceptable and what is not acceptable - an issue on which the parties involved may differ of opinion. How should the spirit of the law and the letter of the law be interpreted and what is a suitable tax strategy for a company?

Companies and advisers, certainly also in the Netherlands, experience the sometimes conflicting pressure of the above-mentioned trends.

There are also ongoing developments in the digitalization field. Tax authorities are developing themselves in the technological field and they are increasingly able to analyze the taxpayer's data real time or almost real time and to

match this data with data that they obtain from other sources. Consequently, our clients must ensure that their data is in order. A tax advisor who wishes to remain relevant must have a clear understanding of the relevant processes at the client and of the technologies that are used to control these processes and to record and organize data.



Developments in assurance services

The call for improving the quality of audits has been resounding loudly in the assurance field in recent years, both within and outside the sector. Internationally, and certainly also within the Netherlands, firms, international and national standard setters, supervisors and professional associations are taking steps that should lead to raising the level of the execution and documentation of audits and restoring confidence in the services provided by auditors. This quality improvement drive is taking place against the background of major changes in the sector.

The expectations of stakeholders, including supervisors, and of society in general, with regard to the quality of the audit have risen. Many of the steps within an audit are described in audit standards. These standards are principle-based, but they have been elaborated in such detail in the recent past that they are in fact rule-based. They have the character of rules that have to be followed precisely. In practice, accountants too often tend to work based on their own assessments and not sufficiently based on the detailed rules. In addition, the manner in which audits are conducted is changing due to digitalization and the use of large-scale data analysis (big data). This increases the importance of innovation in the efforts to also provide excellent work in the future. The trend of an increase in rules and more detailed rules for financial reporting and for the manner in which audits must be conducted is continuing unabated. Internationally, we observe that more and more attention is being paid to credibility and trust in a broader sense and the role of assurance assignments in this. The demand for auditor's reports for non-financial information also has an impact on the development of the sector.

'I actively contribute every day to building a culture in which we treat each other with respect and are friendly and loyal to each other, in which we also have the discipline to work according to external and internal rules and standards. Our clients and society have placed their trust and confidence in this.'

Laura Paanakker, Staff Audit FSO





Developments in advisory services

In advisory services, we observe the trend that clients expect us to share more in the risks and successes of projects. We work together with clients and are involved in the implementation of measures and projects that we have developed together.

We also observe an increasing demand for high quality non-financial information, a demand for support throughout the whole value chain and the need for insight into the impact that the organization has on society.

Research carried out by EY shows that investors have a greater need for information about environment, social and governance related topics for their investment decisions. In addition, as from the reporting year 2017, the decree on non-financial information and the decree on diversity apply. These decrees are based on the EU directive regarding the disclosure of non-financial information and diversity information and result in more transparency about the business model, environment, social and personnel matters, respect for human rights, combating corruption and bribery, and diversity within the board of directors and the supervisory board. The revised corporate governance code also puts more emphasis on the development and implementation of a policy directed at long-term value creation and transparency about this.

**Market
leading position
by providing
excellent
services**

**Talent
working on the
best performing
teams**

**Operations
globally
powerful, locally
strong and
financially sound**

Three strategies are leading

Vision 2020

Vision 2020 comprises EY's global mission, ambition, strategy and positioning. Together, these express what we stand for: building a better working world. EY's global ambition is that, in 2020, clients regard EY as the most prominent professional services provider in our four fields: assurance, tax advice, advisory services and transaction advisory services.

We aim for positive and strong relationships with stakeholders who value our brand highly. We aim for a leading position in the market so that we can attract and retain top talent. We want to be the preferred employer for them.

EY Nederland has translated Vision 2020 into an action plan that should result in a growing market share with a revenue target of €900 million in 2020. We can realize our ambition and objectives if we excel in our services in all our fields and make the difference through quality and innovation.

► **Market: leading position by providing excellent services**

EY aims to provide exceptional, innovative and high-quality services with which we exceed our clients' expectations and meet the high standards that society demands from us. The quality that we offer is the solid foundation for gaining

our clients' trust and society's trust and for strengthening our reputation. Besides quality, communication is also necessary. This is why we seek to intensify our relationships with our stakeholders. By means of an open dialog, we can gain insight into their expectations and respond accordingly. Attention for each of these aspects should ultimately result in a leading position in the market.

► **Talent: working on the best performing teams**

Only the best performing teams are able to provide the excellent service that we aim for. The main focus of our HR policy is the recruitment and development of talented professionals and a diverse composition of our workforce. We offer our professionals modern facilities in an inspiring, open working environment.

► **Operations: globally powerful, locally strong and financially sound**

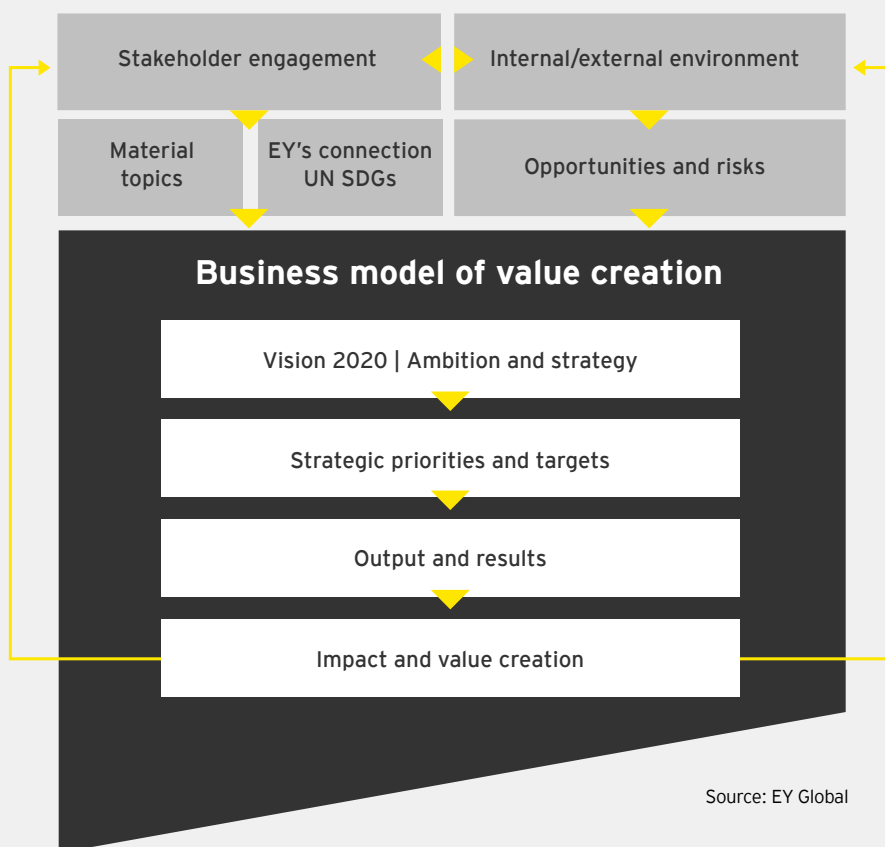
EY is a global integrated organization that makes knowledge and expertise available for local teams and their clients. We aim for an efficient operation that supports all service lines optimally. Quality, integrity and independence are inseparable elements of our culture and services. We aim for sustainability in our business operations and stimulate clients to embrace sustainable development.

En route to an innovative organization

New technology is playing an increasingly important role in both assurance and the advisory services. By stimulating and mobilizing resourcefulness from the bottom up, we are building an innovative organization. We combine our internal innovative ideas with entrepreneurship. We develop digital solutions for clients or we computerize parts of our own work either on our own or together with internal or

external start-ups and scale-ups. Data analytics, predictive analytics and robotics but also cyber security and blockchain receive our special attention.

Strategic framework



Source: EY Global

Interconnected strategic framework

Connectivity is an important characteristic of our strategic framework. The analysis of important external developments and trends that have an impact on our results leads to insights in opportunities and risks. We also conduct a constructive and proactive dialog with our stakeholders about the added value that they expect

from us in the short, medium and long term. This ongoing dialog gives us insight into which material themes are the drivers for our strategy and steering framework. The materiality analysis also provides a framework for the manner in which we can monitor our contribution to the Sustainable Development Goals of the United Nations. These insights form the ingredients for the EY value creation model.

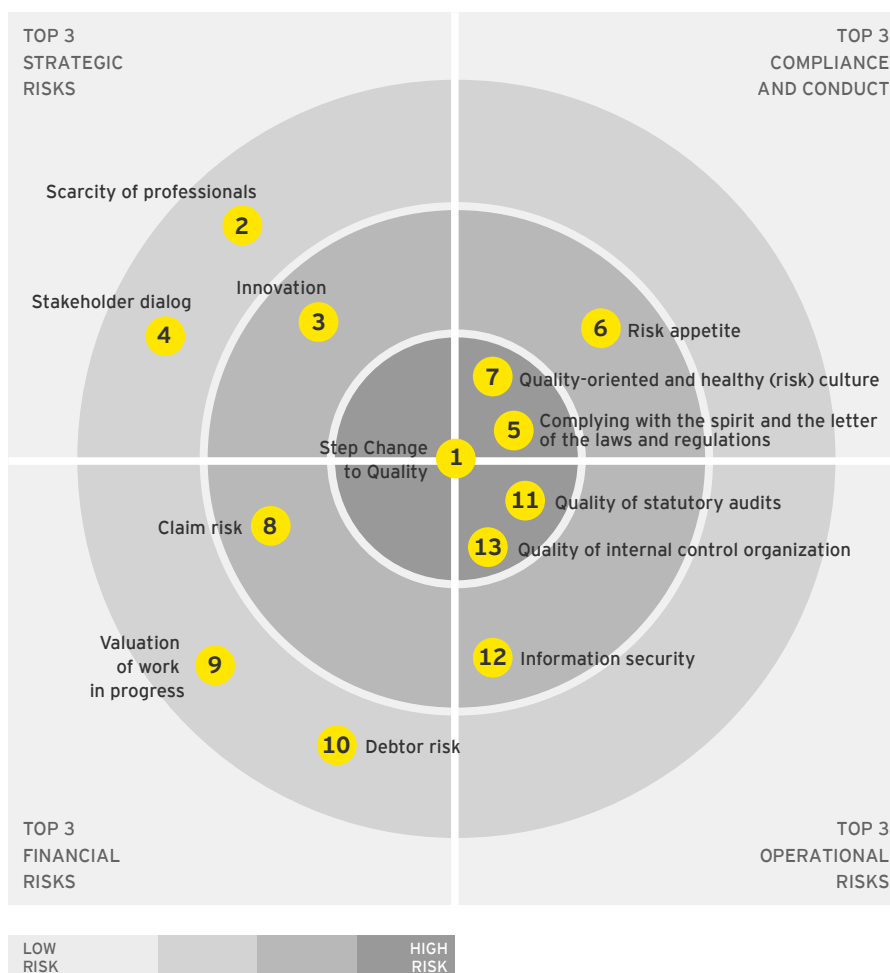
Risks

The most important risks that could prevent the realization of our ambitions are specified in our risk profile. The risks are divided into four risk groups: strategic, compliance/conduct, financial or operational risks. The risks are aggregated from our service lines and confirmed by the Board of Directors. The risks are illustrated in the risk radar

below. The closer a risk is situated to the center of the radar, the higher it is rated.

For a detailed explanation of our risk management see page 92.

Risk radar



Stakeholder engagement and materiality



Our most important stakeholders are: clients, our employees and partners, users of financial statements, our professional associations, supervisors, politicians, educational institutions and the media. We have linked each theme that stakeholders consider important and that has an effect on our strategy to our ambitions and classified each one according to the types of capital in the Integrated Reporting (IR) framework.

Our stakeholders' assessment of our performance is essential for EY Nederland. In particular in a year in which we attracted negative media coverage on several occasions, it turned out to be extra important that we maintain good relationships with our stakeholders and that we continue to conduct an open dialog. As an organization that aims to project reliability and conviction, we wish to strengthen our contribution to the public debate. To this end, we are in frequent contact with our stakeholders. We discuss themes that they bring forward and various issues that are related to our mission of Building a better working world.

We regard collaboration and transparency as leading. We do not ignore negative news about the quality of our services or our independence, but take the opportunity where possible to discuss this and to improve our internal processes and services. Feedback that we receive from clients, the AFM and other stakeholders has caused us to accelerate our quality program. We are and continue to be a learning organization.

Besides about the contents of our profession, we also enter into a dialog with our stakeholders in other fields that are important for them and for us. For instance, we examine whether our stakeholders consider the topics about which

we report in our annual report to be sufficient. As we already reported last year in our annual review, we updated the material themes in 2015/2016. We have reviewed the relevance of the current set of material topics. The review comprised a media analysis, a peer analysis, interviews with internal and external stakeholders and round table consultations. The topics that have been validated by the Board of Directors have been placed in the updated materiality overview.





As themes can change over the course of time, we will carry out a new and more extensive materiality analysis in the next fiscal year 2017/2018.

We have made a number of changes in order to ensure that the annual review is better aligned with our vision and focus on quality. In addition, in every service line, there are examples of innovative solutions and technological innovations that we make use of in our activities for clients. (See further Our results in the market, page 42.)

Topics that we have added are not completely new for us; however, we do wish to promote these more internally and externally. 'Exposure and trust' have been added under 'quality of services' as we now want to pay more attention than before to the level of quality of our services.

Our program Step Change to Quality specifies how we plan to win back confidence in the market in concrete terms. We will report about the state of affairs in a transparent manner in the coming fiscal year; we will present action plans and improvement plans to internal and external stakeholders.

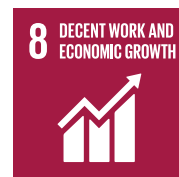
Materiality overview

Material topics	Also include	Type of capital	Most important stakeholders
Innovation	<ul style="list-style-type: none"> ▶ Use of new technology, digitalization, and data analytics to improve our range of services. ▶ Development of creative integrated and sustainable services. ▶ Stimulating of entrepreneurial ecosystems. 	Intellectual capital 	<ul style="list-style-type: none"> ▶ Clients ▶ Partners ▶ Employees ▶ Universities
Quality of service	<ul style="list-style-type: none"> ▶ Continuous monitoring of the quality of our services by providing excellent services to clients: connected, responsive and insightful. ▶ Obtaining complete insight into sectors, companies and the needs of our clients. ▶ Providing assurance with regard to the financial and non-financial performance of organizations. ▶ Exposure & Trust. 		<ul style="list-style-type: none"> ▶ Clients ▶ Supervisory Boards ▶ Partners ▶ Employees ▶ Legislative bodies and regulators ▶ Press/media
Responsible citizenship	<ul style="list-style-type: none"> ▶ Maintaining positive and strong relationships with all of our stakeholders. ▶ Strengthening EY's position in the public debate. ▶ Sharing our intellectual capital with society. 	Social and relational capital 	<ul style="list-style-type: none"> ▶ Clients ▶ Partners ▶ Employees ▶ Politicians ▶ NGOs and social organizations ▶ Press/media
Independence, integrity and ethical standards	<ul style="list-style-type: none"> ▶ Applying the principles of good governance (promoting risk and quality management and independence procedures). ▶ Providing services that meet our ethical standards (including the EY Global Code of Conduct). 		<ul style="list-style-type: none"> ▶ Clients ▶ Supervisory Boards ▶ Partners ▶ Regulators and legislative bodies ▶ Employees
Recruiting and retaining top talent	<ul style="list-style-type: none"> ▶ Maintaining/stimulating Highest Performing Teams with a diverse and inclusive composition. ▶ Investing in personal career planning. ▶ Care for vitality of employees. 	Human capital 	<ul style="list-style-type: none"> ▶ Partners ▶ Employees ▶ Potential and former employees ▶ Universities
Learning and development	<ul style="list-style-type: none"> ▶ Investing in individual and personal development. ▶ Optimizing on-the-job training. 		<ul style="list-style-type: none"> ▶ Partners ▶ Employees ▶ Universities
Sustainable performance	<ul style="list-style-type: none"> ▶ Achieving the largest growth and revenues in line with the market. ▶ Benefiting optimally from the globally integrated organization. ▶ Managing our own impact on the environment. 	Financial capital and natural capital 	<ul style="list-style-type: none"> ▶ Clients ▶ Supervisory Board ▶ Partners ▶ Employees ▶ Suppliers ▶ Investors

EY's contribution to the Sustainable Development Goals

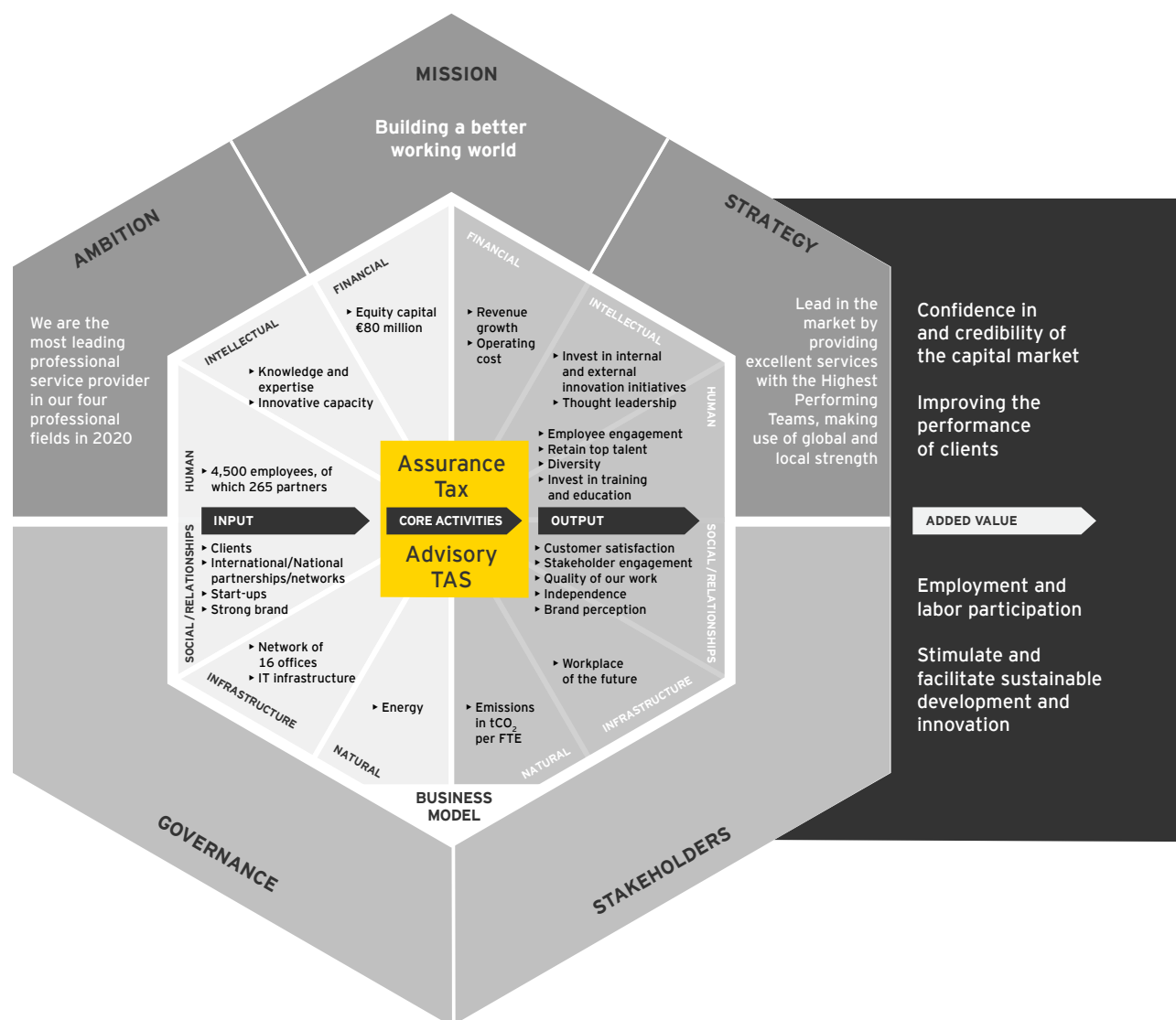
EY Nederland reported on the Sustainable Development Goals (SDGs) of the United Nations for the first time last year. Based on our impact, our services, our material themes and our role in society, we have determined which SDGs are the most relevant for us.

We have reconsidered the relevance of SDG 13 (Climate Action) for our organization. This goal concerns the impact that an organization has on the environment and the accompanying objectives for CO₂ reduction and preventing other possible pollution. As providers of professional services, we travel by car, public transportation or plane within the country or throughout the world to serve our clients. We heat and cool our offices, print documents and produce waste. All of these activities exert pressure on the climate and the environment, even if this remains limited in view of our activities. This is why we are of the opinion that our efforts to reduce this negative impact fit better within SDG 12 (Responsible Consumption). Therefore, we have no longer included SDG 13 as a separate goal.



Source: United Nations

This fiscal year, we have started to formulate an objective and a key performance indicator (KPI) for each SDG (see also annex 4). In this manner, we demonstrate that we can deliver a real and demonstrable contribution to each selected SDG. The process has not been completed yet because we have to first set up the data collection for a number of goals and KPIs. We aim to organize this properly in the coming years so that we can increase the relevance of these KPIs.



Value creation model

The material topics determine the financial and non-financial elements with which we create value in the long and the short term. Our capital (financial, intellectual, human, social, infrastructural and natural) is essential for EY's success. We convert this capital into output via our business model: the results of our activities. These results

are not only dependent on the processes within the organization (the internal environment), but are also influenced by external factors. Thanks to efficient use of our resources, we create value for ourselves and our stakeholders. This reflects how we implement our building a better working world mission.

Our performance compared to our objectives

Steering framework

On the basis of objectives and performance indicators that we have formulated for each strategic theme, we report on the results that we have achieved. We relate our objectives

and performance to our strategy, the main risks connected thereto and the topics that stakeholders consider important (materiality). We also link the impact that we aim for to the SDGs.

	Markets	Talent	Operations
	<ul style="list-style-type: none"> ▶ Quality of service ▶ Innovation ▶ Responsible citizenship 	<ul style="list-style-type: none"> ▶ Recruiting and retaining top talent ▶ Learning and development 	<ul style="list-style-type: none"> ▶ Sustainable performance ▶ Independence, integrity and ethical standards
SDG	   	 	  
Vision 2020 Ambition	<ul style="list-style-type: none"> ▶ No. 1 or 2 in terms of market share in our chosen services ▶ Best Brand ▶ Positive and strong relationships with our stakeholders 	<ul style="list-style-type: none"> ▶ The most favoured employer 	<ul style="list-style-type: none"> ▶ Leading growth and competitive earnings to attract and retain world-class talent
Vision 2020 Strategy	Focus on winning in the market <ul style="list-style-type: none"> ▶ Deliver exceptional client service ▶ Maximize opportunities in markets and services 	Create highest performing teams <ul style="list-style-type: none"> ▶ Attract, develop and inspire the best people ▶ Commit to a culture of world-class teaming 	Strengthen global, empower local <ul style="list-style-type: none"> ▶ Emphasize global advantage ▶ Empower local teams by enabling their success
Strategic Priorities 2016/2017	<ul style="list-style-type: none"> ▶ Deliver exceptional client service ▶ Grow revenue ▶ Invest in innovation ▶ Invest in brand ▶ Foster stakeholders relationships 	<ul style="list-style-type: none"> ▶ Execute teaming programs ▶ Invest in talent recruitment, retention and development ▶ Accelerate diversity and inclusiveness ▶ Implement workplace of the future 	<ul style="list-style-type: none"> ▶ Maintain operational excellence ▶ Promote culture of quality and integrity ▶ Focus personal independence compliance ▶ Minimize carbon in operations

Performance indicators

	Markets	Talent	Operations
Strategic Priorities 2016/2017	<ul style="list-style-type: none"> ▶ Deliver exceptional client service ▶ Grow revenue ▶ Invest in innovation ▶ Invest in brand ▶ Foster stakeholders relationships 	<ul style="list-style-type: none"> ▶ Execute teaming programs ▶ Invest in talent recruitment, retention and development ▶ Accelerate diversity and inclusiveness ▶ Implement workplace of the future 	<ul style="list-style-type: none"> ▶ Maintain operational excellence ▶ Promote culture of quality and integrity ▶ Focus personal independence compliance ▶ Minimize carbon in operations
	Recommendation score 7 or higher (%)	Engagement score (%)	Operating cost ratio (% of revenue)
	90	77	81
	Target 2016/2017 92	Target 2016/2017 78	Target 2016/2017 78
	Revenue growth (%)	Retention rate top talents (%)	Quality review engagements (% 1 & 2 scores)
	10	91	98
	Target 2016/2017 5	Target 2016/2017 93	Target 2016/2017 100
	Brand zone (biannual survey)	Female ratio (%)	Independence violation (%)
	1st place	40	9
	Target 2016/2017 1st	Target 2016/2017 42	Target 2016/2017 0
	Stakeholder engagement score (biannually survey)	EY@Work implementations (%)	Emission in tCO₂ per FTE
	Average	68	4.9
	(score 2014/2015)		
	Target 2016/2017 Good	Target 2016/2017 75	Target 2016/2017 4.6

The side note of Auke de Bos



'Quality is our most important asset'

Auke de Bos, Professional Practice Director, Professor Business Economics
Erasmus University Rotterdam

From the smile of the receptionist who welcomes you to the coffee that you serve - everything must reflect the quality that you stand for. It concerns a mindset that we are changing at EY Nederland. A change in culture is required throughout the whole organization, not only within Assurance. You have to take a more integral approach to the quality principle. As auditors, it is our professional obligation to conduct the best audits and to place the public interest first. This means being passionate about doing your work well and being independent at all times in practice and in appearance. If you do that as an accountancy firm, it also has consequences for the other service lines Tax, TAS and Advisory.'

Clients must match our quality standards

'This change in the way of thinking also has consequences for the clients that we do business with. We want to do business with clients that match our quality standards. In the client acceptance process, we will have to be more alert with regard to the client's integrity. No client whatsoever is more important than EY's reputation.'

'Our independence from the client in our role as accountant must be leading. Every partner and employee must be aware of this when accepting advisory assignments. Our management information systems must safeguard us from unintentionally violating independence rules. Through our internal control organization, we intend to provide more support to our partners in the client acceptance process for advisory work. Every partner must be able to arrive at the right well-considered decision.'

Our conduct has to be above reproach

'Therefore, it is not only about whether we are doing things right but also whether we are doing the right things. Our conduct has to be above reproach. This is not a matter of debate. This is also why quality is an integral part of the partner remuneration. If a partner scores insufficient on the aspect quality, then that cannot be compensated with other targets. With this, we give an important signal: the quality of everything we do has to be good. Quality is our most important asset.'

4. The quality of our work

Step Change to Quality

Our signature stands for quality. The quality of our work must be beyond doubt. Society and our clients must be able to trust our opinion regarding financial statements and the soundness of our advice. As auditors, we primarily serve the public interest and as advisers, we primarily serve the client's interest. However, in both cases, we do not make any concessions where quality, independence and integrity are concerned.

Step Change to Quality

The reputation of the accountancy sector has come under pressure in the Netherlands in recent years. The quality of the work performed by EY has also been questioned. The Dutch Authority for the Financial Markets (AFM) urged the accounting firms in 2014 to take urgent necessary measures to improve the level of the execution and documentation of the audits as well as the quality of the internal control organization. The firms initiated improvement programs at that time. EY Accountants also did this. However, the Board of Directors and the Supervisory Board have concluded that the improvements

that we implemented have not had sufficient effect or the effect has not materialized fast enough. This concern was shared more broadly within the organization. A new AFM report, which was published at the end of June 2017, confirmed our views: according to the supervisor, EY Accountants does not yet have its business sufficiently in order. (See also box: AFM report, June 2017.)

The report also confirmed that we made the right choice to accelerate our efforts and to give our efforts an extra impulse. EY Nederland launched the program Step Change to Quality organization-wide in April 2017.

Step Change to Quality includes action points that apply to EY Nederland as a whole; however, the initial focus is on our Assurance service line. We are investing more time, resources and energy in strengthening our internal culture of quality awareness and embedding quality in training and education and the quality of internal processes.

Our objective is that we are unsurpassed in quality. We aim to completely satisfy the requirements that society, the supervisor, our clients and we, as professionals, demand with regard to quality as soon as possible.

AFM report, June 2017

In part at the request of the Dutch Authority for the Financial Markets (AFM), the accountancy sector launched a change program at the end of 2014 covering, among other matters, behavior and culture, governance and internal organization. This also led to the '53 points program' of the Royal Netherlands Institute of Chartered Accountants (NBA), with improvement measures that have to be implemented by the accounting firms.

The AFM has carried out two investigations to evaluate the progress of this program. At eight OOB accounting firms, including EY Nederland, the AFM measured which changes have been implemented and embedded in the organizations in order to arrive at a quality-oriented culture and to ensure an effective governance and organization. In addition, the AFM checked the quality of 32 statutory audits at the Big Four accounting firms

(16 regarding the year 2014 and 16 regarding 2015) - the most recent round in the regular audit inspections that the AFM carries out periodically.

The AFM published its conclusions on 28 June 2017. The conclusions were not positive. The AFM stated that the firms are doing too little to improve the quality of audits. Since the recommendations of 2014, improvement measures have not been implemented fast enough. At the Big Four accounting firms, in 19 out of the 32 investigated statutory audits insufficient appropriate audit information was obtained to support the opinion in the auditor's report. EY achieved a very disappointing result. Six out of the eight audits turned out to be insufficient. Moreover, the AFM is of the opinion that EY's performance is unsatisfactory where this concerns the implementation of the desired changes in culture, governance and internal control.



The four dimensions of Step Change to Quality

The Step Change to Quality program has four dimensions. (More details are provided in the Transparency Report 2017 of Ernst & Young Accountants LLP.)

Culture

We are working on building a culture in which people regard quality as indispensable, in which they are respectful, friendly and loyal towards one another and towards others. But also in which they demonstrate the discipline to work in accordance with external and internal rules and standards and clearly call each other to account in the event of errors or incorrect conduct. We are critical with regard to the composition of our client base: no client whatsoever is more important than our quality, integrity and reputation. In order to create a culture in which quality is given absolute priority, we plan to develop new performance indicators. Performance in the field of quality and quality enhancement will become even more important in appraisals and remuneration.



The quality in the execution of our profession, the 'primary process'

We are focusing on the most important points for improvement.

- ▶ Knowhow: we ensure that our people know the rules and how they should comply with these rules through training and education. This applies to the accountants, but also to the tax and other advisers who supply their expertise to a client in connection with the audit.
- ▶ Resources: composing teams with sufficient capacity, experience and competencies.
- ▶ The right professional attitude: discipline, calling each other to account, learning from mistakes and attention for learning on the job. Members of the audit team must adhere to the existing rules and methods, call each other to account when these are not being adhered to and must be willing to learn from their mistakes.

The quality of the (internal control) organization

We wish to create an environment in which the professionals in the service lines can do their work properly. To be able to do this, they require support from the organization and correct information must be made available to the management so that they can take the right decisions timely.

- ▶ We are working within a learning organization: people may make mistakes but they must call each other to account.
- ▶ We are investing in the strengthening of our support staff.
- ▶ We are strengthening the systems for collecting information, in particular in the area of quality, in order to enable the management to steer more effectively on quality improvement and to monitor how fast we are progressing with improvements.
- ▶ Better information systems should also further strengthen our compliance as we will then receive signals regarding the risks of violations of laws and regulations in areas such as independence and client acceptance timely.

Stakeholder dialog about the content of our profession

We wish to conduct a more active and systematic dialog with our stakeholders about the content of our profession. We want to listen to their opinions and their expectations with regard to the sector in general and our services in particular. We want to learn from their opinions and advice and, at the same time, explain what we are doing to improve the quality of our services. By being more transparent about how auditors arrive at their opinion regarding financial statements, we want to discuss the complexity of our profession and the sometimes difficult issues that auditors have to deal with in order to arrive at an opinion about the accuracy of the financial statements.

Strengthening our governance

Also in the area of governance, we took measures that should lead to an improvement of the quality of our assurance services and the internal control organization. We strengthened our management and we have introduced new positions that transcend the service lines.

The changes in the Board of Directors are the most noticeable. Coen Boogaart was appointed as Chair on 1 July 2016. At the time of the launch of the Step Change to Quality program in April 2017, Rob Lelieveld joined the Board of Directors. He became the new chair of Ernst & Young Accountants LLP on 2 May 2017. Jeroen Davidson remained as board member responsible for the tax practice. A significant change is also the appointment of Nico Pul as Quality Leader: he is responsible for quality in general organization-wide and therefore also for the Step Change to Quality program. In this role, he actively attends the meetings of the Board of Directors. With this direct line, the Board of Directors is strongly involved in the quality program.

We have also installed an Operating Committee. This committee provides supports to the Board of Directors with the execution of the quality agenda. The members report to the Board of Directors. (For the composition of the Operating Committee, see page 77.)

Tone at the top

The right tone at the top is an important responsibility of the leaders - on the board level but also among the partners and Executive Directors. They promote quality, integrity and professionalism as the most important characteristics of our work. Supervising the compliance with the quality standards is the joint responsibility of the Board of Directors and the management teams of the service lines.

The side note of Patrick Gabriëls



'Innovation starts with the people in the field'

Patrick Gabriëls, Partner Assurance

'At many organizations, you see that innovation is centrally organized and led: top down. Groups of people start thinking about the future, they conceive a plan and then roll-out their innovations top down. This is an almost theoretical exercise, based on general views about where we are going as an organization. This is far removed from the day-to-day business. This way, organizations are missing an important source of inspiration.

As inspiration comes from the people in the field, people who are busy every day solving problems. It is there where you should mobilize ideas and resourcefulness, create a culture in which employees start making use of new technologies themselves. That is what I would call a real innovative organization.'

Innovate EY program: bottom-up innovation

'With the Innovate EY program, EY really makes this bottom-up innovation possible. We forge a connection between innovation and entrepreneurship. Our aim is to launch new 'internal start-ups' around a specific theme. This benefits us both externally, at clients, as well as internally. We also work together with external start-ups and scale-ups - young innovative companies that help us take on challenges.'

Emphasis increasingly on software

'We already have quite a number of illustrations of this. Take Declaree for example. This young company has developed a solution with which organizations can process invoices digitally without cutting and pasting. A photo of an invoice is entered into the system directly. Questor is an example of an internal start-up. They develop software that increases the insight in the reporting of financial institutions for the supervisor. With this software, we can increase the quality of the reporting. The emphasis will increasingly come to lie on software. Also at EY. Our people have a lot of knowledge, but what is really essential is how we bring this knowledge to the market in the future. We have to incorporate our intelligence in the software and this software must start to do the work for us. This is a process. Real innovative thinking requires a change in culture.'

5. Our results in the market

Our aim: excellent service

It is EY's ambition to be acknowledged worldwide in 2020 as a leading provider of professional services in our fields: accountancy, tax advice, advisory services and transaction advisory services. In order to achieve this aim, the quality of our advisory services and audit activities must be irreproachable and faultless.

With this, we strive to exceed our clients' expectations. Clients and all of our other stakeholders must be able to rely on our opinion and the manner in which we arrive at this opinion. The opinion of our supervisor and our clients about

our work is essential. We regard transparency about our performance, our independence and integrity as indispensable - obviously within the framework of our confidentiality obligation. Only with top quality can we attain a leading position in the market.

Quality starts with the people themselves: with our employees. Each employee has specific professional and sector expertise. Together, they form the best multidisciplinary teams. These teams can rely on a large network. We know what developments are taking place at our clients and in their respective sectors and we share this knowledge worldwide with each other.

We are connected:
we allow clients to profit from our global network, we employ the right people in the right locations, we build confidence and enrich relationships.

We are responsive:
we are all proactive and visible, we keep our promises and act timely.

We are insightful:
we create tailor-made solutions for our clients based on our experience and insights so that they can use these to gain a better understanding and accelerate their actions.

Three points of departure apply for EY worldwide

Customer satisfaction

Whether we succeed in meeting our clients' expectations can also be seen from the surveys that we conduct regularly among our clients. These surveys tell us the degree in which clients are satisfied with our work.

We work with the Expectations of Service Quality (ESQ): we ask clients before we start working for them what they expect. Afterwards, we compare these expectations to their assessment of our performance. We measure this with the Assessment of Service Quality (ASQ). We ask our clients what they were pleased with and which elements could be improved. This is very important for us. With the outcomes

of both surveys, we obtain better insight into the client's wishes and we can then respond to this quickly and adequately.

We carried out customer satisfaction surveys at 164 clients in the past fiscal year (compared to 196 in 2015/2016). At 90% of the surveyed companies (147), we received a recommendation score of 7 or higher - on a scale of 0 (never recommend) to 10 (always recommend). This is slightly lower than the percentage in the previous fiscal year: 93. Our aim is an optimal score, for the long term this is 95%.

The impact of new technology

New technology is occupying an increasingly prominent role in our services. Across the board, we see how big an impact new technology will have on our work: drones are used to record inventories for audits, 'tax bots' are ready to take over the work performed by people. Data is becoming available practically directly so that reports can be produced faster and provide more insight.

CFOs can close financial periods earlier so that they can report to other members of the board of directors and to the supervisory board, supervisors, auditors and tax authorities sooner. As blockchain technology is developed further, transactions can be verified in real-time.

We wish to distinguish ourselves with these topics. It is for a good reason therefore that 'digital' is a main theme in the global EY Vision 2020.

In the long term, we will remain relevant if our organization operates efficiently and effectively and continues to innovate. We have to respond quickly and adequately to new developments that are decisive for society, the economy, the different business sectors as well as our own profession. We closely monitor robotization, data analytics and cybercrime. We advise our clients about these topics and we help them to embed these 'new' opportunities and risks in their strategy. We also do this in our own business operations and in the services that we provide.

There is clear growth in the use of data analytics. We offer various work programs that are based on this. These have been rolled out to over 800 clients. Where possible, we also offer tools that we have developed in-house. For accounting, for example, we are working on the program MonEYtor, which will also be able to send real-time notifications to the financial director whether specific expenses are possible. The project is currently in the concept phase.

We still have a lot to discover and to gain in the technological field. We will also continue researching and testing in the coming years. For instance, the process mining pilots are still running. In this pilot, we are collaborating with, among others, Eindhoven University of Technology and Robotics and Process Automation (RPA).

Innovation is an ongoing process. We call in specialists, retrain employees, enter into alliances and make acquisitions. The collaboration that EY began with Microsoft in May 2017 is an example of how we are increasing our expertise. Clients can now also make use of SAP software solutions in the safe environment of the Microsoft Azure Cloud.

Innovate EY

EY also benefits from working with promising starting entrepreneurs and acceleration programs. It strengthens our own innovative capacity, it teaches us to improve our own internal processes and it stimulates the development of new products and services. Based on our experiences, we have set up an innovation program for our own organization: Innovate EY. This year, around two hundred employees participated. They were able to test the feasibility of their own new ideas and put together teams that could realize these ideas. A number of teams did actually become our own start-ups. These can contribute to innovation within EY. They were admitted to HighTechXL, where they developed various projects that are directly or indirectly related to the services of EY. For instance, the pilot Workspot, a 'market place' for work within the organization, is up and running. Larger or smaller jobs are shifting to other departments or offices. People can offer work if they are too busy themselves or ask for work if they have time to spare. At Tax, we make use of 'TimEY', a program that registers what a person is working on and comes up with suggestions for a more efficient use of time.

EYnovation

EYnovation is the innovation program of EY that provides support to start-ups and scale-ups with their fast growth. Via this program, selected fast-growing companies can work together with EY in an early stage and receive assistance with the strategic, legal, tax and financial matters that they have to deal with. We offer ambitious and innovative entrepreneurs low threshold access to our services, knowhow and the global EY network on a subscription basis. Around one hundred EY colleagues are directly involved in this 'fast lane' for promising start-ups and scale-ups.

Start-ups and large companies can meet each other on the platform that we have created. This provides advantages for all involved. The start-ups come into contact with people at the right level within well-established companies, and with potential investors and clients. The large companies come into contact with innovative concepts and plans. In addition, we challenge our employees to adopt an entrepreneurial attitude towards start-ups and new technologies. They are given the role of 'client handler' early on in their careers and they learn skills that they would otherwise not readily develop in the office.

This year, EY has joined O3NL, a mentor program for Dutch start-ups. We provide financial support and we make our network, our expertise and our locations available to the participating entrepreneurs and mentors. O3NL is a program for Dutch starting entrepreneurs who are building a business based on technological and scientific innovations. The Massachusetts Institute of Technology (MIT) was involved in O3NL from the beginning. The group of mentors consists of alumni of MIT, (former) entrepreneurs, scientist and other experts. In addition to EY, the Municipality of Amsterdam has also joined O3NL. The Dutch pension fund ABP has supported the initiative already since the beginning in 2013.

In the past year, we were also closely involved in HighTechXL (Eindhoven), PortXL (Rotterdam) and Yes!Delft. HighTech XL is an acceleration program co-founded by EY Nederland, which provides support in the field of high-tech hardware. PortXL is also an acceleration program but then in particular in the field of maritime technology. We are a partner in Yes!Delft, a center that helps students and scientists with starting up a (technological) company. The various programs have provided assistance to over 70 start-ups in the past year.

The market sectors in 2016/2017

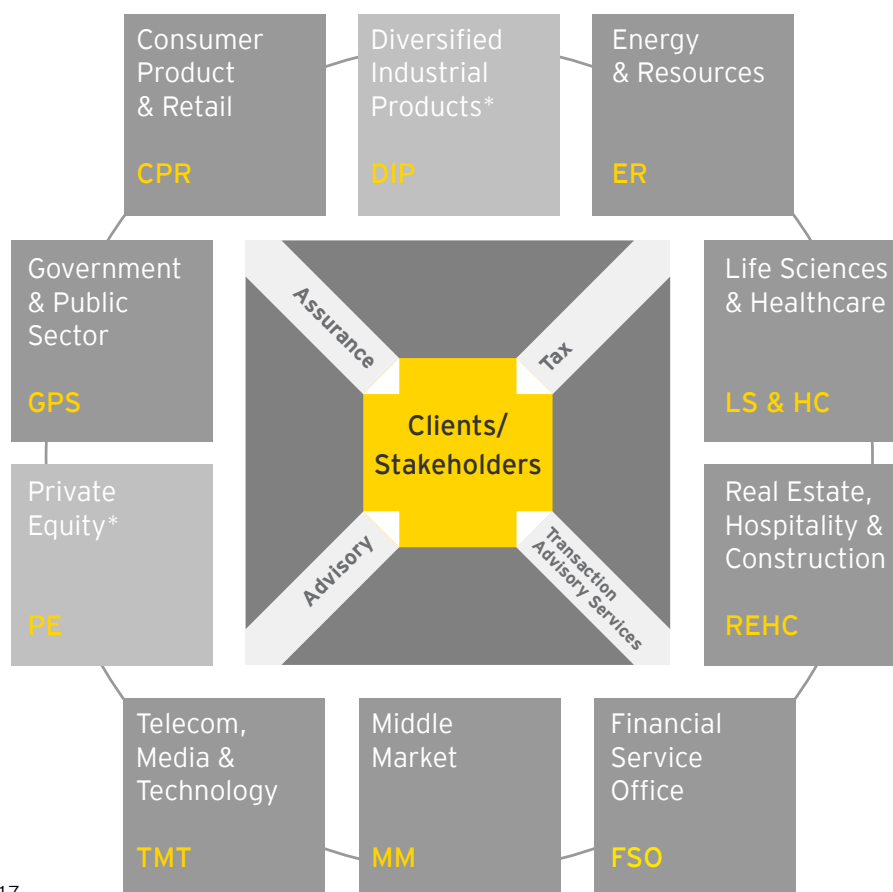
Financial Services: new clients

EY is strongly represented among financial institutions, which are serviced by our Financial Services Organization (FSO). This often multinational client group has cross-border issues which the supra-national organized FSO can handle. This market segment was also the largest in the fiscal year 2016/2017 if we look at revenue, which rose from €179 million to €195 million (plus 9%). Due to the mandatory audit firm rotation, we no longer perform audit activities for, among others, ING, NN Group and Rabobank. We welcomed new audit clients including ABN AMRO, de Volksbank, a.s.r. and Vivat.

Growth in all market sectors

Besides the financial sector, EY targets seven market sectors in the Netherlands about which we have in-depth knowledge worldwide. Revenue increased in all sectors. We saw the biggest growth in Technology & Telecommunication: by 22% from €79 million to €96 million. With a growth of 4%, the sector Consumer Products & Retail realized a revenue of €82 million (last year: €79 million). Other growth sectors were Healthcare & Life Sciences (€69 million, plus 15%), Government & Public (€62 million, 13%) and Real Estate, Hospitality & Construction (€48 million, 14%). The decrease in revenue last year in Energy & Resources did not continue: this market sector grew again slightly by 5% from €55 million to €58 million in 2016/2017.

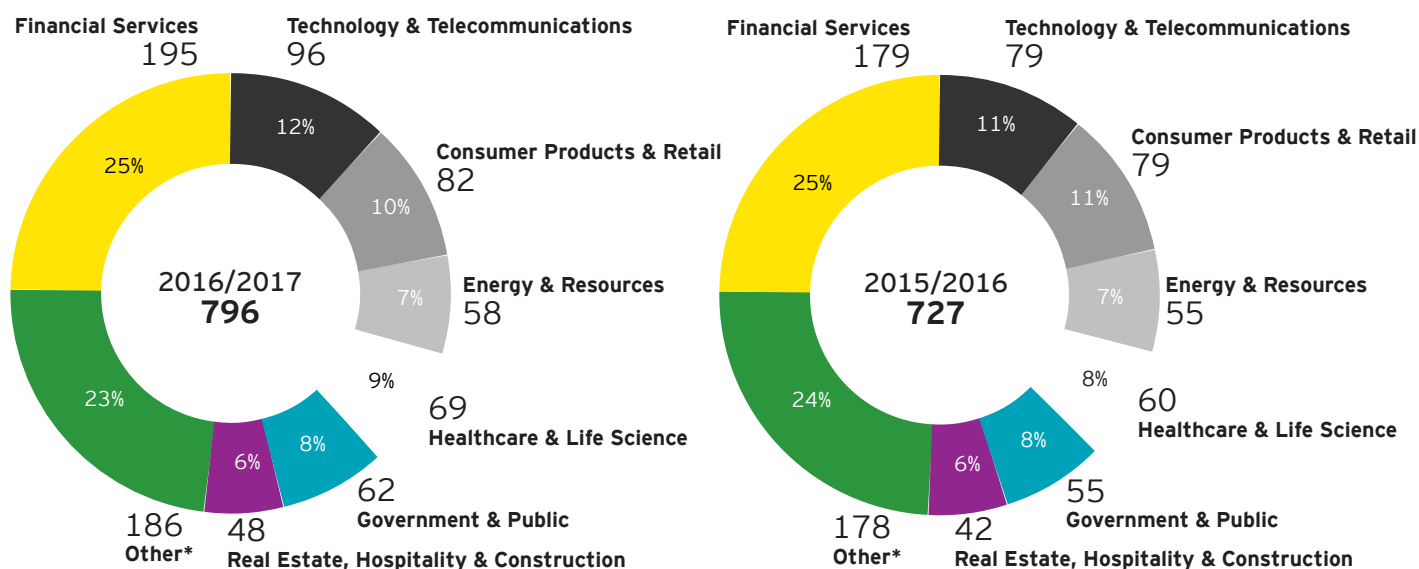
Go to market



* As of September 2017

Revenue by market segment

(in millions of euros)



* Including Transport & Logistics and Industrial Products.

The strong increase in revenue was the consequence of economic growth and growing consumer confidence. Companies are creating more business and this has an effect on the demand for advisory and other services.

Remaining strong in the 'mid-market' segment

If we look at the size of the companies that we serve, traditionally, we have a strong position in the mid-market segment, which comprises the medium-sized and larger companies.

There are many family businesses in the mid-market segment. In 2016/2017, we focused on building and strengthening our relationships with family businesses. We also focused on the role that we play: this is developing increasingly into that of trusted advisor. We hope to make a real contribution to the family business as 'trusted business advisor'. (See further Family Businesses: EY in the role of trusted advisor, page 47.)

The first EY Family Business Legacy Award, an award for a family business that demonstrates exceptional entrepreneurship and social relevance already for several generations was awarded to the Van Eerd family (Jumbo Supermarkten).

Entrepreneurship as a central point of focus

Entrepreneurship forms the basis of our society and is a central theme in our international Vision 2020 strategy and our Building a better working world mission. In various programs and round table conferences, we connect entrepreneurs with the objective of learning from each other and to thus further stimulate the Dutch economy and society. We see many trends that offer opportunities for companies and entrepreneurs, such as innovation, disruption, the advancement of platform companies, the circular economy, sustainability and internationalization. Our contribution as a knowledge company and trusted advisor is socially relevant and enables us to put our mission 'Building a better working world' into practice.

EY also stimulates entrepreneurship with the EY Entrepreneur of the Year Award, which is awarded annually in over sixty countries, including the Netherlands. With this award, we reward entrepreneurs that are making a difference and are creating successful and socially responsible companies that have an impact on society. Entrepreneurship in the Netherlands is also a central theme in our initiative EYnovation™, in which we provide assistance to start-ups and scale-ups (see box on page 44).

Family businesses: EY in the role of trusted advisor

Family businesses are the motor of the Dutch economy. According to data provided by Statistics Netherlands (CBS), there are over 260,000 family businesses in the Netherlands; these companies account for more than 49% of employment and nearly 53% of the Gross Domestic Product. Also due to their importance for society, family businesses are an important client group for EY.

Our Dutch Family Businesses team is linked to our international Family Business Center of Excellence. Family businesses are also an important target group in the international strategy Vision 2020.

EY advises family businesses with regard to wide range of issues. In the fiscal year 2016/2017, we paid a lot of attention across the board to external management, internationalization, digitalization, risk management and strengthening governance. Succession within the company (the 'Next Gen') is a spear point for EY Nederland. We also discussed growth targets with many family businesses. We do this based on the EY Growth Navigator, a method that enables the leadership team to evaluate the possibilities, strategic priorities and challenges themselves.

We conduct family business studies regularly. On an international level, we work together in this field with the University of Sankt Gallen (Switzerland). We presented the study 'External Managers in Family Businesses' in 2016 based on a trend that we have signaled. The report describes, among other issues, the decisive importance of the cultural alignment between the family and the external manager.

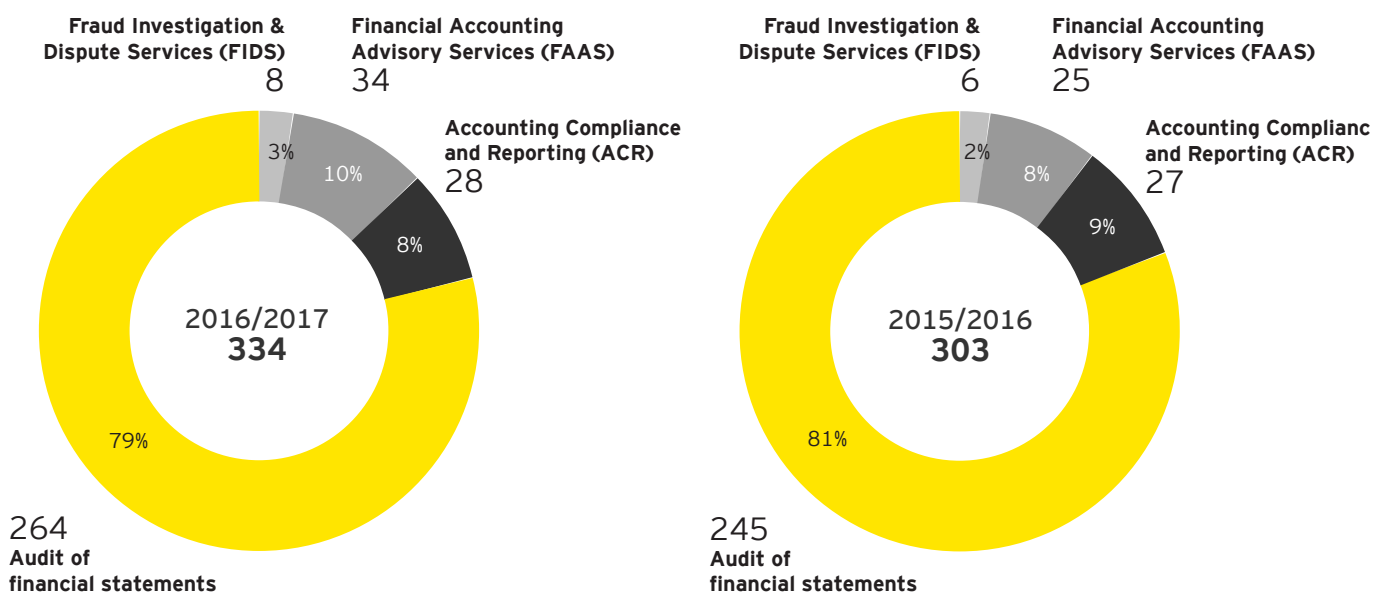
We also worked on strengthening the sharing of knowledge and on networking. As in previous years, we organized meetings regularly for the top of Dutch family businesses: 'Expert meetings' (for CEOs / owners of family businesses) and 'CFO Round tables' (for CFOs of family businesses). Participants discussed current themes such as digitalization and financing growth. We organize lunches every quarter for single family offices, i.e. offices that assist (wealthy) families.

It is EY Nederland's aim to expand its role as trusted advisor for family businesses. We are there for both the family and the company. This interaction is a central theme in our approach. The point of departure is that we help families to keep their businesses future-proof.

Our service lines in 2016/2017

Assurance revenue

(in millions of euros)



Assurance

Assurance has undergone major changes in recent years due to the obligatory rotation of audit firms at Dutch public interest entities known as Organisaties van Openbaar Belang (OOBs), including stock-listed companies and certain financial institutions). The fiscal year 2016/2017 was the first full fiscal year after this rotation for many clients. Therefore, in the past year, we paid a lot of attention to setting up our services to new audit clients.

This operation has led to major shifts. As far as auditing is concerned, Assurance had to take leave of a number of financial institutions, including ING, NN Group and Rabobank. On the other hand, Assurance now has many new audit clients including a number of financial institutions such as ABN AMRO, and a number of large multinationals in other sectors (Philips, Shell).

Revenue at Assurance rose by 10% to €334 million in the fiscal year 2016/2017 (last year: €303 million).

Innovation within the accountancy profession

Whereas the main focus of the accountancy profession used to be on checking the accuracy of individual figures and information; these days, accountancy professionals have a strong focus on assessing the proper functioning of systems and processes. Modern audit techniques play a big role in this. Data and predictive analytics are changing the audit considerably. When larger samples are necessary, we make use of, for example, our analysis tools with which we can perform targeted analyses on data from the client's system. These automated tools were developed in-house in close cooperation with EY Global. We are performing data analyses at more and more clients in connection with audit assignments. These analyses are always performed by the experts of Financial Accounting Advisory Services (FAAS).

In the meantime, we have gained a full year's experience with EY Helix, a package of analysis tools that was introduced in 2015. Senior managers and managers have received training in how to use and apply these tools. The number of assignments for which the data was received has increased compared to last year.

Non-financial themes are also coming to the fore and becoming part of the audit process. The assessment of culture and behavior by the external auditor, as described in the Dutch Corporate Governance Code, is an example of this. Supervisory boards expect that we discuss these aspects and they want us to signal when the rules in this area are not being complied with sufficiently. We plan to develop an assessment tool in the coming year with which we can offer our clients more insight into the 'soft' aspects of their companies.

Climate Change and Sustainability Services

Climate Change and Sustainability Services (CCaSS) focus on providing advice to organizations and governments on social, environmental and economic challenges so that they can also maintain their 'license to operate' in the future. Services are directed at sustainable supply chains, natural and social capital, advice about non-financial data management, assurance for non-financial information and impact measurement with the aid of our Total Value approach.

As a spin-off of the innovations that we are implementing in our audit services, we offer various data analysis solutions to our client in the field of financial accounting, internal governance issues and treasury. A recent example is providing advice in connection with the implementation of the IFRS 16 standard (lease accounting): we can perform computerized intelligent scans and analyses on lease contract portfolios of clients. Compared to manual analysis of all the individual contracts, this results in huge savings. Based on the outcomes, we can determine for the client what the impact of the new reporting standard is on the client's financial statements. For treasury departments of companies, we can make estimates and perform analyses regarding future cash flows based on historical data.

Fraud detection and cyber security

A theme that is becoming increasingly important, in particular within Assurance, is internal and external fraud and compliance violations. Every organization can be confronted with this. Incidents often lead to direct financial loss and indirect damage. Our advisers of Fraud Investigation & Dispute Services (FIDS) help companies to manage risks and possible consequences.

We have worked in particular on shifting the focus, which is now more specifically directed at strategic relevant clients, sectors and law firms. Our aim is to be the market leader in 2020 in the field of investigations, disputes, corporate compliance and Forensic IT (cyber security, e-discovery and data analytics). One of the objectives laid down in EY's Vision 2020 is to form a leading organization of specialists in this field. Important steps were taken in this fiscal year. The Forensic IT lab in Amsterdam has become operational and has now become the center of the Forensic Technology and Discovery Services (FTDS) within EY's WEM region.

Revenue grew strongly from €5.9 million to €8.2 million in 2017.

Managed services and online accounting

Clients have to deal with increasingly complex requirements in the area of regulations and wishes of stakeholders, such as finance providers and the Tax and Customs Administration. For instance, more and more companies are required to submit their financial statements in XBRL format to the Chamber of Commerce. In the mid-market sector, Accounting Compliance and Reporting works in close cooperation with the client. We offer various forms of support via our new client portal, such as possibilities for online accounting (via Exact Online) and support with the application of XBRL. In addition, we offer our non-audit clients our expertise and solutions with which we can unburden them. For example our managed services: we take over the management of certain processes and systems from the client.

Tax (tax advice and tax compliance)

Tax has also experienced the direct consequences of the rotation of audit firms and the European directives in the field of independence of the accountant that came into effect. In this service line, we had to take leave of large clients (OOBs) in the past years for which we had become the auditor. The objective was to acquire new positions at existing and new clients. Our tax advisors succeeded in doing this in spite of the mature market: revenue grew in the Netherlands by 4% to €265 million.

Tax is finding growth in new types of services, for example, non-tax work for HR departments, in addition to the traditional tax advice and tax return work for, for example, foreign employees. The HR work includes, for example, advice on remuneration policy and HR supporting technology, services that we offer under the label People Advisory Services. Tax also provides assistance with setting up tax departments and offers assistance with the accompanying computerization processes. In this role, tax advisers are working more and more closely with the client's financial administration.

Compliance with rapidly changing international tax laws - such as anti-misuse regulations and country-by-country reporting - is a top priority at many clients. As a result,

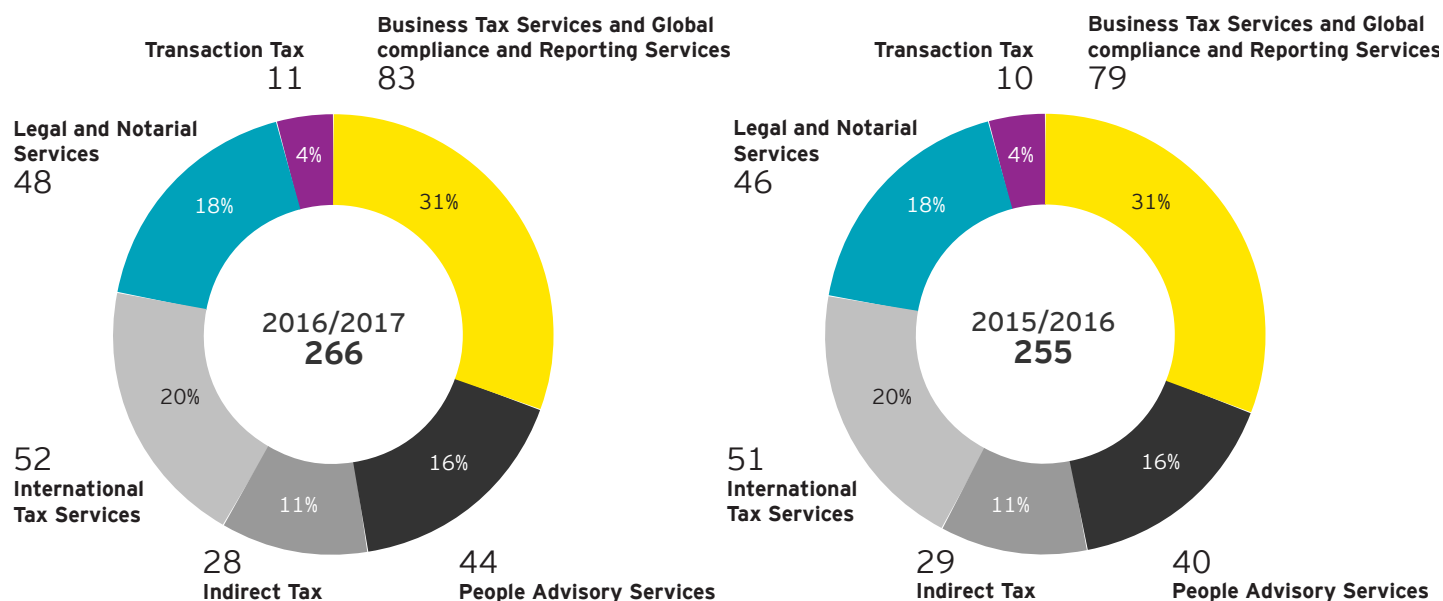
a shift is visible in the importance that boards of directors and supervisory boards give to the fiscal strategy of the company. We have responded to this with the Tax in the Boardroom program. This is a program whereby we enter into a dialog with a broad group of stakeholders within the company - including the head of tax affairs and the CFO, but also the head of communications and the sustainability department. In this manner, we arrive at a broad vision on the tax strategy of the company, including the accompanying control mechanisms.

In these new roles, Tax is moving closer and closer to the business processes of the client. Our advisers are increasingly developing from trusted tax advisers to trusted business advisers, who understand even better in which context clients operate and which risks clients are running. Non-financial factors and the context of the company are becoming more and more important. Clients want a complete and clear story.

The value of our tax work for society lies mainly in the quality of our services. Good tax advice, both from a tax-technical perspective and suited to the client in question, results in sound tax risk management and an optimal tax position.

Tax revenue

(in millions of euros)



Advisory

Advisory is performing well, this service line showed a solid growth. Advisory booked a revenue growth of 12%, from €98 million to €110 million. The expectations for the coming years are positive. Spear points for growth are: cyber security, data analytics, digitalization and customer journey (an analysis of the experiences and contact moments that customers can have with a brand).

There is a need for this in the market.

EY acquired the knowledge company Intelligence in Information B.V. in the beginning of 2016. The forty employees, specialized in business intelligence and data analysis, are a welcome addition. The knowledge and expertise of this group is well-aligned with that of EY. The teams strengthen each other. In this field, we see a process of an increase in scale and an expansion of areas of expertise. Under the umbrella of WEM, EY Nederland can make more efficient use of knowledge from other parts of the EY organization.

The number of clients decreased in recent years. As is the case in other service lines, Advisory has become more selective in the acceptance of assignments. We attach high value to relationships that have long-term potential.

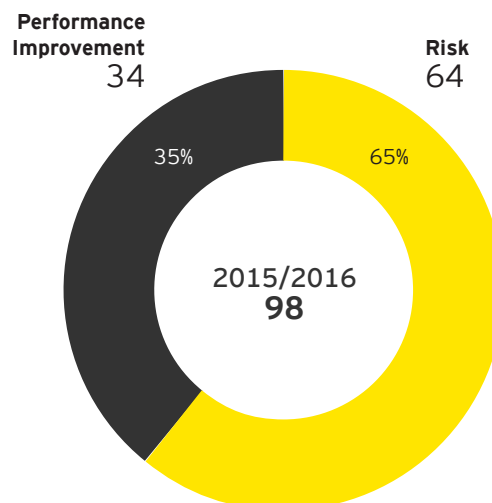
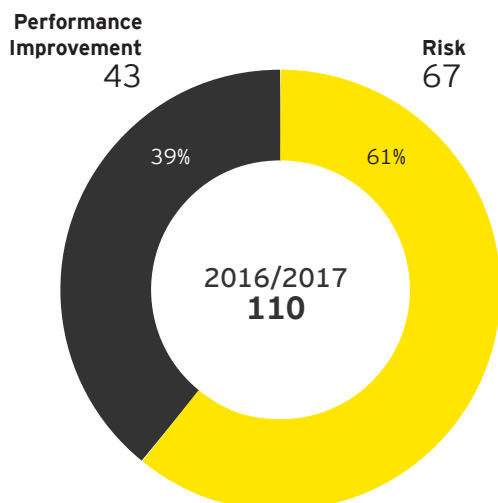
Economic developments have a direct impact on the nature of the services provided by the advisers. In order not to be too dependent on the fluctuations, EY focus on and specializes in providing total solutions: besides designing new services and systems, we can also manage these. In addition, Advisory intends to strengthen its capabilities in finance, supply chain, procurement, operations and technology.

The digital agenda of our clients is becoming increasingly important for Advisory. We offer solutions for issues in the field of digitalization, robotization and computerization. We see that our clients are becoming increasingly interested in the newest digital and predictive analytics applications. They can use predictive analytics, for example, to determine their potential customers and whether propositions can be tailored to the customers' needs. We also observe an increase in the interest for robotics solutions. Clients want to know more about how robotics can help them to improve the quality of their processes, to meet compliance standards better and to realize substantial cost savings.

Furthermore, cyber security remains a very important field for Advisory. We were able to advise a large company in the Netherlands via a hacking attempt: we were able to make

Advisory revenue

(in millions of euros)



changes in the financial reporting system by hacking. If these payments had actually been processed in the payment system, this possibly could have led to payments that had not been approved. At another client, it turned out that one of the employees was using the server capacity of the VPN server to 'mine' bitcoins. This was discovered by means of scanning the company's systems.

In some cases, we discovered through the scans that hackers had already been active for months on the client's systems. The company was able to put an end to this.

Transaction Advisory Services

A lot has changed at Transaction Advisory Services (TAS) in recent years due to the rotation of the audit firms.

This fiscal year was the first year for TAS since the rotation without very big changes in the client base. TAS is working on building up relationships with new clients. There is a new dynamic and new energy at TAS.

Across the board, the results achieved by TAS were positive over the past year. This is also due to the relatively favorable economic climate and the low interest rate causing loan capital to be relatively cheap. The transaction market can profit from this. Demand among clients grew, revenue increased by 38% from €39 million to €54 million.

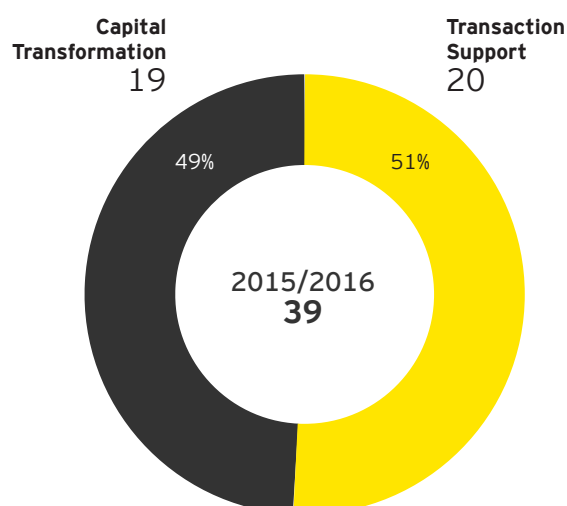
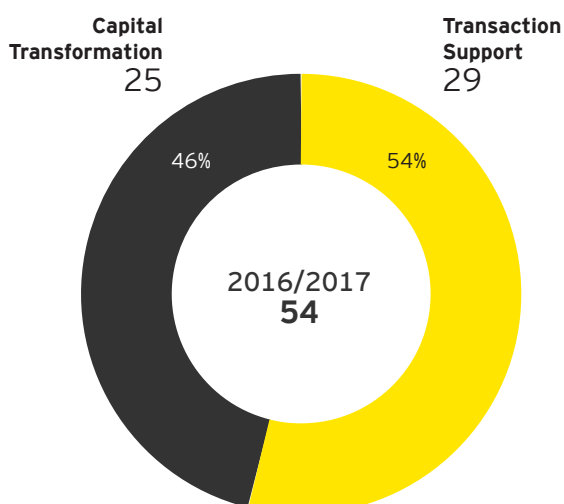
Practically all divisions of TAS showed a positive

development. Within our sub-service line Capital Transformation, revenue grew by 21% compared to the fiscal year 2015/2016. Our services in the area of integration and unbundling of business divisions (Operational Transaction Support) grew considerably. The demand for these services from larger companies remains strong. In the coming year, we also expect to further expand our activities significantly. Furthermore, we see a growth in valuation and (financial) modeling activities. This is also due to the strong position of the infrastructure group among institutional investors. The restructuring work group had a slightly less busy year. The demand for these services has decreased slightly due to the better economic circumstances.

The activities within the sub-service line Transaction Support grew by 56% compared to the fiscal year 2015/2016. In the past year, we integrated OC&C Strategy Consultants Benelux and its 59 employees in our organization. EY acquired the strategy consultants firms in August 2016. OC&C now forms part of Parthenon-EY B.V., the brand name that we use since the acquisition of The Parthenon Group in 2014. OC&C Strategy Consultants Benelux is specialized in strategy advice for large and medium-sized companies, private equity, government institutions and other public entities. The firm has a lot

Transaction Advisory Services revenue

(in millions of euros)



Our results in the market

of experience in the field of mergers and acquisitions and assisting private equity. This is an enhancement for EY: we are building up a position in the most important strategic advice and decision-making of companies. Without this acquisition, the growth compared to the fiscal year 2015/2016 would have amounted to 18%.

Innovation and new technologies are central themes that are crucial for further growth. The transaction advisory profession is becoming broader. EY's advice and support extend further than due diligence. Advisers are expected to be proactive, to come up with ideas and propositions earlier and more often. They enter into a dialog, also in the boardroom.

'I notice that we are very critical with regard to the composition of our client base: no client whatsoever is more important than our quality, integrity and reputation.'

Max 't Hart, Consultant Business Tax Advisory



Investing in the EY brand

We are proud of the appreciation we receive from our clients and we are proud of our organization. We want the outside world - our stakeholders but also society in general - to understand who we are and what we do. This year again, we made an effort to communicate and promote our core values, the EY brand and the range of services that we provide. Certainly in times in which the quality of our sector is a topic of public debate, we must pay a lot of attention to this.

In 2016/2017, we conducted a number of campaigns that fell within this policy. In connection with our sponsoring of NOC*NSF (since 2008), EY Nederland provided support to the coaches of Team NL in preparation for and during the Olympic Games in Rio de Janeiro. This fits in well with the role as coach that EY has in the business community and with the Highest Performing Teams that we aim for in our professional field. As of 31 December 2016, EY terminated the sponsoring of NOC*NSF as Partner in Sports. We look back on a pleasant and fruitful collaboration that lasted eighteen years. Terminating this contract is in keeping with our policy to make more clearly defined choices also with regard to marketing, sponsoring and relationship management.

A strong brand is also very important for our position on the employment market (for more information, see also 'Our performance as employer'). Our uniform approach to communication was also applied in our activities regarding the recruitment of students and starters.

The best brand

Every two years, we measure how strong our brand is and what progress we are making. We have been using the Brandsurvey, a tailor-made survey, for this already since 2005. This survey is carried out by an independent agency based on a representative survey among 4,600 clients and non-clients.

The most recent survey, held in September 2016, shows that we are regarded as the best brand in the Netherlands among the Big Four (PwC, Deloitte, KPMG, EY). However, it should be noted that this result can partially be explained by the fact that a relatively large share of EY clients participated in this survey.

As far as EY's brand preference position is concerned, we lead the Big Four in all service lines whereby we score the highest in audits. Respondents cite, for instance, the exceptional client experience, the best mix of talent and the technical quality. They also choose EY when they are asked who builds the 'strongest relationships'.

All of the Big Four firms have become more successful in increasing the distinctiveness of their own brands, which is also a trend that we observe worldwide. EY has a strong brand reputation among clients, an area in which we remain slightly ahead of PwC and Deloitte. The effectiveness of the brand campaign is apparent from the high percentage of respondents that can recall our advertisements. They are aware that our Building a better working world mission is a central theme in our advertising. The involvement with the EY brand is relatively high in the Netherlands: 87% of the respondents indicated that they had seen the advertisements. 65% of our clients attended one of our events and 52% of our clients confirm the visibility of EY leaders in the market.

EY in society

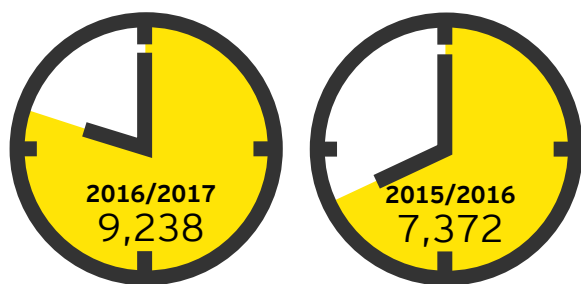
We aim to create value for our clients, employees and society. With our knowledge and expertise, we can contribute to important discussions in society regarding innovation, digitalization and a sustainable society in which social and environment-related issues are taken into account. This without losing sight of the financial aspects of doing business.

In view of the increasingly prominent role of companies in social themes, we have formulated a number of mega trends that address global issues such as robotization, urbanization and individualization worldwide. (For more information about this topic see the publication *Mega trends: making sense of a world in motion*). These mega trends form one of the pillars of our Community Investment Program.

Amsterdam Economic Board

EY is a partner of the Amsterdam Economic Board. AEB's ambition is to be among the top three of most innovative metropolitan regions in Europe in 2025. To this end, the Amsterdam Economic Board will work together with companies, governments and knowledge institutions on the following five challenges in the coming years: Health, Mobility, Digital Connectivity, Circular Economy and Talent of the Future. By developing innovations around these themes, they strengthen prosperity and wellbeing. The ambitions of the Amsterdam Economic Board are fully in line with the social responsibility that EY has in society: Building a better working world.

Community investment hours



EY in the public debate

In the past year, EY has participated in a number of discussions regarding issues that are currently matters of debate in Dutch society. This varied from the consequences of digitalization to the business climate (based on the EY barometer). Tax law was also a topic of debate several times. In the build up to the Dutch parliamentary elections of 15 March 2017, specialists of Ernst & Young Belastingadviseurs LLP clarified the standpoints of the political parties with regard to tax matters. They clarified this for various target groups such as private individuals, SME entrepreneurs, freelancers,

multinationals and start-ups. The explanations could be found on our websites and in blogs.

In addition, we published a number of documents in connection with 'thought leadership'. An example is the brochure 'Verduurzaming van pensioenfondsen en asset managers: call for action' [Increasing the sustainability of pension funds and asset managers: call for action]. In another publication, we discuss the sustainable development goals: 'What you need to know about the Sustainable Development Goals and how EY can help'.

The Council of Children

EY Nederland established a Council of Children in November 2015. The council is a collaboration between the Missing Chapter Foundation and UNICEF in the Netherlands. This is an initiative of Princes Laurentien of the Netherlands. The objective of the council is to give children a say in their own future and to stimulate decision-makers with the fresh perspective of their young stakeholders.

The Council of Children functions as a valuable source of inspiration for EY and a forum where we discuss strategic and relevant topics in a fun and inspiring manner. 24 pupils from upper grades of the public elementary school the Vierambacht, a school in the middle of Rotterdam and a real reflection of the Nieuwe Westen district have a seat in the council. As the children move on to the next grade, the composition changes each year.

In 2016, the council contributed to the debate on how to strengthen society's trust in EY. In 2017, the focus was on 'working together'. The children worked on this topic in class and were able to ask EY employees questions during a company visit. Questions such as 'Why is working together important?' and 'What should you pay attention to when looking for good solutions?'. The council presented advice and tips that are important to be able to work together effectively. 'Trust', 'asking and offering help' and 'taking small baby steps' are concrete action points that the children proposed as solutions. EY is pleased with the advice and ideas and has translated these into concrete actions: an effective working together training program is being developed within EY. In addition, employees will be assessed in the future specifically on working together. The practical 10 points list that the council has drawn up is part of the internal program: Step Change to Quality.

Community Investment

In order to have a positive impact on society, within the Community Investment program, we focus on themes that correspond with the competencies and the skills of our employees.

We have three pillars in the program:

1. Supporting future generations

EY works together with the foundation Stichting Dagje Lesgeven [Teaching for One Day]. This organization brings professionals in to teach a class for one day as a guest teacher. In this case, we focus on teaching in the field of entrepreneurship. We also support Child & Youth Finance International (CYFI), an organization that helps young, sustainable entrepreneurs.

Financial resilience of young people

The objective of Child & Youth Finance International (CYFI) is to provide access to financial services for children and young people and to make them more aware of their economic rights. CYFI helps them to strengthen their positions so that they can build their own resources, can invest in the future and ultimately break out of the vicious circle of poverty.

One of CYFI's initiatives is the Ye! Community. This is a platform of entrepreneurs who help young entrepreneurs (between the age of 16 and 30). Ye! Community connects these new entrepreneurs all over the world and makes various tools, resources and other possibilities available with which they can grow their business. EY provided eight Ye! Coaches to the community that helps the young entrepreneurs to bring their start-up to the next level. The EY employees help, for example, to improve business plans, set up a sound strategy and attract the first investments.

2. Contributing to the green economy

We are working together with Urgenda, the organization that aims to accelerate the transition to a sustainable society and a circular economy. Furthermore, we are a partner of the Business in Development Network, which aims to promote sustainable economic growth in emerging markets. The aim is to provide access to capital and knowledge to small and medium-sized companies that often have a focus on low CO₂ emissions.

Sustainability Day

Our collaboration partner Urgenda is the initiator of the national Sustainability Day (October 10th), a day on which every organization can contribute to increasing sustainability in the Netherlands in their own way. In order to involve several offices in this initiative, EY organized a Sustainability Day Roadshow, with information sessions in Amsterdam, Zwolle, Eindhoven, Rotterdam and The Hague about our Community Investment projects and our general sustainability policy.

3. Strengthening inclusive entrepreneurship

We stimulate inclusive entrepreneurship via our partnerships with, for instance, the Social Impact Factory and De Normaalste Zaak. De Normaalste Zaak is a group of about five hundred companies that build inclusive networks together with employers' organizations. This is known under the name '99van'. The number 99 stands for the ambition to connect at least 99 employees to each regional network, both in the SME sector and among larger companies. EY is proactive member and coordinator in the regions Amsterdam, The Hague and Rotterdam.

Entrepreneurs' views on social issues

The Social Impact Factory comes up with entrepreneur's solutions for social issues, together with entrepreneurs, organizations and initiatives. Each issue is approached from an entrepreneurial view: the proposed solutions or products must really mean something for society and must also generate a financial profit.

One of the ways in which the Social Impact Factory gives a boost to social entrepreneurship is the 'impact challenge'. In the past year, six EY employees worked as Social Impact connectors. The 'connectors' have a guiding role in the challenges, in which they look for an answer to a social issue together. The connectors assist, for example, in workshops about business concepts and revenue models. They use their knowledge to improve the growth strategies of the entrepreneurs.

The side note of Felicie Stratenus



'We are becoming a real learning organization'

Felicie Stratenus, Talent Leader the Netherlands

'We aim to offer excellent services to our clients and to build a better working world. We do this through teams. Not just any teams, but Highest Performing Teams. Together, the team members provide top quality. We want to see this reflected in the results as well as in our way of working. We want to deliver the highest quality and therefore we set the bar high for ourselves.'

'In order to be able to deliver this top quality, first of all, you need excellent people for the teams. We are looking for exceptional, dedicated, inspired and talented people, who have diverse opinions, perspectives and qualities. This diversity is a source of strength. The expertise and skills of the team members should complement each other, that is for sure, but it is also about the individuals themselves. What is your role in the team, how do you work together? There has to be a balance. As a group, they form the exactly right mix of talent, a team that can solve the most complex problems and can adequately respond to changes and new developments.'

Pyramid of Lencioni

'We work based on the concept of the Pyramid of Lencioni. This concept assumes that five elements are decisive for the strength of a team and the results. It all starts with building mutual trust. Another important element is the "healthy conflict" - if you really do function as a team then

you dare to call each other to account when something is not going well. Furthermore, I believe that personal involvement and attention for the team result are crucial. Ultimately, you aim for joint responsibility. It is important that team members look beyond the boundaries of their own assignment. You advise each other, contribute to the thought process. This allows you to learn from each other and discover possibilities and solutions from other perspectives. This enables you to grow as a professional and as a person. This is in line with EY's approach. We are becoming a real learning organization.'

Giving each other constant feedback

'We have implemented the concept of the Highest Performing Teams in a program for teams so that they receive the tools and training to improve themselves, as we aim for with Step Change to Quality. On an individual basis, we are embedding this improvement in the performance management system LEAD that we will introduce worldwide in the fiscal year 2017/2018. In this system, we give each other constant feedback instead of conducting a formal appraisal interview twice a year.'

6. Our performance as an employer

The EY Experience: lifelong

EY is the ideal environment for curious top talents who are eager to learn and experienced professionals who wish to develop themselves and build a career. As an internationally integrated organization, EY offers a global stage. The choices that employees make to build their careers are not predetermined. They can opt for different career paths within EY, in the service lines or with the support functions. They are given the opportunity to gain experience within our broad client base of international and large national companies.

EY stands for an open and inspiring environment where innovation can flourish and where new ideas are given every opportunity to come to fruition. We stimulate our employees to challenge each other and to share their ideas (see also page 43, Innovate EY).

In order to be able to offer excellent service, we must attract the right people, inspire them and enable them to grow. We build teams that create sustainable value for our clients and for us.

Added value for society

We create added value for society as EY by investing in human and intellectual capital. Our objective is that also when people leave us that they take the 'EY Experience' with them and promote this during their whole working lives. EY attracts many young people directly from universities and is one of the largest employers in the sector. Employees who leave our company generally move on to financial positions elsewhere in the market.

We prioritize three topics in our HR strategy:

- ▶ highest performing teams;
- ▶ attracting, retaining and developing talent;
- ▶ diversity & Inclusiveness.

New Ways of Working

We expect a large degree of dedication from our employees and, in turn, we provide a pleasant and open working environment in which there is room for flexibility and relaxation. We do this, for instance, with the New Ways of Working program, which is part of the EY Global Strategy.

At EY, we steer on output and work based on trust that this output will be delivered. New Ways of Working is a flexible way of working that is smarter and more innovative. It comprises the way we work in teams, how we work together and make effective use of available technology.

An element of this program is EY@Work: we invest in offices and workplace design that is geared to the way in which people work nowadays, including the most modern IT facilities. Seven offices have now been designed according to this principle.

In the Global People Survey 2017, 79% of the employees indicated that their managers provided room for flexibility in working hours and work locations.

The best performing teams

Our people work hard every day for clients, EY Nederland and society. They do this in close-knit teams that we select carefully. When composing a team, we pay attention to an optimal mix of different opinions, experiences and backgrounds. We aim to create a situation in which people inspire each other and learn from each other, and in which they also call each other to account if something is not going well or support each other if things are difficult. We make use of the system of Highest Performing Teams (HPT): we aim for the best services to our clients and irreproachable quality. Moreover, we provide continuity in the services through our teams.

A Highest Performing Team has a shared vision and a common goal. The team consists of the right people who complement each other with regard to knowledge and skills and is focused on quality and results. Mutual trust is an essential precondition. If that is present, team members dare to call each other to account and take responsibility. This concept is in line with the Step Change to Quality program; an important objective of that program is stimulating a culture of feedback.

In order to stimulate the dialog within the organization, we make use of Counseling Family Trees. A Counseling Family is a group of professionals within a service line led by a partner. They listen to each other and encourage each other. Open communication, really discussing things with each other and really listening well to the other person is the aim of the Counseling Families. We then also try to discuss things in this manner within our engagement teams.

EY launched the award 'Better begins with you' worldwide in 2015. EY wishes to encourage teaming with this award. We place teams in the limelight that promote our mission 'Building a better working world' in their daily work. Points are awarded for: providing exceptionally good services, extraordinary EY Experiences, strengthening society and pursuing innovation.

Two Dutch teams were proclaimed as regional winners (EMEIA). The team that provides tax advice to the company Uber won in the category 'Driving exceptional client service'. The Finance Navigator team that developed the Finance Navigator for start-ups, was the Global Finalist in the category 'Pursuing Innovation'.

'By constantly improving our internal systems and information systems, we receive signals of risks of violations of laws and regulations earlier. In this manner, we can further strengthen our compliance.'

Jan Steen, Senior Manager Risk



Attracting and retaining talent

EY Nederland invests a lot of time and energy in recruiting the most talented employees. We know how to reach young university graduates: the inflow was sufficient again this year. We were able to welcome 1,011 new colleagues compared to 1,118 in the previous year.

789 employees left our organization in the fiscal year 2016/2017. The staff turnover rate was 18%, which is normal for our sector. EY Nederland employed 4,506 people at the end of the fiscal year, a 5% increase compared to the previous year. The average age was 35 (2015/16: 35). The number of partners came to 265, an 8% increase.

Recruitment efforts

We enable recent graduates to get to know our organization in various ways. Each year, we invite a select group of third-year bachelor and master students for a multi-day event offering them a varied day and evening program, in which there is also room for fun activities. The students visit one of our offices, for example in New York. This year again, we organized three of such events for the various service lines.

We also have 'content days' in which students are given the opportunity to gain an impression of EY, the atmosphere, our people and our activities and our way of working. This enables them to better assess whether EY is a good match for them and if they wish work at EY. 37 of these days were held this year. Virtual Days were new this year: a virtual tour for students with vlogs of colleagues who talk about working at EY.

Personal Career Design: long live differences

Our EY Personal Career Design program ensures that people with different backgrounds and interests can develop optimally. We do not have a one-size-fits-all approach, our approach is based on the individual. We look what he or she needs in the way of coaching and support in order to develop optimally. This requires customization and differentiation. We take a person's education, character, background, personal circumstances and wishes into account, also with regard to their work-life balance. The starting point and the end point within our organization are different for everyone, as is the development path that employees will follow. We help employees to get the best out of themselves. This is the essence of Personal Career Design.

We offer students the possibility to work part-time for us in the last year of their study program. This gives them the opportunity to do work that is relevant for their study program. Furthermore, we have a large number of trainees on board, this year 265 in total. We regard both groups of new people as an important pool of talented employees for the near future. If it clicks on both sides, these people usually continue to work for us.

Besides the traditional professional fields, our recruitment is also directed at people with a technological background, such as data science and cyber security. This is the knowledge that we need for the development that EY is going through in the further digitalization of our services. Moreover, people with other competencies than the traditional competencies enrich the diversity of the teams.

At home at EY

We consider it important that both new talent and more experienced professionals feel at home quickly at EY. This is why we have paid even more attention to the 'onboarding' program. Already before they enter our employment, people can become acquainted with EY and get an impression of what working at EY is like. New employees are assigned a coach on their first working day with whom they can discuss their work during the training period.

In addition, we have taken various initiatives to attract and retain a broad and diverse group of people. For instance, we have implemented the Personal Career Design program which looks at the background and experience of individuals, not only for new colleagues but also for the existing workforce (see box).

Attractive employer

We measure our attractiveness as an employer also based on the degree in which we are able to retain top talent. The percentage remained high in the fiscal year 2016/2017: 91% of the outperformers remained (2015/16: 91%).

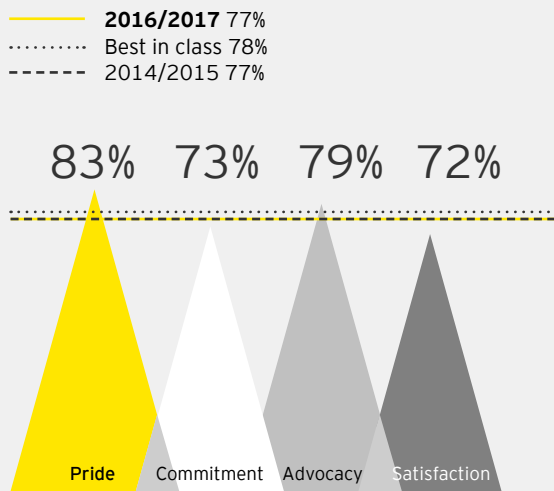
External surveys also confirm EY's position as preferred employer. Universum Global, an agency that carries out an employer survey worldwide every year among over 267,000 companies, proclaimed EY as the world's most attractive employer in the professional services category. According to this survey, we score the best of the Big Four in this category in the Netherlands, although we did go down one place on the list.

We consider it very important that our employees are dedicated to EY and the work that they do. We hope that they are proud and content, that they show commitment, and act as ambassadors of our company. The Global People Survey that we commission each year is a relevant source of insight: we consider the opinions of our employees very important. Open, honest feedback and a

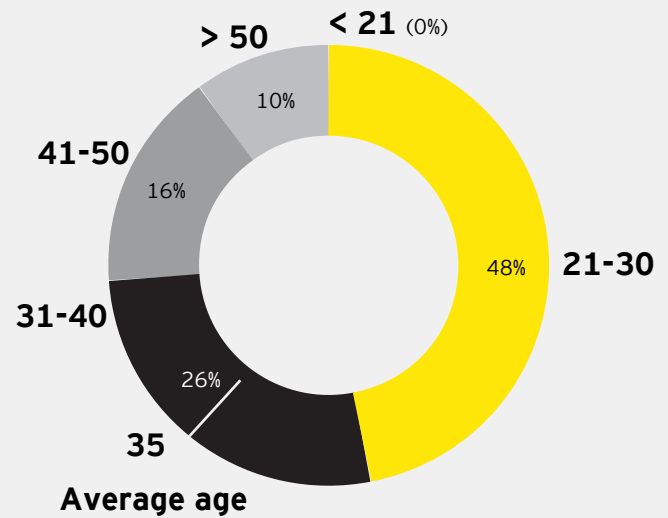
meaningful dialog are of vital importance for our culture and our business. The open dialog encourages us to raise the bar and implement improvements. The survey was held again in 2017, from 18 April to 15 May. The participation percentage was 81%. At 77%, the percentage of employees who feel connected with EY remained the same as last year.

The outcomes help us to understand where we are on the right track and which aspects we can improve on. As a result, we can define the right priorities. A good example of such an improvement point is Lead, the new performance management system that EY plans to implement in the second half of 2017. Instead of two appraisal / performance interviews a year, we are switching to a system of continuous dialog between leaders and team members. This is also in line with the Step Change to Quality program. One of the points of departure of this program is that we constantly call each other to account and encourage each other.

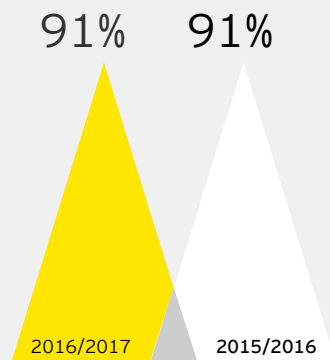
People Pulse Engagement Score



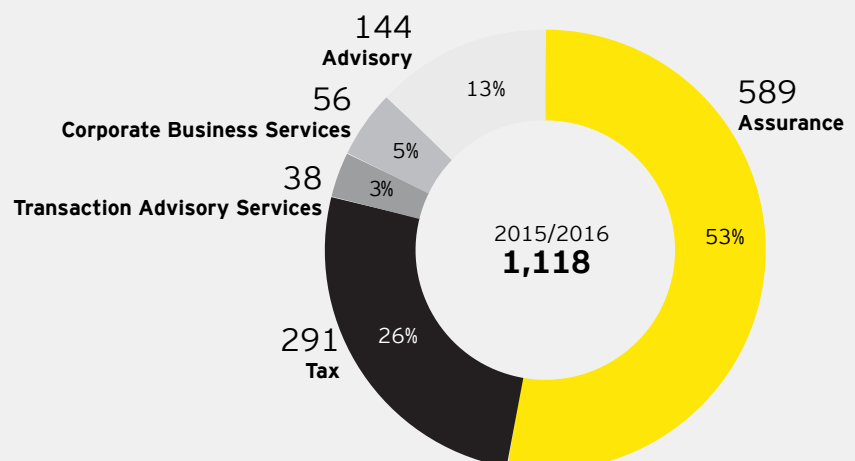
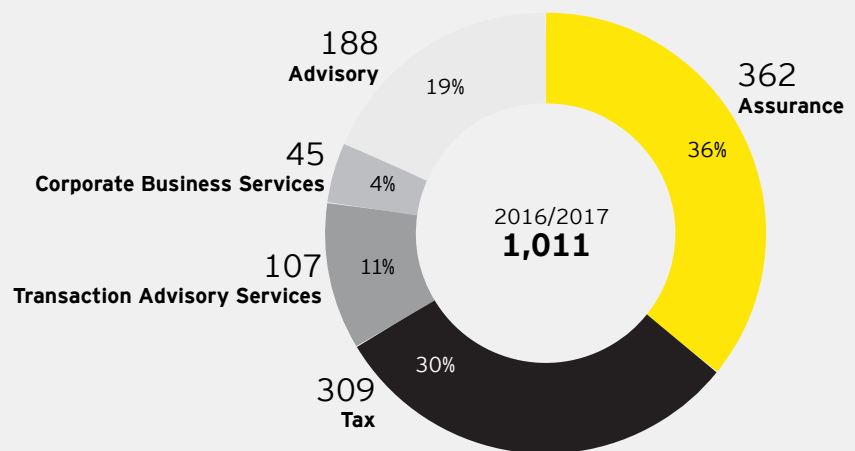
Percentages headcount by age



Retention rate top talents



New employees per service line



Learning and development

Our added value for clients and society is largely based on the knowledge and expertise of our employees. We stimulate that employees develop the professional or leadership qualities that are necessary to provide excellent services to our clients so that our business can continue to grow. Moreover, with the right level of knowledge and expertise we ensure that we can continue to meet the applicable quality standards and independence requirements.

This fiscal year, we invested €13 million in training and education, 3% less than last year. We organized around 1,700 training sessions in the Netherlands. In addition, employees also follow international training programs in EMEIA. The average number of hours that were spent on

training and education amounted to 100.6 per FTE, 1% less than last year. In addition to these training programs, our (tax) advisers spend part of their time each week on topics related to their professional fields.

The emphasis of learning and developing lies not only at the beginning of an employee's career at EY, we stimulate that employees continue to learn throughout their whole career with us. By continuing to learn, employees can continue to develop their skills and to contribute to our ambition to provide the best performing teams. Moreover, in this manner, employees remain valuable for the employment market as professionals. We offer two types of training programs: developing professional skills and personal skills.

Professional development

EYU ('EY and you'), our global framework for career development centers on learning, experiencing and coaching. We want to encourage our employees to take the initiative themselves with regard to their development possibilities - in the social, emotional and professional field. Knowledge, skills and competencies are deepened by combining learning with on-the-job experience. EYU stimulates an open attitude that improves the daily interaction with clients, colleagues and managers.

Milestone events

We celebrate important steps in a person's career at EY with 'milestone events'. From the Welcome to EY event for people who are just joining us to special learning events for new managers and senior managers. They follow milestone events on the EMEIA level. The objective is to support our managers in their development, to offer them a targeted learning program and to help them build up their international network of colleagues. New managers learn to understand what their contribution is to the implementation of our mission 'Building a better working world'. We also teach them how they can ask better questions with which we help clients to solve their most important challenges. Newly appointed partners participate in the Global New Partner Program.

Our performance as an employer

Account management, relationship management and leadership skills are at least as important for a professional's career as professional knowledge and expertise. These skills become increasingly important as their careers progress. Therefore, all our Client Serving managers and senior managers receive an assessment in their first or second year as a manager or senior manager to find out what they still need to develop in their current role and for the step to their next role. Based on this, we can offer them the right personal development and provide the right tools.

This year again, in all service lines, attention was paid to high potentials and specific target groups such as millennials. We organized master classes on team building for young talents. We paid special attention to communication skills in these master classes.

We encourage our top talents to broaden their horizons and to deepen their knowledge across service lines, sectors and geographic locations, both here in the Netherlands and abroad. As a result, working for EY is extra attractive for this target group.

There is also room at EY for activities within the Corporate Social Responsibility policy: employees can make their knowledge and expertise available for a social objective. (For more information about this topic, see 'EY's role in society', page 55.)

'Focusing on the right issues to improve quality: people may make mistakes; however, they must call each other to account.'

Elisa Syakur, Coordinator Quality Analysis & Regulatory Affairs



Diversity and Inclusiveness

We are working hard on fostering a culture in which diversity is encouraged and in which we and our clients can benefit from the diverse composition of leadership and teams. It is our conviction that the wide range of backgrounds and characteristics of our people contributes to a better world and to our own success. Diversely composed teams are a source of innovation and ensure that we continue to view the world from a broad perspective.

It is for a good reason therefore that Diversity and Inclusiveness (D&I) are part of our Vision 2020 ambition to create the Highest Performing Teams. We do not exclude any groups and strive consciously for a diverse composition of our workforce and our teams. At EY, the concepts diversity and Inclusiveness comprise more than simply the men to women ratio. People with an occupational disability, of various cultural backgrounds and generations, of various sexual orientations are all equally welcome at EY. This is in line with the values that we uphold: teaming and respect.

D&I is embedded in our business and HR processes. We equip our management (leaders, engagement managers and counselors) with the skills and the confidence that they

need to manage their teams inclusively. In this manner, we enable our professionals to deliver a maximum contribution to the team indiscriminately. Managers are responsible for supporting and sponsoring diversity and the steps that they take in this area; this is also taken into account in their appraisals.

We have formulated strict targets for diversity. For instance, women and men receive equal pay and are given the same opportunities for promotion. These targets promote the careers of women and minority groups and provide for more diversity within the organization. It is difficult to measure the progress among minority groups as people are not required to share information about their backgrounds with us.

The men to women ratio was 60/40% at the end of the fiscal year 2016/2017. This is the same as last year (2015/2016: 60/40%).

Employee participation

The management of EY Nederland work together with the Works Council constructively and in good harmony in 2016/2017. Six consultations took place. In addition, regular consultations took place regarding specific issues such as pensions, employment conditions in a general sense, mobility, finance, privacy and Health & Safety.

The theme quality was also high on the agenda. The OR voiced its support for the Step Change to Quality program. We are discussing the program, including suggestions for further improvements that have been proposed by the Works Council.

The side note of Herman de Ruijter



'Collaboration between advisers and auditors creates added value'

Herman de Ruijter, Chair of the partner forum

'The collaboration between auditors and advisers enables us to implement our mission Building a better working world. Large companies prefer to work with an organization that can assist them with several disciplines in the Netherlands and worldwide. Our added value for society lies in these integrated services that enable our clients to perform better. Or that enable them to comply with the increasingly complex laws and regulations with the aid of our specialist knowledge. We would very much like to continue to offer these integrated services.'

Getting the job done together

'Our legal structure provides for shared responsibility: we are partners together and we combine forces to get the job done. However, this feeling did come under pressure in the past year. The AFM's report has led to discussions internally. The partners had many questions regarding the situation that has arisen. After all, our firm's reputation concerns all of us. The Step Change to Quality program is a touchstone for us with which we can closely monitor our progress. Not only among the auditors for that matter. Specific quality requirements and regulations apply to everyone at EY, such as the rules regarding independence and client acceptance. The advisers in the other service lines must also comply with these rules. That is the consequence of collaboration with the auditors.'

7. Operational results

Sustainability in our business

As we are a knowledge organization, our direct contribution to climate change is limited. The most important contribution that we can make to averting climate change lies in supporting our clients and the market: we can support them in their efforts to contribute to a responsible economy and sustainable business practices.

At EY we are also challenging ourselves to work more sustainably. We are taking measurable actions to further reduce our CO₂ emissions and waste stream. Our ecological footprint is due almost entirely to staff mobility (commuting and traveling to client sites) and office energy consumption.

With our EY@Work concept, we give our people more flexibility to work from home or from another location. We try to simulate employees to look at mobility differently, whether this concerns private or business travel. Based on this, we have developed a concept for integrated, smart and sustainable mobility. This based on three pillars: less, more efficient and cleaner traveling.

We have made information about all aspects of our mobility policy available for our employees online in a central location. From this location, they have access, for example, to the booking system for a free electric car or bike. We also offer a number of customized mobility packages here to employees who are entitled to a company car. A number of

clients have shown interest in our mobility concept. This forms an extra impulse for us to deliver on our building a better working world mission.

In the area of office accommodation, in addition to our EY@Work program, we pay particular attention to energy consumption, certification, video conferencing facilities, new heating and cooling systems and green electricity.

Sustainability criteria are an integral part of our procurement policy; this is also one of the themes in our dialog with stakeholders.

Although our CO₂ emissions decreased by 20% to 20,938 tCO₂ compared to our 2008/2009 baseline (which was 26,043 tCO₂), there was an increase of 7% this year compared to last year. This increase was mainly due to an increase in car and air travel. This can be attributed to the increase in the number of employees. Emissions per FTE remained unchanged at 4.9 tCO₂.

Travel

The 8% increase in CO₂ emissions (919 tCO₂ higher compared to 2015/16) caused by car travel is mainly due to the growth of our workforce (5%) and consequently the expansion of our car fleet. A factor that is included in the calculation as of 2016/2017, the commuting of employees without a company car, resulted in an extra 403 tCO₂ compared to 2015/2016. The increase in CO₂ emissions (14% more than in 2015/16) in connection with air travel

Greenhouse gas emissions

Emissions measured in tCO ₂	2016/2017	2015/2016	Δ
Car travel	12,811	11,892	8%
Air travel	4,798	4,197	14%
Train travel	32	24	35%
Total travel	17,641	16,113	9%
Paper consumption	146	170	-14%
Waste	345	392	-12%
Energy consumption offices	2,806	2,881	-3%
Total	20,938	19,556	7%
tCO₂ emissions per FTE	4.9	4.9	

was due to the growing number of international clients. CO₂ emissions in connection with train travel increased by 35% compared to the previous year. This increase was due to a change in the calculation method as commuting by train kilometers without making use of the rail pas (the NS Business Card) made available by EY are now also taken into account.

Paper and waste

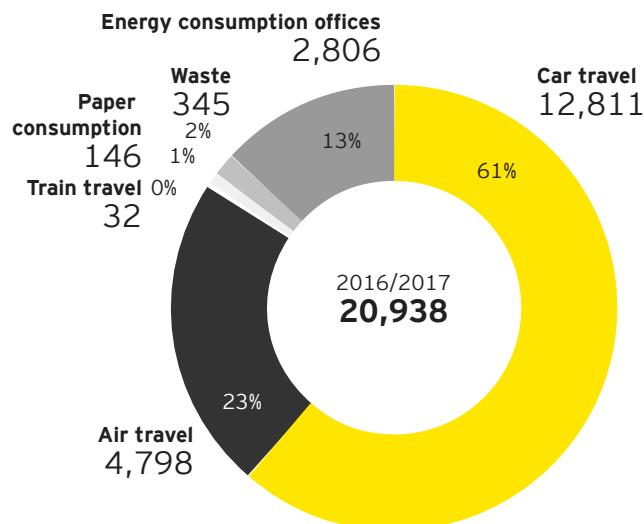
Paper consumption and the amount of waste decreased from 562 tCO₂ in the fiscal year 2015/2016 to 491 tCO₂ in the fiscal year 2016/2017 (-13%). The difference in the amount of waste can be largely attributed to the renovation of our office in Amsterdam, which took place in 2015/2016.

Energy consumption offices

In comparison with the other items, the energy consumption of the offices shows the largest decrease in CO₂ emissions (-68%) compared to the baseline year 2008/2009.

A reduction of office space, an increase in the sustainability of our offices and the 'new way of working' from home or at other locations have contributed to this decrease in energy consumption. We also further reduced our office space in 2016/2017.

Emissions per category (tCO₂)



Financial result*

Income statement (in millions of euros)	2016/2017	Δ	2015/2016
Assurance	334	10%	303
Tax	266	4%	255
Advisory	110	12%	98
Transaction Advisory Services	54	38%	39
Rendering of services	764	10%	695
Corporate Business Services	32	1%	32
Revenue	796	9%	727
Operating expenses			
Purchased services	105	19%	88
Employee expenses	347	8%	322
Depreciation and amortization	7	29%	5
Other operating expenses	185	8%	171
	644	10%	586
Operating profit	152	8%	141
Finance income and expenses	-4	-23%	-6
Profit before tax	148	9%	135
Income tax expenses	-	0%	-
Profit for the fiscal year	148	9%	135
Undistributable items and interest on capital	-22	7%	-20
Income available for distribution	126	10%	115

* The results and financial position of HVG Law LLP fall within the scope of the integrated report, but are not included in the (consolidated) financial statements.

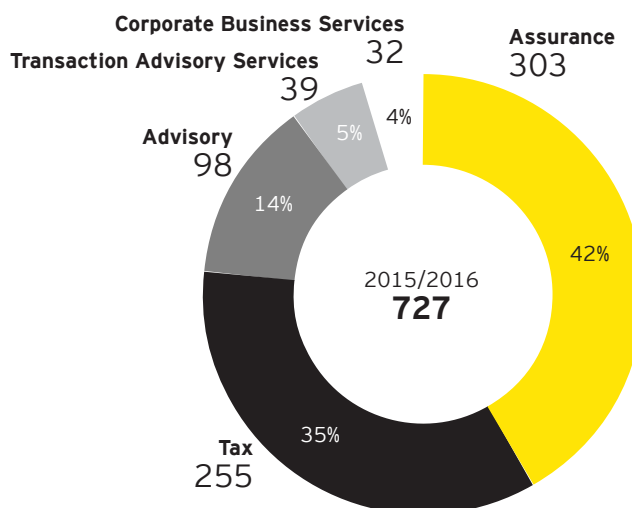
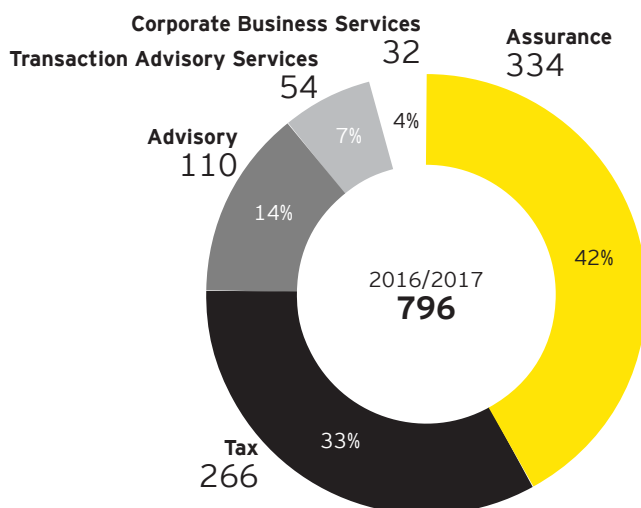
Satisfactory and well spread revenue growth

Revenue in fiscal year 2016/2017 amounted to €796 million. This is an increase of €69 million or more than 9% compared to the previous fiscal year (€727 million). Revenue from the acquisitions Integrc, i3 and Montesquieu (which took place during the previous fiscal year) is fully included in this fiscal year. Revenue from the acquisition OC&C Benelux (which took place during this fiscal year) is included for a 10-month period. Organic revenue growth (excluding these four acquisitions) amounted to over 7%.

The revenue growth from services provided by our four operational service lines - Assurance, Tax, Advisory and TAS amounted to 10% (8% excluding acquisitions). All four service lines contributed to this growth by €31 million (Assurance: 10%), €11 million (Tax: 4%), €11 million (Advisory: 12%), and €15 million (TAS: 38%) respectively. This reflects the result of a successful audit firm rotation. We have become the market leader in the auditing of financial statements for companies listed on the AEX and AMX stock exchanges in the Netherlands.

Revenue by service line

(in millions of euros)



Our revenue from audit clients rose by 15%. In the non-audit market, we succeeded in more than compensating the revenue loss due to the rotation by investing in new clients and services. Corporate Business Support services amounted to €32 million, equaling the previous fiscal year.

Fractional increase operating profit margin

Revenue growth went hand in hand with a growth of the operating expenses by €58 million (10%) to €644 million (previous fiscal year €586 million). The procurement of services of foreign EY firms and third parties rose by €17 million (19%), while wage costs of our employees rose by €25 million (8%). We invested considerably in the recruitment of employees for the third fiscal year in a row. The average number of employees rose by more than 6% to 4,026 FTEs and the average increase in wage costs amounted to 2%. The investments in EY@Work (previously Workplace of the Future) contributed to higher depreciation charges of in total €2 million (29%), while other operating expenses rose by €14 million (8%).

Operating profit amounted to €152 million, an increase of €11 million (8%) compared to the previous fiscal year and the operating profit margin amounted to 19% (equaling the previous fiscal year). Lower financing expenses amounting to €4 million (-23%) resulted in a profit of €148 million (€135 million in the previous fiscal year).

Partner income available for distribution

Of the profit of €148 million, €22 million (previous fiscal year: €20 million) is reserved for, in particular, the settlement of pension entitlements of former partners, the vacancy provision, goodwill resulting from acquisitions and the compensation for the capital. Thus an amount of in total €126 million remains (previous fiscal year: €115 million) that is available for distribution as partner income. The distribution is paid into the partner's private companies (B.V.s).

Outlook fiscal year 2017/2018

The audit firm rotation has provided us with the desired balanced client portfolio. The audit portfolio provides a sound revenue base for the coming years and the non-audit portfolio offers good possibilities for further growth. The new WEM region will contribute to this. We will also continue to invest in our people, innovation of our services and technology in the coming fiscal year. We are transforming our services into digitized, managed and asset-based services. To this end, we are also expanding our alliances with third parties and, where necessary, we will acquire new competencies. The quality of our services is paramount in everything that we do. It is for this reason, that we launched the Step Change to Quality program in the past fiscal year. We will also continue to make extra resources available for this program in the coming fiscal year.

Value creation

This year, we took further steps to quantify our value creation. We consider it of great importance to understand how we create value for our clients and employees and for society in general. With this knowledge, we can make choices to further optimize our added value for society.

In order to determine our value creation, we use the Total Value concept with which we quantify and monetize economic, human and natural capital. In comparison with last year, we have enriched the analysis with the economic dimension based on a 'gross added value' approach. With this approach, we provide insight into how much economic capital is generated for our stakeholders. In addition, we revised the concept for human capital. We focus on training and education and the value that this generates for future employers.

We are presenting comparable figures in comparison to last year for the first time this year. The results show us that we have created more economic value in comparison to last year, in particular through procured services and margin improvement. As a result of the lower outflow of employees compared to last year, we have generated less value for future employers due to departing personnel. The negative capital contribution in the field of natural capital is limited in comparison with the other types of capital.

We realize that further development is necessary to ensure that the concept of value creation can be even more useful. Therefore, it is our ambition to be able to determine the value that we create for our clients. It is our expectation that our Step Change to Quality program will contribute to increasing our added value for society and our clients.

Total value concept

Economic capital
+ €721 million

+10%

Human capital
+ €231 million

-2.6%

Natural capital
- €1.4 million
+7.7%

- ▶ Car travel: - €0.9 million (2015/2016: - €0.8 million)
- ▶ Energy consumption offices: - €0.2 million (2015/2016: - €0.2 million)
- ▶ Air and train travel and waste: - €0.4 million (2015/2016: - €0.3 million)

(% compared to fiscal year 2015/2016)

The side note of Frans de Bruijn



'We are constantly working on building a relationship with our clients based on trust'

Frans de Bruijn, Partner Assurance

'We make our knowledge and our network available to our clients and potential clients. We do this preferably face-to-face in a very personal manner. We want to be a real sparring partner. We are constantly working on building a relationship based on trust, because you have to continue to earn trust.'

'Of course, our position varies in this regard. When we work for clients as auditors, in many cases, we are not permitted to provide all sorts of other advisory services. However, we can provide guidance to them with regard to the changing laws and regulations and point out the consequences for their business. In that case, we include this in the audit that we are carrying out.'

Personal attention is crucial

'If we are advisers at an organization, we are freer and we can really stand beside the client. The personal attention that we give is crucial. We invest a lot of energy in this. For example, we organize dinner meetings around a specific theme offering about fifteen business people the opportunity to spar with each other during dinner. We offer the platform three times a year, and we participate in these discussions.'

Inspiring for everyone

'Another example is that we bring business people that run family businesses together. We discuss topics that are relevant for them - for instance succession, financing, or very topical: the registration in the UBO (Ultimate Beneficial Ownership) register. It is also great to see what you can help achieve when you bring these well-established business people in contact with start-ups. Which is very inspiring for everyone. New collaborations also arise from these sessions.'

'How to provide the most optimal services to each of our clients, that is always the challenge. They have to know us and we have to know them: not only the company itself, but also the sector and the trends in the sector. We invest a lot of energy in this.'

8. Governance

Corporate governance

A general explanation of our governance model is provided below. For a detailed overview of the structure, organization, management, quality control system and

performance of Ernst & Young Accountants LLP, we refer to the Transparency Report 2017 of this organization, which is published separately.

Board of Directors

The Board of Directors of Ernst & Young Nederland LLP (EY Nederland) is responsible for the commercial and financial policy and the reputation of the company. The Board of Directors provides coordinating leadership in order to optimize the shared course of the business and practices of Ernst & Young Accountants LLP and Ernst & Young Belastingadviseurs LLP and promote their joint strategy. Members of the Board of Directors receive a fixed salary via their own professional company for their role as directors.

The Board of Directors of EY Nederland is appointed by Ernst & Young Europe LLP with the approval of the Supervisory Board of EY Nederland. In the fiscal year 2016/2017, the Board of Directors consisted of Coen Boogaart (Chair, Country Managing Partner in the Netherlands) and Jeroen Davidson (Chair of Ernst & Young Belastingadviseurs LLP). Michèle Hagers (Chair of Ernst & Young Accountants LLP) stepped down as of 2 May 2017 and was succeeded by Rob Lelieveld, also as a member of the Board of Directors of EY Nederland. Members of the Board of Directors are appointed for an indefinite period.

Changes in 2017

EY Nederland made a number of changes in the governance organization in 2017. The members of the Board of Directors have become policymakers of EY Nederland within the context of the still to come into force amendments of the Audit Firms Supervision Act [Wet toezicht accountantsorganisaties (Wta)]. Furthermore, the decision was taken that the Compliance and Quality Assurance departments will be positioned besides Risk and Legal on the holding level. The composition of the Board of EY Accountants under the chairmanship of Rob Lelieveld has been changed.

Responsible for	Name	Working for EY since	Member of the Board of Directors since	Male/Female	Nationality
Country Managing Partner	Coen Boogaart	1985	01-07-2016	Male	Dutch
Chair Ernst & Young Accountants LLP (up to 2 May 2017)	Michèle Hagers	1989	01-07-2014	Female	Dutch
Chair Ernst & Young Accountants LLP (as from 2 May 2017)	Rob Lelieveld	1980	18-04-2017	Male	Dutch
Chair Ernst & Young Belastingadviseurs LLP	Jeroen Davidson	1990	01-07-2013	Male	Dutch

Board of Directors biographies



Coen (C.B.) Boogaart M.A. C.A. (1960, Dutch)
Chair since 1 July 2016

Coen entered EY's employment on 1 October 1985 and was appointed partner in 1994. During the past 30 years, he has worked for numerous multinational clients. In addition, he has gained considerable management experience during his career both in EY's national and international organization as well as in industry organizations. Coen studied business economics at the University of Groningen and is a chartered accountant and a US CPA. In addition, he followed the Advanced Management Program at Harvard and the International Directors Program at INSEAD.

Within the board, he is responsible for the areas Finance & Operations, Brand, Marketing & Communications (including CSR), Markets, the Executive Office and the Advisory service line. He is also a member of the board of the WEM region.

Former positions and activities

- ▶ Chair of the Global Governance Council, the highest governance body within EY's international organization.
- ▶ Chair of the board of EY's assurance practice in the Netherlands and chair of EY's Assurance Global Banking and Capital Markets practice
- ▶ Various management positions at the Royal Netherlands Institute of Chartered Accountants (the NBA)



Jeroen (J.L.) Davidson LL.M. (1963, Dutch)
Member since 1 July 2013

Jeroen entered EY's employment in 1990 and was appointed partner in 2000. During his career as a tax advisor, he has filled a large number of positions in the Netherlands and abroad. Jeroen studied tax law at the University of Amsterdam. He has also followed various executive programs at the Kellogg School of Management and other academic institutions.

As a board member, Jeroen is responsible for Legal and Talent. In addition, he is also Chair of the board of Ernst & Young Belastingadviseurs LLP and thus responsible for the strategic alliance with HVG Law LLP, as well as Managing Partner Tax within the WEM region. He is also a board member of a number of charity organizations.

Former positions and activities

- ▶ Managing Partner Tax EY BeNe
- ▶ Financial Services Leader for the Tax practice in the Netherlands
- ▶ Tax Market Segment Leader for the Banking & Capital market in several European countries
- ▶ Responsible for setting up EY's first Dutch Tax Desk in Milan
- ▶ Tax advisor at the international practice in Amsterdam

Board of Directors biographies



Rob (R.J.W.) Lelieveld C.A. (1962, Dutch)

Member since 2 May 2017

Rob entered EY's employment in 1980 and was appointed partner in 1996. He has been working as an accountant already for 37 years for clients in various sectors including many international organizations. During his career, he has gained extensive management experience. Rob is a chartered accountant and he has followed executive programs at the Kellogg School of Management and Harvard University. He also completed the INSEAD International Director Program in Fontainebleau.

As a member of the Board of Directors, he is responsible for Quality, Risk Management and the Transaction Advisory service line. In addition, he is Chair of the board of Ernst & Young Accountants LLP. Rob is also a member of the NBA (Royal Netherlands Institute of Chartered Accountants) Steering Group Public Interest.

Former positions and activities

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

Operating Committee

In order to strengthen its governance, EY Nederland announced a number of changes on 24 April 2017, including the appointment of an Operating Committee. This committee assists the Board of Directors with the management of the company. The members report to the Board of Directors.

The table below specifies who, in addition to the members of the Board of Directors, have a seat in this committee and what their responsibilities are.

Name	Responsible for
Nico Pul (*)	Quality
Jeroen Kamphuis	Compliance, Independence & Risk
Nicole Evers	General Counsel / Legal
Erik Kamphuis	Finance & Innovation
Felicie Stratenus	Talent
Toby Ellson	Brand, Marketing & Communications
André Wijnsma	Markets
Stephan Lauers	Transaction Advisory Services
Barend van Doorn / Guill van den Boom	Advisory
André ten Damme	Financial Services Organization

* Nico Pul also attends the meetings of the Board of Directors on a permanent basis.

Supervisory Board

The Supervisory Board of EY NL started to carry out its supervisory duties on 1 July 2015. In the period 2016/2017, the Supervisory Board consisted of three external independent members and one non-independent member from EY's internal organization. Tanja Nagel was appointed as the fifth member on 1 September 2017. Supervisory Board members are appointed for a period of four years.

Name	Member since	Independent member	Male/Female	Nationality
Pauline van der Meer Mohr (Chair)	01-07-2015	Yes	Female	Dutch
Steven van Eijck (Vice-Chair)	01-07-2015	Yes	Male	Dutch
Monique Maarsen	01-07-2015	Yes	Female	Dutch
Jean-Yves Jégourel	01-07-2015	No	Male	French
Tanja Nagel	01-09-2017	Yes	Female	Dutch

EY entities in the Netherlands

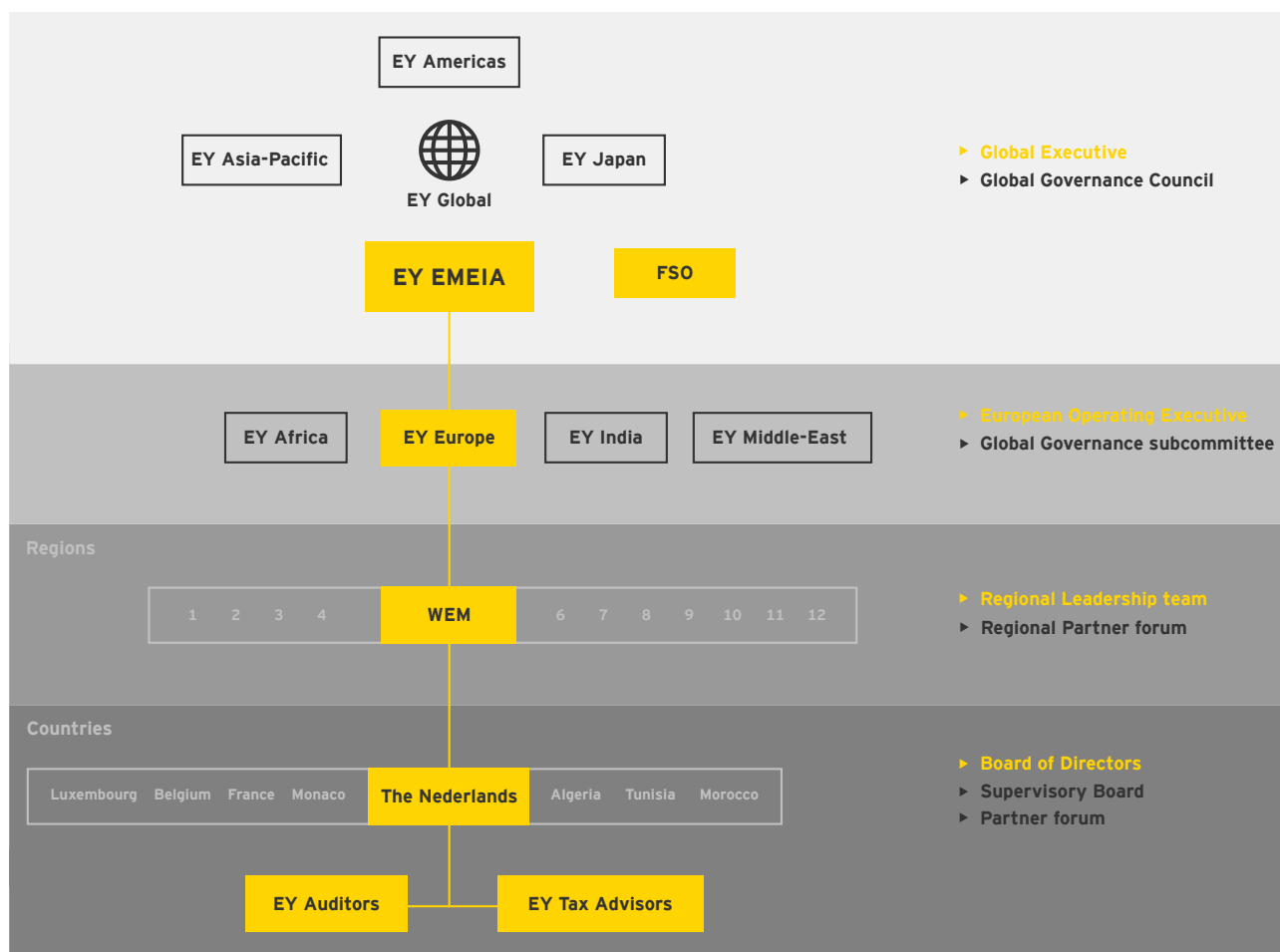
Two important EY entities in the Netherlands are Ernst & Young Accountants LLP (with the service lines Assurance, Advisory and Transaction Advisory Services) and Ernst & Young Belastingadviseurs LLP (Tax). Both entities are owned by the private companies of the partners ('members') from the service lines in question of EY in the Netherlands. The partnersmembers of Ernst & Young Accountants LLP and Ernst & Young Belastingadviseurs LLP, respectively, are also partnersmembers of Ernst & Young Nederland LLP.

Ernst & Young Accountants LLP is authorized by the Dutch Authority for the Financial Markets to perform statutory audits, including statutory audits of public interest entities.

The EY network operates from 16 offices in the Netherlands. More information about the entities that belong to this network can be found in the annex. Ernst & Young Belastingadviseurs LLP has a strategic alliance with HVG Law LLP (previously Holland Van Gijzen Advocaten en Notarissen).

Ernst & Young Nederland LLP coordinates and facilitates EY's activities in the Netherlands, but does not provide any services to clients. The profits of Ernst & Young Accountants LLP and Ernst & Young Belastingadviseurs LLP are divided among the partners of Ernst & Young Nederland LLP.

Our firm within the EY Network



WEM and EMEIA

Within the global EY network, EY Nederland is part of the Western Europe & Maghreb region (WEM). This region arose in April 2017 from the merger of the regions FraMaLux (Algeria, France, Luxembourg, Monaco, Morocco, Tunisia) and BeNe (Belgium, the Netherlands). WEM has been operational since 1 July 2017. WEM, in turn, forms part of the geographical area EMEIA (Europe, Middle-East, India and Africa). There are three other areas: Americas, Asia-Pacific and Japan. The EMEIA Area comprises 98 countries, divided into 12 regions. In addition, there is an EMEIA Financial Services Organization (EMEIA FSO), in which all services provided to the financial sector are grouped together within EMEIA.

Regional Leadership Team

In addition to the legal structure in the Netherlands shown above, the activities of the non-Financial Services Organization in the WEM region are coordinated by the combined Regional Leadership Team. Dutch partners are assigned to either the WEM region or the EMEIA FSO.



Regional Partner Forum (RPF)

The RPF is an advisory body for the combined Regional Leadership Team within WEM that acts on behalf of the partners. The members of the forum meet regularly to discuss strategic and operational issues. The forum acts as an advisor and sounding board for the combined Regional Leadership Team and also provides input to the Global Governance Council.

EMEIA entities

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

EY Europe is a British limited liability partnership. The European partners of the EYG member firms are the owners of EY Europe. EY Europe is registered as an accounting firm with the Institute of Chartered Accountants in England and Wales (ICAEW), but it does not carry out audits or provide any professional services. EY Europe is a member firm of both EYG and EMEIA Limited.

Europe Operating Executive

The Europe Operating Executive (EOE) operates as the board of EY Europe and has the authority and accountability for strategy execution and management of EY Europe's operations. The EOE consists of the Europe Managing Partner, the leaders of Accounts, Talent and Risk Management, the leaders of the service lines Assurance, Advisory, Transaction Advisory Services and Tax and all European Regional Managing Partners.

Europe Governance Sub-Committee

The Europe Governance Sub-Committee of EY Europe consists of one representative from each region in Europe. This committee advises the EOE with regard to, among other matters, policy and strategies. The committee's approval is required for a number of important matters such as the appointment of the Europe Managing Partner, the financial reporting of EY Europe and material transactions.

EY Global

EY Global coordinates the member firms and stimulates cooperation among the firms. EY Global does not provide any services. Each member firm is a separate entity. The tasks and responsibilities of member firms are determined by the EY regulations and various other agreements.

EY applies a governance model that enables it to enhance its global scale and the delivery of consistent exceptional client service worldwide. The Global Executive is responsible for a uniform global approach to strategy, quality, risk management, business planning, investments and priorities. In addition, this governance model ensures a better focus on stakeholders in the 26 regions as it enables the member firms in the various countries to build stronger relationships with clients and other stakeholders and to respond more effectively to local needs.

The Global Executive brings together EY's leadership positions, services and the geographical areas. This body is led by the chair and CEO of EYG and includes its Global Managing Partners of Client Service and Business Enablement, the Area Managing Partners, the global functional leadership for Talent and Finance, the leaders of the global service lines (Assurance, Advisory, Tax and Transaction Advisory Services), the global leader of Public Policy and one of EYG member firm partner on rotation. The chair of the Global Accounts Committee, the chair of the Emerging Markets Committee and a representative from the Emerging Markets practices have a seat in the GE.

Global Governance Council and Independent Non-Executives

The Global Governance Council (GGC) is EYG's main oversight body. It comprises one or more representatives from each Region, other member firm partners as at-large representatives and up to six independent non-executives (INEs). The regional representatives, who otherwise do not hold senior management roles, are elected by their Regional Partner Forums (RPFs) for a three-year term, with provision for one successive reappointment. The GGC advises EYG on policies, strategies and the public interest aspects of its decision-making. The GGC's approval is required for a number of significant matters that can have an impact on EY. The persons appointed as INEs are employed outside of EY. This has the important advantage that they offer the organization as a whole and GGC in particular a variety of perspectives and in-depth knowledge.

In addition, the INEs form the majority in the GGC Public Interest Sub-Committee. This committee addresses public interest matters, including stakeholder dialog. INEs are nominated by a commission that has been appointed specifically for this purpose.

'By paying close attention to the composition of our teams, we improve the quality of our professional services. Diversity in knowledge, experience and background are crucial.'

Denzel Willemzorg, Staff Assurance



The side note of Barend van Doorn



'EY employees provide intellectual added value'

Barend van Doorn, Partner Advisory

'EY is an active participant in society and an active participant in the Dutch economy. Our company and the people who work at EY provide real added value. Society can benefit from this.'

'EY is a global organization. If we develop or discover something somewhere else in the world, we also bring this to the Netherlands. The goodies are made available here on the market as well. It works both ways. For example, in Qatar, we are providing advice on setting up a new healthcare system. We contribute our knowhow there, but our people also bring their knowledge and experience back with them.'

'Other examples of applying the newest technologies at our clients are the blockchain projects that we are carrying out for energy companies. Take, for instance, the distribution and redistribution of green energy: blockchain offers interesting possibilities to trade in this type of energy in a well-controlled manner.'

Employees are important stakeholders

'EY and its employees are making an essential contribution to these developments. In that regard, I also see our employees as one of our most important stakeholders, besides our clients of course, as without them there is no business.'

'EY has been built on human capital. Take Advisory: a young workforce is working there now with an average age of around 30. Most of these people will not remain with EY their entire working lives. On average, an employee works at EY for five to six years. That's fine. This is how it works in our sector. In that sense, we are also sort of a training institute: these people will find jobs elsewhere in society - in the commercial sector, at universities and other educational institutions, maybe also in politics. EY generates intellectual added value in this manner.'

Challenging and inspiring environment

'We are talking about talented people who have worked in a challenging and inspiring environment for many years. People who have solved difficult problems in a variety of companies and who have worked together with others on a high intellectual level. They often had to go the extra mile and make the extra effort. These people can and will make a mark. In the Netherlands, but also further away. This is completely in line with our mission: Building a better working world.'

9. Internal control

Independence

EY monitors independence, integrity and quality continuously. We have safeguards in place in the form of governance rules, codes of conduct and quality and control measures. The most important aspects are discussed in this report.

Independence is a very valuable asset for us. Breaches of external and internal independence rules can lead to conflicts of interest and to reputation damage. This is why we constantly assess whether our services and client portfolio are compliant with the applicable laws and regulations and professional standards. We refrain from

providing services if this leads to a breach of the independence rules or to other risks.

Perspectives

The safeguarding of our independence comprises various focus areas. We also monitor the financial relationships of our own companies and subsidiaries, our employees and their financial dependents. In addition, we also monitor business relationships and employment relationships. We ensure that we do not provide any non-permitted services to audit clients and request permission for providing certain services to the audit committee of a client when this is obligatory.

Guaranteeing independence

In order to ensure that we satisfy the independence policy that applies in the Netherlands, we make use of tools that EY has developed globally and that have been adapted to the Dutch requirements and processes where necessary. We provide a short summary here, more details can be found in the Transparency Report 2017 of Ernst & Young Accountants LLP.

EY Global Independence Policy

The foundation is formed by the EY Global Independence Policy, which contains our requirements for independence for EY offices, professionals and other employees. This robust policy was drawn up based on the IESBA Code of Ethics. As a supplement to the GIP, local policy has been formulated based on the even stricter Dutch ViO rules (Auditor Independence Regulations).

Global Independence System

We make an inventory of the organizations that we work for and of which entities these organizations consist of. With this tool, we record which independence restrictions apply for the entity in question.

Global Monitoring System (GMS)

Our employees are required to register their financial interests and that of their family members in the GMS. In addition, GMS also offers the possibility to verify whether a purchase and maintaining a financial interest is permitted.

Partners may not invest in companies that are assurance clients of EY. Restrictions apply for other employees that depend on the activities that they carry out and/or their position. If an employee carries out activities for a client with restrictions, then he or she will immediately receive a notification. Employees must report every quarter or every year (depending on their position) that they have complied with our independence rules.

Global Independence Incident Reporting System

We use this system to report breaches of independence rules.

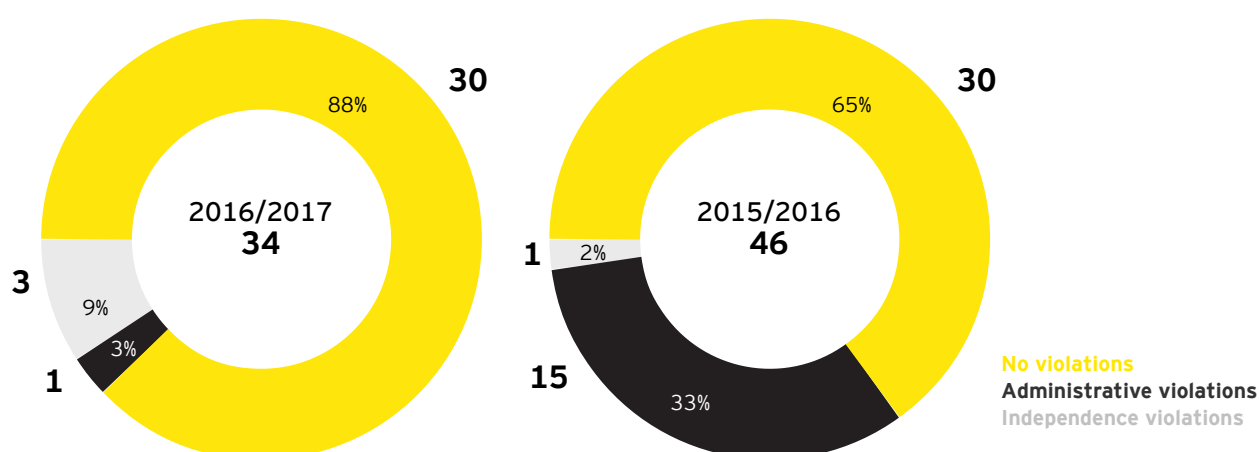
Service Offering Reference Tool

With this tool, we offer employees insight into the nature of the services that we provide, which services we may provide to audit and non-audit clients, and which independence risks and other risk management issues are connected to this. Compliance with this is primarily the responsibility of the partners.

Business Relationship Evaluation Tool

This system helps employees to determine whether they can enter into a business relationship with a client and which independence requirements apply. Our employees are required to use this system if they wish to obtain permission to enter into a possible business relationship with an external party.

Independence review partners



Procedures

EY has procedures and programs in place worldwide with which it monitors whether the EY offices and their employees comply with the independence requirements. All partners and Executive Directors Assurance with signatory powers are required to issue an independence statement every quarter, all other employees are required to do this every year. The Board of Directors of EY Nederland issues a statement annually to the EMEIA leadership that it has complied with the requirements of the Global Independence Policy; any breaches are also reported at this time.

EY Global Internal Audit (GIA) checks whether EY offices adhere to the independence rules, by means of checks and visits. External supervisors such as the AFM and the Public Company Accounting Oversight Board (PCAOB) also examine whether our processes satisfy the requirements.

Improvement measures

The Wta (Audit Firms Supervision Act), the ViO (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten [Regulation governing the independence of auditors for assurance assignments]) as well as the EU rules prohibit us from providing advisory services to OOBs where we conduct the external audit. The Netherlands has a stricter regime in comparison to other EU countries. There were five breaches in this fiscal year.

Four of these breaches pertained to audits of year-end financial statements in the financial year 2015 and one breach pertained to an audit of year-end financial statements in the financial year 2016. Of the four breaches concerning 2015, three pertained to an audit of year-end financial statements of the same client. This has led to strict measures with which we aim to prevent non-permitted advisory services from being provided. These measures pertain to various improvements in the system of client acceptance, including a stricter assessment by the responsible external auditor who has to give his approval. We also adjusted the monitoring process of advisory services.

Every year, we check whether partners and Executive Directors satisfy the rules for personal independence with our Personal Independence Compliance Testing (PICT). This fiscal year 34 partners and Executive Directors were tested. The number of breaches rose slightly to three. For the first time, we observed a small decrease in the number of administrative breaches. Nevertheless, we continue to work on reducing this number significantly. This decrease is also due to the remediation plan that we developed that also focuses on more training and more intensive testing of the compliance with laws and regulations.

Client acceptance

A complex and rapidly changing environment demands a clear focus in the choice of our clients. We have chosen to look carefully into which (possible) companies and organizations are the best match with EY and vice versa. We use the PACE for this. This system supports the management of risk at acceptance.

We also make use of a deal review process. We evaluate the risk profile, the scope of our activities, the pricing strategy and our position in relation to our competitors more emphatically than previously before entering into a contract. A consequence of this is that we have had to take leave of a number of clients; however, this also allows

us to make room for other clients or to spend more time on and pay more attention to existing clients. The objective is that we are able to guarantee our excellent services to every client. We will also have to take leave of audit clients if the client does not enable us to deliver the quality that we aim for.

We ultimately wish to win market share in those segments where we can clearly distinguish ourselves with one or several of our service lines. In a competitive market, delivering quality and being able to provide added value are top priorities.

Integrity

Our organization is based on strong internal structures and frameworks, which also include policy and control systems. They provide guidance for the behavior of individual EY employees, contribute to the limitation of risks, guarantee independence and provide support for measures in the field of anti-corruption and comparable areas. Our global code of conduct contains clear norms that form a guideline for the way we act and our way of doing business.

The EY Global Code of Conduct is divided into five categories and contains principles that everyone in EY has to adhere to. We ask all EY employees, no matter where they are in the world, to subscribe to and abide by our code of conduct, in particular with regard to:

- ▶ working with one another;
- ▶ working with clients and others;
- ▶ professional integrity;
- ▶ maintaining objectivity and independence;
- ▶ intellectual property.

Regulations

EY has various regulations in place that provide the framework for how we conduct ourselves and apply the internal and external rules. These regulations comprise, among other matters, policy and rules regarding:

- ▶ anti-bribery and insider trading;
- ▶ confidentiality;
- ▶ client acceptance and continuance;
- ▶ conflicts of interest;
- ▶ protection of personal data;
- ▶ document retention;
- ▶ conduct;
- ▶ independence;
- ▶ agreements with members;
- ▶ ethics.

EY has a global hotline for ethical issues (EY/Ethics) with which EY employees, clients and other external parties are offered a confidential means to report activities whereby it could possibly be the case that there was unethical or inappropriate conduct that could possibly violate professional norms or is in any other way contrary to our global code of conduct.

Quality management

Quality management is an essential part of our work. We take many measures to guarantee the quality of our work and we have also taken measures to monitor quality. For instance, we select good professionals, we provide a sound training and we monitor the quality of our services by means of surveys - both during and afterwards. The internal review of assignments, which we carry out while we are working on the assignment, aims to guarantee the quality of the services that we provide and also results in training on the job. In addition, we have specialized departments that will focus on elements of the quality monitoring in an even more structured manner. The requirements that apply to this are becoming stricter and more numerous due to expectations that society has and our ongoing development from an organization of professionals to a professional organization.

More detailed information on the quality management system that applies to our Assurance services is provided in the Transparency Report 2017, which Ernst & Young Accountants LLP publishes in addition to the Ernst & Young Nederland LLP annual review.

Quality measurement

We have controls in place in every service line with which we determine whether the quality policy and the corresponding procedures are being complied with properly in daily practice. At Assurance, we perform an annual retrospective review among one third of the partners; we review one audit file per partner. Of all external auditors at least one audit file is reviewed in a period of three years. We evaluate and share the results - in general not for each individual file - with the whole organization so that possible quality improvements can be implemented.

181 audit assignments were reviewed in 2016/2017.

In the previous fiscal year, 161 audit assignments were reviewed (spread over all service lines). Our aim is that no discrepancies are found. This year, there were fourteen assignments with findings of which three with material findings.

In addition, quality reviews are carried out at Assurance before the auditor's report is signed. This year, such quality reviews were carried out on 434 files of which 226 were mandatory by law. At least two audit files per external auditor are subject to such a quality review.

Global Code of Conduct

We have laid down our common values in the Global Code of Conduct. We provide a clear guideline in this code of conduct for our employees: these are our norms, we expect this behavior in our relationship with each other, with clients and with society.

Living in accordance with our values

EY employees live in accordance with the following values, with quality awareness being first and foremost:

- ▶ Integrity, respect and team spirit;
- ▶ Energy, enthusiasm, the courage to take the lead;
- ▶ Building relationships based on the right points of departure.

EY aims to provide excellent services to its clients. We aim for a recognizable, consistent EY quality, worldwide at the same high level. Clients may expect us to carry out our profession in an objective manner with integrity and a professional critical approach. We comply with the applicable laws and regulations as well as the standards that EY applies within this framework.

Performance and remuneration of partners

The Global Partner Performance Management (GPPM), an assessment process that applies worldwide to all partners and board members of the EY member firms, forms the core of our remuneration policy. The level of the remuneration is determined based on specific criteria, including quality and risk management, looking at both the actions that were taken and the results of these actions. As a result, it is a continuous process of setting objectives, planning of personal development, assessment, acknowledgment and remuneration.

The remuneration criteria take the market value of skills and roles into account. They are aimed at attracting and retaining employees.

Partners are assessed annually against qualitative objectives that apply worldwide with regard to quality and effective risk management, commitment and teamwork of employees and excellent services. In addition, quantitative criteria apply: revenue, realized sales / sales in the pipeline and margin. Information about quality is recorded in the GPPM EMEIA Quality Measurement Tool. We express the assessment in a three-point scale: below expectation, meets expectation, or above expectation. The overall assessment scale runs from 1 (lowest) to 5 (highest). This score is limited if the assessment of one or several of the three qualitative objectives (effective risk management, commitment and teamwork of employees and excellent services) is 'below expectation'. This means that the maximum score will then be 3. Awarding a score of 2 can also be considered, depending on the circumstances. In connection with the Step Change to Quality program, more emphasis will come to lie on the quality of the services in the assessment and remuneration of the partners.

We have developed specific criteria for the quality assessment of (for instance):

- ▶ excellent professional knowledge and expertise;
- ▶ compliance with the EY values in conduct and attitude;
- ▶ demonstrable knowledge of and leadership in the field of quality and risk management;
- ▶ compliance with policy and procedures;
- ▶ compliance with laws and regulations and professional rules;
- ▶ the contribution to protecting and strengthening the EY brand.

Measures are taken when a partner does not satisfy the quality standards. These measures can concern: adjustment of the remuneration, additional training, extra supervision or transfer. In the event that improvement does not occur and in serious cases, the decision can be taken to end the relationship with the partner.

The score on the five-point scale and the rating in the 'family' determines the level of the remuneration of partners. 98% of the profit is available for the fixed remuneration of the partners, 2% is available for awarding bonuses. In line with our conservative bonus policy, no more than 10% of the total number of partners can qualify for a performance-related remuneration. Factors that are decisive for awarding such a remuneration are entrepreneurship, the quality of the services and commitment and teamwork of employees. In addition, in the areas of quality and employees, a minimum assessment of 'meets expectation' is required.

The Transparency Report 2017 contains more detailed information about the remuneration policy of Ernst & Young Accountants LLP in Nederland. Payment of the salaries of the members of the Board of Directors of Ernst & Young Nederland LLP takes place via their own private companies (their BVs). Further information about this topic is provided in the financial statements 2016/2017 of Ernst & Young Nederland LLP.

Risk management

Risk management is an essential part of our steering. Risk management allows us to respond adequately to the challenges of a rapidly changing world. A world that is only becoming more complex, more international and more dynamic and in which new opportunities and challenges and also disruptions arise continuously. EY wishes to contribute to building a better working world. Building a better working world is our mission and our license to operate. In order to achieve this, three ambitions have been formulated within EY (Vision 2020), which we can only realize if we satisfy three preconditions: excel in our services, make the difference in quality and leading in innovation.

Risk management approach

In our risk management approach:

- ▶ we have structured the risk governance in accordance with the three lines of defense model;
- ▶ we stimulate a risk aware culture that focuses on quality,
- ▶ we identify, via various methods and techniques (risk instruments), which risks could possibly prevent the realization of our ambitions and corresponding preconditions;
- ▶ we assess whether and, if so, in which manner we wish to manage these risks (does this risk correspond with our risk appetite);

- ▶ we monitor the agreed control of these risks;
- ▶ we take corrective action where necessary.

This ultimately results in our risk profile: this contains the most important risks that could prevent the realization of our ambitions and preconditions.

The approach provides information that enables the management to make more clearly defined choices. This benefits our sustainable competitive position as well as the quality in everything we do.

Risk governance

In line with the lines of defense in our organization, the (ultimate) responsibility for risk management lies with the Board of Directors and the mandated management teams of our service lines (first line).

The risk management function (second line) is supervised by the Risk Management Leader and is positioned on the corporate level with representatives in the various service lines. The Risk Management Leader is a member of the Operating Committee and reports to the Board of Directors in the Netherlands and the regional Risk Management Leader.

The responsibilities are as follows:

1

- ▶ Acting in accordance with laws and regulations when providing our services and adhering to our values with quality awareness being leading. It is not only the management layer that is deemed to comply with this, but all of our partners and employees must act within this framework and the agreed risk appetite.
- ▶ Periodic execution of the risk management process: identify, assess, control and monitor risks

2

- ▶ Formulate risk management policy
- ▶ Provide risk support and advice
- ▶ Develop risk methods and techniques for use in the first and second line
- ▶ Monitor and report on the execution of the risk management process in the first line
- ▶ Facilitate the risk awareness of all partners and employees by means of targeted communication and organizing training and other awareness events

3

- ▶ Conduct independent assessments in the first and second line
- ▶ Independent quality surveys

As the third line of defense, the Global Internal Audit department performs independent assessments in the first and second line. In addition, independent quality reviews are conducted within the service lines.

Risk appetite

Our risk appetite determines the degree in which EY Nederland is willing to run risks in pursuing its objectives. Determining the risk appetite is a dynamic process in which the nature of our services and the role of our accounting firm in society are taken into account explicitly.

The risk appetite is low for specific risk categories (for instance, for integrity risks for which we have a zero tolerance policy as this has a direct impact on our accounting firm's license). However, there are higher degrees of tolerance for other types of risks.

Important elements that influence our risk appetite are:

- ▶ EY's role in society where trust is our most important asset;
- ▶ laws and regulations and norms and values in society;
- ▶ professional and specialist knowledge requirements;
- ▶ sector concentration;
- ▶ 'no surprises' culture;
- ▶ EY policy (global and local).

Risk instruments

We use different risk methods and techniques in the (most important) business processes in order to identify, assess, control, monitor and report risks. These are, for example, client and/or engagement acceptance and continuance process, independence checks, consultation, quality reviews and setting up and maintaining our risk control framework and monitoring plans.

Risk culture

Our employees are our most important capital. Their professionalism, competencies, integrity and personalities are decisive for the functioning of EY Nederland and our prevailing corporate culture. Employees are trained and educated with the awareness that together we have to be willing to uphold and must uphold the values that EY strives for. Within the organization, we emphasize that complying with our basic principles begins with each individual, in all echelons of our organization worldwide. The behavior of individuals and teams is decisive for the quality of our work and determines how clients and society perceive us.

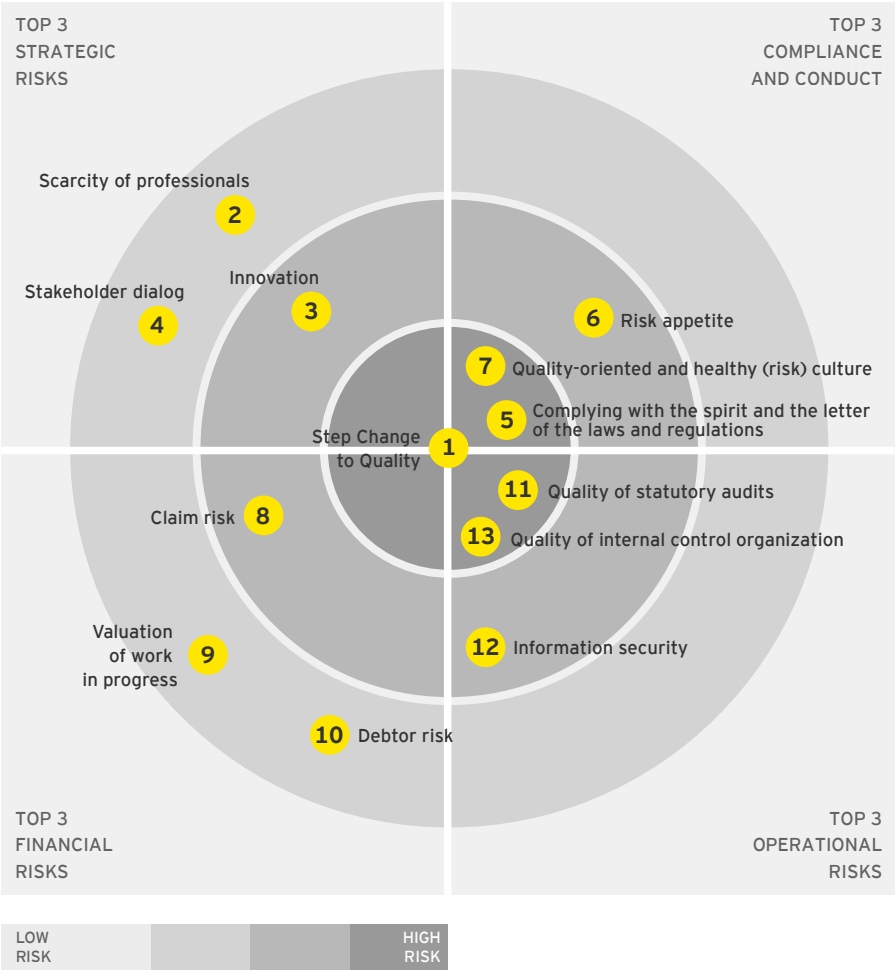
We expect from each employee that he or she demonstrates integrity and shows respect, within or outside of a team. That he or she is able to recognize and acknowledge the risk drivers that influence our risk profile and to take responsible ownership of these risk drivers when carrying out their daily professional activities. Ten leading risk management principles (see box) provide further direction for our professionals.

By calling each other to account on conduct, we are working on building a culture in which quality, risk awareness and risk ownership are paramount. We pay attention to and learn from matters that are not going well in order to constantly improve our professional services.

Our global risk management principles

1. Take on the right clients
2. Choose the right assignment
3. Use contracts or engagement agreements
4. Maintain independence and objectivity
5. Comply with regulations and our quality standards
6. Maintain written records and review advice
7. Respect client confidentiality
8. Keep your knowledge up to date
9. Always consult
10. Always live our values

Risk and control measures



See next page for a description of all risks.

1 Step Change to Quality

Contents and results of the program with which EY Nederland aims to ensure the sustainable quality of its services, is under considerable time pressure - in particular with regard to the audit practice. The program is essential to attain the agreed and necessary quality targets.

2 Scarcity of professionals*

The profiles of our professionals and the requirements that they must meet as well as regulations for us and our clients are changing rapidly. This leads to a large and changing recruitment requirement in a market of a limited size. In addition, there is a lot of demand for the specialized professionals that we have trained for services and support departments.

Most important mitigating actions

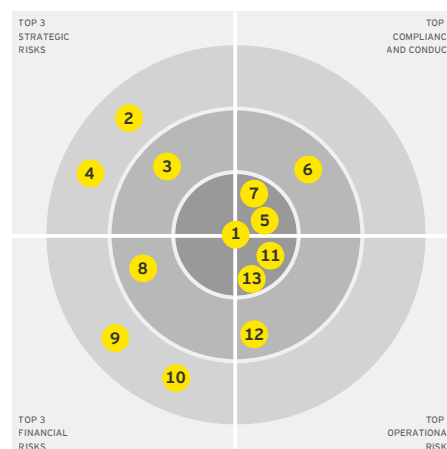
- ▶ Corporate branding: external campaigns and input for use on social media
- ▶ Generic recruitment activities: EY Xperience, content days, traineeships, referral program, approaching talented candidates in the network, business cases
- ▶ IT specific recruitment: EY Hackaton, IT trainee market, data science tour, In-house days (IT, Beta), approaching other target group students
- ▶ Training and coaching of existing employees
- ▶ Retaining talented employees through focus on working environment

3 Innovation

The rapidly changing environment demands that we make significant investments in innovation to ensure the sustainability of our business. The risk is that we have insufficient innovation capacity and the we give this insufficient priority or that we make insufficient resources available.

Most important mitigating actions

- ▶ Participation of employees in EYnovation
- ▶ Innovation as strategic topic and top-down support for innovative programs
- ▶ Implementing innovations in our business processes
- ▶ Recruitment of specialists
- ▶ Entering into alliances / making acquisitions



4 Stakeholder dialog*

Professional service providers are under a microscope in society and among important regulators and supervisory bodies. Through collaboration and transparency, EY aims to make a relevant contribution to the public debate and to learn from the criticism that it has received.

Most important mitigating actions

- ▶ Periodical stakeholder analysis
- ▶ Actively and systematically conducting a dialog with stakeholders
- ▶ Setting up a coordinating stakeholder office
- ▶ Corporate responsibility strategy (sustainability)

5 Comply with laws and regulations in the spirit and the letter of the law*

The regulatory landscape is becoming increasingly complex and is subject to constant change. It demands a lot of time and effort of all EY professionals to stay up-to-date. The audit performed by the auditor must comply with the standards (the letter) and the spirit of the law.

Most important mitigating actions

- ▶ EY Global policy in many areas
- ▶ (Training in) use of standard tools in which the statutory requirements are incorporated
- ▶ In consultation with colleagues about applying the spirit of the law in specific cases
- ▶ Embedding quality and risk management in our processes

* Step Change to Quality will be an important part of the control measures of a number of risks stated in the risk radar. These risks are indicated with a *.

6 Risk appetite*

The risk appetite of the organization has to be given further form to bring all activities and the accompanying risks within the formally defined limits.

Most important mitigating actions

- ▶ Be critical with regard to the composition of our client base
- ▶ Balanced portfolios
- ▶ Further drawing up and implementing of risk appetite statements including monitoring and compliance

7 Quality-oriented and sound (risk) culture*

All partners must cascade the tone at the top with regard to quality consistently and continuously within all echelons of the organization. Exemplary behavior, open calling to account and a continuously learning organization are of great importance to achieve the desired quality-oriented and risk aware culture.

Most important mitigating actions

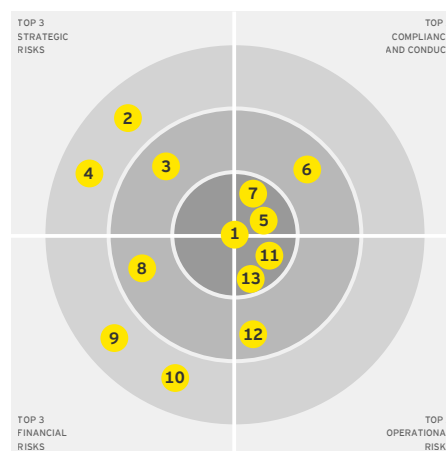
- ▶ Counseling families to cascade 'Tone-at-the-top' message
- ▶ Various awareness activities
- ▶ Implementation of EY policy such as EY Global Code of Conduct, EY Ethics Hotline
- ▶ Performance in the field of quality and quality enhancement even more important in appraisals and remuneration
- ▶ Use of 360-degree feedback
- ▶ Increase attention for the necessity of open calling to account

8 Claim risk

The risk that EY is held liable for errors that we make as we exercise our profession.

Most important mitigating actions

- ▶ Prevention: clearly define the contents of the engagement in an engagement letter
- ▶ Prevention: Embedding quality and risk management in our processes
- ▶ We have an internal reporting and accountability procedure
- ▶ Monitoring of possible high-impact claims and where necessary carry out and implement the integrated legal and financial impact analysis



9 Valuation of work in progress

The risk that the forecast and realized revenue do not correspond or hardly correspond due to estimate errors.

Most important mitigating actions

- ▶ Use of specific (risk-based) finance monitoring and support for our largest engagements (top 200)
- ▶ For the other engagements, the invoicing obligations of the partners are monitored and corrective action is taken where necessary
- ▶ Implementation of a writing off process that is approved by the service line management

10 Debtor risk

The risk that our clients do not or cannot meet their payment obligations.

Most important mitigating actions

- ▶ Embed strict debtor management within the organization
- ▶ Tool facilitates the workflow with which the work is completed within the agreed deadlines
- ▶ Account management at our biggest clients
- ▶ The workflow is evaluated periodically for implementation of process improvements

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11 Quality of statutory audits*

The quality of EY's statutory audits is still insufficiently sustainably embedded.

Most important mitigating actions

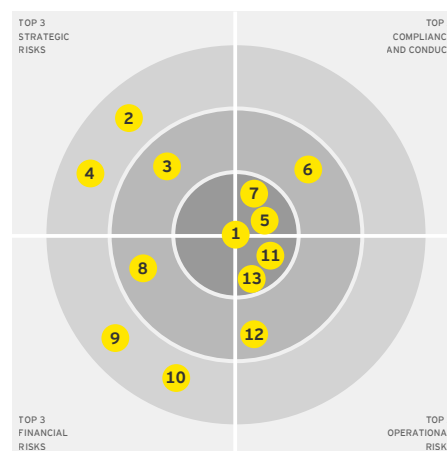
- ▶ Strategic capacity planning
- ▶ Forming of Highest Performing Teams
- ▶ Improving knowhow: mandatory training and education (professional knowledge and personal skills), coaching on the job
- ▶ Standard audit approach, use of professional techniques (consultations, EQR) and embedding quality and risk management in our processes
- ▶ Carrying out independent quality reviews (dossier reviews)
- ▶ Attention for culture and behavior

12 Information security

Data leaks (confidentiality, data quality (integrity) and increasing threat of cyber attacks demand constant upscaling in the information security domain. This concerns both technical aspects and awareness.

Most important mitigating actions

- ▶ Integrated approach (data privacy and information security) for the protection of our information assets, personal data and client information
- ▶ EY has implemented various policies in the area of information security, confidentiality and privacy (including Binding Corporate Rules)
- ▶ Our applications and systems are subject to periodical data privacy impact assessments and periodical (independent) security certification reviews (including ISO/IEC 27001:2013)
- ▶ Personal data are safeguarded with appropriate physical, technical and organizational security measures
- ▶ Mix of prevention measures, monitoring, detection and response to prevent high-impact cyber attacks
- ▶ Advice, training, targeted communication and sanction policy to keep our personnel constantly alert
- ▶ Disaster recovery program for our critical systems
- ▶ If we work together with third parties, these parties must comply with our privacy and information security requirements



13 Quality control organization*

The quality of the (internal control) organization must be improved further. Attention for governance aspects, systematic risk analysis supplemented with an explicit risk appetite as basis for internal control, the optimal utilization of improvement potential, adequate signal and incident management and quantitative and qualitative staffing (including support and control functions).

Most important mitigating actions

- ▶ Strategic capacity and succession planning for higher management
- ▶ Signal and incident management
- ▶ Risk assessments of relevant processes
- ▶ Management information
- ▶ Restructuring of governance model EY Nederland

* Step Change to Quality will be an important part of the control measures of a number of risks stated in the risk radar. These risks are indicated with a *.

In control statement

The Board of Directors of Ernst & Young Nederland LLP has final responsibility for designing and implementing effective risk management and internal control systems for financial reporting. These comprise a broad range of policies, procedures and processes with which the conduct of employees can be steered in such a manner that the organization is able to achieve its objectives. The measures regarding the general control environment, such as the global code of conduct, the risk management principles, authorization schedules and the procedures for client acceptance and continuance, are important elements in our control and management system.

The Board of Directors acknowledges the importance of risk management and internal control systems and has started the phased implementation of a framework for internal control based on the COSO model in order to obtain better insight into the effectiveness of the internal control system.

The risk management and internal control systems are designed to provide a reasonable degree of assurance but not absolute assurance that the significant risks to which the organization is exposed are being managed.

Due to the inherent limitations of these systems, they do not provide absolute assurance that the organization's objectives will be realized and they cannot always prevent that there will be no inaccuracies, fraud or violations of rules and regulations.

No significant weaknesses were identified in the course of the review of the effectiveness of the internal controls with regard to financial reporting. However, actions have been specified which we expect will further strengthen the elements for controlling EY's risks. Taking into account the aforementioned limitations, the Board of Directors concludes that it can be established with a reasonable degree of assurance that the internal control framework functions effectively and that the financial statements for the fiscal year 2016/2017 do not contain any material misstatements.

The evaluation of the adequacy of the risk management and control systems and actions identified to improve these systems were discussed with the Supervisory Board.

Board of Directors Ernst & Young Nederland LLP

Coen Boogaart

Jeroen Davidson

Rob Lelieveld

25 September 2017

10. Report of the Supervisory Board

Introduction

Society demands quality, assurance and a name that it can trust – and to be trusted, one must be trustworthy. On 1 July 2015, the Supervisory Board was entrusted with the task of monitoring initiatives of EY aimed at strengthening the quality of its services where necessary. The Supervisory Board supervises the implementation of these initiatives on a structural basis. Creating a sound foundation in which the public interest is served by enhancing the quality of audits strengthens the trust that stakeholders place in the signature of the external auditor.

The Supervisory Board has made a considerable effort during the past year to structure and conduct its supervision in accordance with the standards that society can rightfully expect us to meet. In addition to general tasks relating to the supervision of the Dutch organization as a whole, safeguarding that the public interest is served by the audit practices of the Assurance service line was subject to specific monitoring, with audit quality being the leading principle. In light of this objective and taking into account the concerns of society with respect to audits, we have defined our supervision themes for the coming years: **quality, public interest, talent, culture and governance.**

Exceptional quality is a continuous process and it is essential to communicate the value of public trust with respect to this process. Therefore, the Supervisory Board of EY Nederland is pleased to present the 2016/2017 annual review of which the most important topics and challenges are outlined below.

Public interest

This past year, the public debate on the role and future of the accountancy sector continued. Following the 53 original measures set out in the 'In het Publiek Belang' ('In the Public Interest') report of the Netherlands Institute of Chartered Accountants (NBA), the Monitoring Committee of this organization published a critical report on the sector in December 2016. One of the concerns expressed by this committee, which is responsible for assessing the implementation of and compliance with the measures, is whether implementation of these measures alone is

sufficient to achieve the desired quality improvements.

The report on the investigation of firms licensed to audit Dutch public interest entities known as Organisaties van Openbaar Belang or OOBs, published by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, or AFM) in June 2017, reinforced the widespread impression that, although the sector is working on improvement, the process is too slow and not thorough enough.

Step Change to Quality

We share the opinion that the speed at which changes are taking place is unsatisfactory. EY did not achieve high scores in AFM's report on the implementation and embedding of change processes to improve the culture and quality at OOB-licensed firms. Furthermore, regular investigations by the AFM showed that a number of audits carried out by EY in 2014 and 2015 did not fully meet applicable quality requirements. In addition to these external signals, in-house studies, analyses and reviews during the past fiscal year also reveal that EY will benefit from additional steps in its change process. The Supervisory Board acknowledges that the transition from an 'organization of professionals' to a 'professional organization' requires more time and energy than anticipated. The many measures and activities that have been implemented over the past years as part of our change process have proven to be insufficient in achieving the desired quality level. In consequence, the conclusions drawn by the AFM encourage us to make change our priority by accelerating and intensifying our quality efforts significantly.

In close consultation, EY's Supervisory Board and Board of Directors have concluded that the time has arrived for a 'Step Change to Quality'. EY announced this carefully prepared program in April 2017. Step Change to Quality is aimed at bringing the quality of audits performed by our professionals and the documented results fully in line with the expectations of our stakeholders. This requires a quality-oriented culture, a learning organization and a disciplined work method applied by audit teams that have sufficient expertise, time and support. With the Step Change to Quality program, EY opts for further professionalization of the organization, extra investment in resources and people, cultural change and an open dialog with its main stakeholders. The boards of EY Nederland and EY

Accountants provide more details on the Step Change to Quality program in the Ernst & Young Nederland LLP annual review and the Ernst & Young Accountants LLP Transparency Report. In its report, the Supervisory Board has included detailed information about the steps it has taken during the past year in connection with the planning and preparation for Step Change to Quality, as well as how we have strengthened our role as supervisor.

Governance: changes in the international EY organization

Another major development in the past year was the merger of the BeNe and FraMaLux regions to form the new WEM (Western Europe and Maghreb) region. The scale of the WEM region allows EY to make investments and utilize

expertise to further improve the quality of its services. In addition, the merger enables us to serve our customers on a higher level and improves career perspectives for our employees.

To guarantee that Dutch interests will still be served within this larger region and that EY continues to operate in compliance with local laws and regulations in the Netherlands, the Supervisory Board contributed to ensuring that Dutch requirements prevail over the WEM operating model.

Main Supervisory Board activities in the 2016/2017 fiscal year

Strengthening governance in the Netherlands

The first important Step Change to Quality activities were related to the governance of EY in the Netherlands. Step Change to Quality is a comprehensive change program that affects the entire Dutch organization. To manage this change process effectively, the mandate of Ernst & Young Nederland LLP's Board of Directors was extended. The Supervisory Board believes that strengthening the position of the Board of Directors improves its ability to promote quality, risk management and compliance at a level that transcends the service lines and covers the entire organization. The Supervisory Board and the Board of Directors also decided to establish an Operating Committee that will help the Board of Directors to achieve the Step Change to Quality objectives. The members of this committee are the service line leaders and the heads of the staff departments. Combining client serving professionals and supporting services in this manner results in a more effective setup of the operational management of EY in the Netherlands.

In order to start the new phase of accelerating and intensifying our quality efforts, a change in the management at the top of our audit firm at Ernst & Young Accountants LLP was logical. Rob Lelieveld was appointed as the new chair of Ernst & Young Accountants LLP. Based on his seniority, management experience, track record and support in the organization, we are convinced that Rob is more than qualified to take the lead in accelerating the implementation of the quality agenda. He succeeds Michèle Hagers who will return to providing services to clients. We wish to thank Michèle for her commitment and dedication under often challenging circumstances.

This past April, in consultation with the Supervisory Board, the Board of Directors appointed a Quality Leader who is responsible for quality within EY Nederland. The appointee will attend all Board of Directors meetings, including the meetings of the Board of Directors with the Supervisory Board. Taking into account his background and expertise, including his role as Professional Practice Director in EMEA FSO, Nico Pul was appointed Quality Leader. As Quality

Leader, he will lead the Step Change to Quality program. This will ensure that quality is embedded at the Board of Directors level in EY Nederland and at the management level in EY Accountants. The latter as Nico Pul was also appointed as a member of the Board of Ernst & Young Accountants LLP.

In view of the desired cultural and behavioral changes, the Supervisory Board also instructed the Board of Directors to strengthen the structure at the top by bringing in external expertise. In more concrete terms, this means that the vacancy at Ernst & Young Accountants LLP will be filled by an external candidate. In addition to the Talent portfolio, this new board member will also be responsible for Transformation to bring about cultural and behavioral changes within EY Nederland. This Director will also attend the meetings of the Board of Directors, including the meetings of the Board of Directors with the Supervisory Board. The chair of the Supervisory Board is closely involved in the recruitment process, which has already been initiated.

The changes relating to the governance of EY implemented during the past fiscal year also affect the Supervisory Board. In its report of June 2017, the AFM points out that since the Supervisory Board was established in 2015, it has not had sufficient impact on the EY Nederland organization. We have taken this conclusion of the AFM to heart. Firstly, we have implemented the above-mentioned changes in the governance and management of EY in the Netherlands. Secondly, we have also improved our own working method. The internal monitoring structure was improved by setting up three committees: the Public Interest Committee,

the Audit Quality & Governance Committee and the Audit & Risk Committee. More information on these committees and their composition is included elsewhere in this report.

The recent appointment of an additional fifth member will further improve the effectiveness of the Supervisory Board. With the appointment of Tanja Nagel as of 1 September 2017, we reached the desired number of five Supervisory Directors. Her expertise and background in the areas of cultural and organizational change, the financial sector, experience with external supervision, ICT and Operations as well as internal control and risk management, will complement the Supervisory Board's existing expertise.

We trust that the steps taken by the Supervisory Board will result in significant improvement of the effectiveness of the organization in general and of our own internal supervision in particular. In line with the AFM's recommendations, the actual realization and structural embedding of the initiated quality measures are now the focal point of the supervision carried out by the Supervisory Board. This also includes monitoring the speed at which changes are implemented. It is the task of the Board of Directors and the Assurance Management Team to implement the quality initiatives within a period of two years. The first progress review will take place before the summer of 2018 in the form of an assessment, carried out by the Supervisory Board, of the concrete results achieved by the Board of Directors in relation to the Step Change to Quality program.

Highlights 2016-2017

Meetings

In the year under review, the Supervisory Board held seven regular meetings and three additional meetings in connection with specific developments, most of which were attended by all Supervisory Board members with no Supervisory Board member being absent frequently. The committee meetings have always been attended by all of the committee members.

During these meetings, the Supervisory Board challenged and discussed a large number of topics including the following:

Supervisory Board

- ▶ Self-evaluation of the Supervisory Board, its profile and composition and training needs.
- ▶ Recruitment of a fifth member and setting up three Supervisory Board committees.
- ▶ Review of the support the Supervisory Board receives and appointment of a Company Secretary.

Board of Directors

- ▶ Long-term strategic challenges.
- ▶ Review of the composition of the Board of Directors, including the appointment of Rob Lelieveld as successor of Michèle Hagers.
- ▶ Review and composition of the Management Team Assurance including overseeing the appointment of Rob Lelieveld and Nico Pul.
- ▶ The Board of Directors' KPIs and performance and setting its remuneration.
- ▶ Setting principles for time to be spent on client engagements for board members.
- ▶ Business updates, covering the key areas Quality, Talent, Markets and Operations.

Public Interest

- ▶ Stakeholder management, including AFM, audit sector, media and politicians.
- ▶ Report of the Monitoring Commission Accountancy and other NBA publications.
- ▶ Progress on the NBA (53) improvement measures.

Quality

- ▶ Progress and status of internal and external quality inspections including status and outcome of the AFM dashboard review.
- ▶ Regulatory updates.
- ▶ Status and progress of key projects (Step Change to Quality, Refl-Act, In Control).
- ▶ Assurance performance dialogue, financial results (actual and plan).
- ▶ Approval procedure for complaints handling and whistleblower procedures.
- ▶ Update portfolio analysis and signing powers.
- ▶ QRM reports (update on independence, claims, risk management etc.)

Culture

- ▶ Culture scan and follow up.
- ▶ Outcome of Global People Survey and actions to be taken.

Talent

- ▶ Approval of the proposed audit partner promotions.
- ▶ Monitoring exits of partners and key employees.
- ▶ Monitoring compliance with key policies and processes, including partner selection.
- ▶ Remuneration policy of partners and employees EY Accountants.
- ▶ Appraisal and remuneration for partners EY Accountants.
- ▶ New partner remuneration process (EPRS).
- ▶ Termination of the membership of a number of partnerships.

Governance

- ▶ Progress and performance of previously finalized acquisitions.
- ▶ Review and approval of Financial Statements, Integrated Annual Review and GRI annex as well as Transparency Report.
- ▶ Operating and governance model in the context of serving the public interest and the international context.
- ▶ Legislative update on Wta including the suitability assessment requirements.
- ▶ Annual Report and appraisal Compliance Officer.

Other activities

In addition to the aforementioned Supervisory Board meetings, we would like to highlight that the Supervisory Board held three in-depth sessions with the board of EY Accountants, one with the board of EY Belastingadviseurs and one with the management of FSO Netherlands. Two meetings were held with the external auditor to discuss the audit approach as well as the audit report, an annual meeting was held with delegates of the Works Council. In addition, the Supervisory Board also had frequent informal meetings and telephone calls with members of the Board of Directors.

Furthermore, the Supervisory Board initiated dialogs with partners and employees in the form of lunch meetings as well as attending internal meetings. The Supervisory Board was also in regular contact with external stakeholders such as the AFM, politicians and clients.

Assessment Supervisory

Board and Board of Directors

The Supervisory Board assesses its own performance and the performance of each of its members on an annual basis. Topics discussed included the profile and composition of the Supervisory Board and the feedback in the aforementioned AFM report. As stated earlier, among the conclusions drawn by the Supervisory Board was the need to set up committees to intensify its supervisory task and the need to appoint a fifth Supervisory Board member with specific expertise in the areas of change programs, the financial sector, IT and operations.

The Supervisory Board concluded that the education program offered adequately supports the training requirements of its members.

Individual performance evaluation interviews of the members of the Board of Directors will be held in October based on non-revenue related criteria regarding quality (50% of overall score), markets, talent and operations (together also 50%).

Duties and powers

The duties and powers of the Supervisory Board are laid down in the Charter of the Supervisory Board ('Reglement Raad van Commissarissen') as adopted on 27 June 2016 (<http://www.ey.com/nl/nl/about-us/ey-raad-van-commissarissen>).

The Supervisory Board's mandate, composition and procedures are based on the Dutch Corporate Governance Code (DCGC), with some differences between EY NL's and the DCGC's envisaged target group on account of the specific legal and organizational aspects of EY NL and, in future, on the Act on the Supervision of Audit Firms (Wta) and the Decree on the Supervision of Audit Firms (Bta). A program to amend the charter, taking into account these updates and the new committees, has been initiated.

No amendments were made to this Charter during the fiscal year 2016/2017.

Composition of Supervisory Board and its committees

Composition

On 30 June 2017, the Supervisory Board consisted of three independent members and one non-independent member (Mr. Jégourel). The members were appointed as of 1 July 2015 for a four-year period. The retirement roster can lead to earlier reappointment. During the fiscal year 2016/2017, Mr Van Eijck was re-appointed for his second and thus final four-year term, which will end on 1 February 2021.

The Supervisory Board consists of the following members:

Name	Date of appointment	Term	Proposed step down	Public Interest Committee	Audit Quality & Governance Committee	Audit & Risk Committee
Pauline van der Meer Mohr, Chair	1-7-2015	1	30-6-2019	Member	Chair	-
Steven van Eijck, Vice-Chair	1-2-2017	2	31-1-2021	Chair	-	Member
Monique Maarsen	1-7-2015	1	30-6-2019	Member	-	Chair
Jean-Yves Jégourel	1-7-2015	1	30-6-2018	-	Member	-
Tanja Nagel	1-9-2017	1	31-8-2021	-	Member	Member

The current composition of the Supervisory Board is fully in line with the Supervisory Board profile. There are no departures from this profile.

Committees

Public Interest Committee

The Public Interest Committee supports the Supervisory Board in its oversight on safeguarding the public interest and compliance with independence rules and other codes of conduct (including, in particular, on integrity).

As a result, this committee focuses on assessing the public interest in the stakeholder dialog, (potential) reputational risks, public interest related risks, complaint handling and decision-making on independence, risk management, the procedure for handling complaints and notifications.

During the fiscal year 2016/2017, the Public Interest Committee held three meetings to discuss the stakeholder dialog and corporate communications agenda. The Public Interest Committee will focus, in particular, on reviving and conducting the stakeholder dialog, which will be placed on the agenda each meeting and for which the members of the public interest working group will be invited to report on status and progress. The members of the Public Interest Committee shall also monitor the various discussions being conducted in connection with the public debate on auditors and audit firms as well as on topics such as tax policies.

Audit Quality & Governance Committee

The Audit Quality & Governance Committee supports the Supervisory Board by exercising supervision and providing advice regarding audit quality as well as overseeing compliance with EY's corporate governance structure.



During the fiscal year 2016/2017, the Audit Quality & Risk Committee held three meetings. In connection with these meetings, representatives of the Risk Management, and Quality Analysis & Regulatory Affairs departments were consulted. The Compliance Officer was also consulted outside the context of these meetings. The members of this committee had several meetings with the European Managing Partner and the Regional Managing Partners in connection with the governance changes at EY Nederland and the formation of the Western Europe and Maghreb regions.

Audit & Risk Committee

The Audit & Risk Committee assists the Supervisory Board in fulfilling its supervision activities for external and internal reporting, preparation of budgets, significant capital investments, and the design and operation of the internal risk management and control systems and tax matters.

Other tasks include supervision of compliance with relevant rules, laws and regulations, discussing the risk appetite of the Partnership and the professional practices affiliated with it, supervising the provision of financial information by the Partnership and maintaining regular contact with, and supervising, the relationship with the external auditor.

The Audit & Risk Committee held three meetings in the fiscal year 2016/2017 with attendance of the CFO during which the financial performance versus the financial plan as well as key risks were discussed. Furthermore, a meeting with delegates of Risk Management was held aimed at discussing the risk appetite, risk controls and risk related reporting. The committee also met with the external auditor to discuss the audit approach, auditors' reports and management letters.

Independence and training

Independence

The Supervisory Board's duties and powers, as described in its charter, determine the position of the Supervisory Board members under the prevailing independence rules.

Supervisory Board members are required to be independent both in fact and in appearance. The personal and financial independence of the members of the Supervisory Board is monitored by the Independence Officer of EY Nederland.

All Supervisory Board members qualify as independent in accordance with the regulations as set out above.

No decisions were taken by the Supervisory Board in which conflicts of interest have occurred. Consequently, Articles 9.1, 9.3 and 9.4 of the Supervisory Board chapter have been complied with.

Training

In accordance with the training plan defined for 2016/2017, several deep-dive sessions and tailored training sessions took place. Furthermore, the Supervisory Board members also attended round table sessions.

The training plan for 2017/2018 is centered on the upcoming suitability assessment for Supervisory Board members, which is expected to take place in 2018.

An extensive introduction program will be developed for the new Supervisory Board member, Ms. Nagel, that will enable her to become acquainted with the EY organization and its employees. Special focus will be placed on the quality agenda and on the status and progress of measures aimed at safeguarding the public interest.

Annual publications

Annual Review and Financial Statements

The 2016/2017 Integrated Annual Review and Financial Statements of EY Nederland have been prepared by the Board of Directors. The Financial Statements of EY Nederland have been audited by BDO LLP, the external auditors. Their report is included on page 212. Its findings were discussed with the Supervisory Board in the presence of the Board of Directors. The Supervisory Board has approved the Financial Statements of EY Nederland.

Transparency Report

The policymakers of Ernst & Young Accountants LLP have discussed the content of the Transparency Report 2016/2017 with us. In our view, the report and tenor are in line with our impression of the past year. It is a good representation of the manner in which the organization has implemented the embedding of the quality system and socially relevant topics, with quality as the main theme.

Outlook

The Supervisory Board is confident that the Board of Directors, consisting of Coen Boogaart, Jeroen Davidson and Rob Lelieveld, is both capable and committed to bring about the required step change including the cultural change and quality improvements that sustain the role of EY in society which is serving the public interest. Our clients will reap the benefits as the Step Change to Quality program guarantees they will continue to receive exceptional client service.

With satisfactory 2016/2017 financial results, the Step Change to Quality program on track and the talented and committed people that we have onboard, we are confident EY's outlook during its 135th year of existence and beyond is positive. We would like to express our deepest appreciation to the Board of Directors, partners and employees of EY in the Netherlands for their dedication and commitment.

Supervisory Board Ernst & Young Nederland LLP

Pauline van der Meer Mohr
Steven van Eijck
Monique Maarsen
Jean-Yves Jégourel
Tanja Nagel

Rotterdam, 25 September 2017

Supervisory Board biographies



Pauline (P.F.M.) van der Meer Mohr LL.M. (1960, Dutch)
Chair since 1 July 2015

Pauline has extensive legal and human resources experience across a number of different sectors, together with valuable experience as a contributor to the Dutch Banking Code Monitoring Committee. She is a member of the supervisory boards of ASML and DSM and an independent non-executive Director at HSBC Holdings. She is also chair of the supervisory board of Nederlands Dans Theater. Pauline holds a master's degree in law from Erasmus University Rotterdam as well as a master's degree in Dispute Resolution from the University of Amsterdam.

Former positions and activities

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



Steven (S.R.A.) van Eijck PhD (1959, Dutch)
Vice-Chair since 1 July 2015

Steven has extensive experience in academics, politics and business and philanthropy. Among other posts, he is currently chair of the program office of the Maatschappelijke Alliantie (Major Alliance) and president of RAI Association representing the interests of the Dutch mobility industry. He holds a master's degree in Fiscal Economics and a PhD from Erasmus University Rotterdam.

Former positions and activities

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

Supervisory Board biographies



Monique (M.B.E.) Maarsen MBA (1968, Dutch)
Member since 1 July 2015

Monique is Managing Director and owner of Maarsen Groep with overall responsibility for all operational and investment activities. Monique is specialized in real estate development. She is chair of the Supervisory Board of Stichting KiKa, member of the supervisory board of the Schiphol Area Development Company and member of the board of the Rotterdam Central District Association. She also has a number of advisory positions. Monique holds a master's degree in Business Administration and Management from University of Groningen.

Former positions and activities

- ▶ Commercial Director at Maarsen Groep
- ▶ Investment broker at DTZ Zadelhoff in Londen
- ▶ International Consultant at Nestlé in Zwitserland



Jean-Yves (J.Y.) Jégourel CPA (1961, French)
Member since 1 July 2015

Jean-Yves gained extensive experience in financial, M&A and cross-border transactions serving large multinationals across Europe and the United States. As a member of the Board of Directors of EY EMEIA (Europe, Middle East, India, Africa), he is responsible for the Assurance practice. He is also the Global Client Service Partner for two international audit clients. Jean-Yves graduated from Brest Business School and holds a DEC (chartered accountant) degree.

Former positions and activities

- ▶ Vice-Chair of Risk Management EY Americas
- ▶ Assurance Professional Practice Leader EY EMEIA, with responsibility for monitoring quality and risk management
- ▶ Managing partner Assurance and Advisory services and member of the Executive Committee of EY France/Luxembourg

Supervisory Board biographies



Tanja (T.L.) Nagel LL.M. (1960, Dutch)

Member since 1 September 2017

Tanja has an extensive background in the financial services industry and was CEO and Chair of the Board of Directors of Theodoor Gilissen until 1 July 2017. She is also member of the supervisory boards of the Stichting Nederlands Scheepvaartmuseum, Veerstichting, and the Frans Hals Museum/De Hallen Haarlem as well as board member of the Universiteitsfonds Utrecht. Tanja holds a master's degree in law from Utrecht University.

Former positions and activities

- ▶ Several senior management positions including Director Private Banking Nederland at Van Lanschot Bankiers
- ▶ Started her career at ABN AMRO

Financial statements

Fiscal Year 2016/2017
Ernst & Young Nederland LLP

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Members' report

The members (i.e. partners) present their report and financial statements for the year ended 30 June 2017.

Principal activity

Ernst & Young Nederland LLP (EYNL) provides assistance and coordinating leadership to Ernst & Young Accountants LLP and Ernst & Young Belastingadviseurs LLP and other EY entities in the Netherlands in order to optimize their shared course of business and practices and promote their joint strategy. EYNL carries out its operations in the Netherlands but does not provide services to clients. The individual entities consolidated in these accounts as of 30 June 2017 are detailed in Note 25 to the accounts.

Board of Directors

As of 1 July 2016, the Board of Directors is led by Coen Boogaart, Chairman of EYNL. For the year ended 30 June 2017 and the period up until approval of the financial statements, the Board of Directors furthermore comprises of:

- ▶ Jeroen Davidson
- ▶ Michèle Hagers (resigned 18 April 2017)
- ▶ Rob Lelieveld (appointed 18 April 2017).

All members of the Board of Directors are - through their private limited liability companies (B.V.) - members of EYNL.

The Chairman of EYNL and the other members of the Board of Directors are appointed by Ernst & Young Europe LLP (EY Europe), after a binding nomination by the Supervisory Board.

The Board of Directors is responsible for the day-to-day management and for exercising the duties and powers as determined by the Fundamental Rules and Regulations of EYNL.

For the year ended 30 June 2017 and the period up until approval of the financial statements the designated members of EYNL are:

- ▶ Drs. C.B. Boogaart B.V.
- ▶ Mr. J.L. Davidson Belastingadviseur B.V.
- ▶ Drs. M. Hagers B.V. (resigned 18 April 2017)
- ▶ R.J.W. Lelieveld B.V. (appointed 18 April 2017).

Supervisory Board

EYNL has a Supervisory Board as from 1 July 2015. The Supervisory Board is led by Pauline van der Meer Mohr. For the year ended 30 June 2017 and the period up until approval of the financial statements, the Supervisory Board furthermore comprised of:

- ▶ Steven van Eijck
- ▶ Monique Maarsen
- ▶ Jean-Yves Jégourel
- ▶ Tanja Nagel (appointed 1 September 2017).

EY Europe appoints the members of the Supervisory Board, after a binding nomination by the Supervisory Board.

The duties of the Supervisory Board are the supervision of the policies pursued by the Board of Directors and the general affairs of EYNL and its affiliated professional practices in the Netherlands. The supervision of the Board of Directors with regard to the policies and the general affairs of professional practices other than EYA is one of the Supervisory Board's duties only to the extent that such policies and general affairs affect audit quality, the way in which the audit firm safeguards the public interest and compliance with independence rules and other codes of conducts. The Supervisory Board has adopted a Charter describing its duties and powers.

Auditor

BDO LLP was appointed auditor to EYNL for the year ended 30 June 2017.

On behalf of Drs. C.B. Boogaart B.V.

C.B. Boogaart

Statement of members' responsibilities

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 ('LLP Regulations') require the members to prepare financial statements for each financial period. Under the LLP Regulations the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of EYNL and entities under control of EYNL as listed in Note 25 (hereafter: the Group) and EYNL and of the profit or loss of the Group and EYNL for that period. The members have elected to prepare financial statements for the Group and EYNL in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

IAS 1 'Presentation of Financial Statements' requires that financial statements present fairly for each financial period the limited liability partnership's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Members are also required to:

- ▶ properly select and apply accounting policies consistently
- ▶ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- ▶ provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and EYNL's financial position and financial performance and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that EYNL will continue in business.

Under the LLP Regulations, the members are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and EYNL, and which enable them to ensure that the financial statements will comply with those regulations. The members have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The members' responsibilities set out above are discharged by the designated members on behalf of the members. The designated members at the date of approval of the financial statements confirm that, so far as they are aware, there is no relevant information of which EYNL's auditors are unaware and each designated member has taken all the steps that ought to have been taken by them to make themselves aware of any relevant audit information and to establish that EYNL's auditors were aware of that information.

The Group and EYNL, which are part of the EY global network, have considerable financial resources, contracts with a large number of clients across different industries and geographies and have talented and motivated partners and employees. Information about its capital and exposure to liquidity risk is set out in Notes 23 and 24 to the financial statements. The designated members believe that the Group and EYNL is well placed to manage its business risks successfully and have a reasonable expectation that EYNL has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Independent auditors' report to the members of Ernst & Young Nederland LLP

Opinion

We have audited the financial statements of Ernst & Young Nederland LLP for the year ended 30 June 2017 which comprise the Consolidated and Limited Liability Partnership Income Statements, the Consolidated and Limited Liability Partnership Statements of Comprehensive Income, the Consolidated and Limited Liability Partnership Balance Sheets, the Consolidated and Limited Liability Partnership Statements of Cash Flows, the Consolidated and Limited Liability Partnership Statements of Changes in Members' Interests and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- ▶ the financial statements give a true and fair view of the Group's and Limited Liability Partnership's affairs as at 30 June 2017 and of the Group's and Limited Liability Partnership's profit for the period then ended;
- ▶ the Group and Limited Liability Partnership's financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Limited Liability Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Limited Liability Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to limited liability partnerships, requires us to report to you if, in our opinion:

- ▶ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the Statement of Members' responsibilities, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Group's and Limited Liability Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Limited Liability Partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the Limited Liability Partnership's Members, as a body, in accordance with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the Limited Liability Partnership's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Limited Liability Partnership and the Limited Liability Partnership's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditors' report to the members of Ernst & Young Nederland LLP

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ('FRC's') website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Diane Campbell (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
Date: 25 September 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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Consolidated statement of profit or loss of Ernst & Young Nederland LLP

for the year ended 30 June 2017 | In thousands of euros

	Notes	2016/2017	2015/2016
Revenue			
Rendering of services	6.1	715,220	648,958
Other income	6.2	30,683	32,204
		745,903	681,162
Operating expenses			
Services provided by foreign EY member firms and third parties	7.1	99,628	84,036
Employee benefits expenses	7.2	326,170	300,335
Amortization and impairment of intangible assets	10	665	536
Depreciation and impairment of property, plant and equipment	11	6,024	4,660
Other operating expenses	7.3	172,906	159,063
		605,393	548,630
Operating profit		140,510	132,532
Finance income	8.1	347	102
Finance expenses	8.2	-4,661	-5,615
Profit before tax		136,196	127,019
Income tax expense	9	218	-12
Profit for the financial year		136,414	127,007
Profit attributable to members of EYNL		136,414	127,007

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Consolidated statement of other comprehensive income of Ernst & Young Nederland LLP

for the year ended 30 June 2017 | In thousands of euros

	Notes	2016/2017	2015/2016
Profit for the financial year		136,414	127,007
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net unrealized (loss)/gain on cash flow hedges		-3,954	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains and (losses) on defined benefit plans	20.2	-10	430
Other comprehensive income for the year, net of tax		-3,964	430
Total comprehensive income for the year, net of tax		132,450	127,437
Total comprehensive income for the year attributable to members of EYNL		132,450	127,437

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Consolidated statement of financial position of Ernst & Young Nederland LLP

as at 30 June 2017 | In thousands of euros

	Notes	30 June 2017	30 June 2016
Assets			
Non-current assets			
Intangible assets	10	21,311	16,165
Property, plant and equipment	11	24,060	19,463
Other non-current financial assets	12	6,703	6,015
		52,074	41,643
Current assets			
Trade and other receivables	13	258,481	239,373
Prepayments	14	79,343	95,918
Other current financial assets	12	59	24
Cash and cash equivalents	15	36,811	32,462
		374,694	367,777
Total assets		426,768	409,420
Equity and liabilities			
Current liabilities			
Trade and other payables	16	198,408	203,579
Interest-bearing loans and borrowings	17	1,473	12,944
Provisions	19	8,029	4,939
Employee benefits	20	23,492	22,373
Income tax payable		556	713
		231,958	244,548
Non-current liabilities			
Interest-bearing loans and borrowings	17	60,074	49,549
Other non-current financial liabilities	18	9,710	10,627
Provisions	19	6,735	8,777
Employee benefits	20	20,222	16,850
		96,741	85,803
Total liabilities		328,699	330,351
Equity			
Members' capital	21	84,298	81,533
Reserves	22	13,771	-2,464
Total equity		98,069	79,069
Total equity and liabilities		426,768	409,420

These financial statements were signed on 25 September 2017 by C.B. Boogaart on behalf of Drs. C.B. Boogaart B.V.

Consolidated statement of changes in equity of Ernst & Young Nederland LLP

In thousands of euros

	Members' capital	Profit available for distribution	Retained earnings	Total reserves	Total equity
At 1 July 2015	76,545	123,399	-130,568	-7,169	69,376
Profit for the financial year	-	114,907	12,100	127,007	127,007
Other comprehensive income	-	430	-	430	430
Total comprehensive income	-	115,337	12,100	127,437	127,437
Profit distribution 2014/2015	-	-123,399	667	-122,732	-122,732
Contributions of capital from members	8,611	-	-	-	8,611
Repayment on retirement	-3,623	-	-	-	-3,623
At 30 June 2016	81,533	115,337	-117,801	-2,464	79,069
Profit for the financial year	-	120,784	15,630	136,414	136,414
Other comprehensive income	-	-10	-3,954	-3,964	-3,964
Total comprehensive income	-	120,774	11,676	132,450	132,450
Profit distribution 2015/2016	-	-115,337	-878	-116,215	-116,215
Contributions of capital from members	8,190	-	-	-	8,190
Repayment on retirement	-5,425	-	-	-	-5,425
At 30 June 2017	84,298	120,774	-107,003	13,771	98,069

Negative retained earnings are mainly a result of settlement of drawing rights in 2006/2007 and 2008/2009 with current and retired members. These negative retained earnings do not have any impact on the going concern assumption under which these statements have been prepared. Also the future cash flow will not be significantly negative influenced as a result of the settlement of the drawing rights. For these reasons EYNL will be able to continue distribution of its profits.

Consolidated statement of cash flows of Ernst & Young Nederland LLP

for the year ended 30 June 2017 | In thousands of euros

	Notes	2016/2017	2015/2016
Operating activities			
Profit for the financial year		136,414	127,007
Adjustment for:			
Amortization and impairment of intangible assets	10	665	536
Depreciation and impairment of property, plant and equipment	11	6,024	4,660
Finance income and expenses	8	4,314	5,513
Increase in employee benefits provision	20	4,392	1,421
Increase/(Decrease) in provisions	19	701	-9,139
		152,510	129,998
Working capital adjustments:			
Decrease/(Increase) in trade and other receivables and prepayments		2,298	-37,469
(Decrease)/Increase in trade and other payables		-7,540	12,967
Income tax (paid)/received		-157	170
Net cash flows from operating activities		147,111	105,666
Investing activities			
Purchase of property, plant and equipment	11	-9,792	-3,926
Disposal of property, plant and equipment	11	74	269
Purchase of intangible assets		-	-389
Advances/additions to other non-current financial assets/loans		-745	-4
Repayment/disposal of other non-current financial assets/loans		22	-
Acquisition of a subsidiary, net of cash acquired	5	-8,711	-6,327
Interest received		347	102
Net cash flows used in investing activities		-18,805	-10,275
Financing activities			
Payment to/from members (current account)		-2,096	4,805
Prepayments to current members	14	-58,283	-56,222
Payment of profit distribution 2015/2016 (2014/2015)		-59,993	-70,038
Contributions of capital from members	21	8,190	8,611
Repayment of capital contributions on retirement	21	-5,425	-3,623
Repayment of private facility drawing	17	-10,000	-
Payment of finance lease liabilities		-17	-309
Proceeds from interest-bearing loans and borrowings	17	12,994	13,790
Repayment of interest-bearing loans and borrowings	17	-3,917	-15,140
Repayment of other non-current financial liabilities	18	-1,584	-979
Interest paid		-3,826	-4,537
Net cash flows used in financing activities		-123,957	-123,642
Net cash flow		4,349	-28,251
Net cash and cash equivalents at 1 July	15	32,462	60,713
Net cash flow		4,349	-28,251
Net cash and cash equivalents at 30 June	15	36,811	32,462

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

The following abbreviations are used in these financial statements:

Abbreviation	standing for
EYNL	Ernst & Young Nederland LLP
EYA	Ernst & Young Accountants LLP
EYB	Ernst & Young Belastingadviseurs LLP
HVG	HVG Law LLP
EY Europe	Ernst & Young Europe LLP
EY EMEA	Ernst & Young (EMEA) Services Limited
EY Global	Ernst & Young Global Ltd
EYGS	EYGS LLP
EYGF	Ernst & Young Global Finance, Inc.
EYGI	EYGI B.V.

1 Corporate information

1.1 Date of preparation

EYNL's consolidated financial statements for the year ended 30 June 2017 were approved by the Supervisory Board and EY Europe on 25 September 2017 and signed on behalf of the members by the designated members on 25 September 2017.

1.2 Incorporation

EYNL is a limited liability partnership incorporated and domiciled in the United Kingdom. The partnership was incorporated on 14 March 2008.

EYNL is registered in England and Wales with registered number OC335595 and has its registered office at 6 More London Place, London SE1 2DA, United Kingdom.

Its principal place of business is at Boompjes 258, 3011 XZ Rotterdam, The Netherlands and it is registered with the Chamber of Commerce with number 24432942.

All members (partners) participate in EYNL and, depending on their professional grouping, in EYA or EYB. There are contractual arrangements under which the entire result of EYA and EYB is distributed to EYNL.

1.3 Financial year

A financial year consists of 52 or 53 weeks and therefore the year-end date differs from year to year.

The financial year 2016/2017 started on 2 July 2016 (2015/2016: 4 July 2015) and ended on 30 June 2017 (2015/2016: 1 July 2016). Accordingly, references to 30 June 2016 must be read as references to 1 July 2016.

1.4 Principal activities

EYNL provides assistance and coordinating leadership to EYA and EYB in order to optimize their shared course of business and practices and promote their joint strategy. EYNL carries out its operations in the Netherlands but does not provide services to clients.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

The principal activities of EYNL's subsidiaries EYA and EYB are the provision of assurance, tax, advisory and transaction advisory services in the Netherlands.

Information on the group structure and related party relationships is provided in Note 25.

1.5 Management and control structure

EYNL is a member firm of EY Global, a worldwide organization of separate legal entities providing assurance, tax, advisory and transaction advisory services which holds a leading position in its market.

Within the EY worldwide organization, operations are organized in four geographic Areas: Americas, Asia-Pacific, EMEIA (Europe, Middle East, India and Africa) and Japan. EY's activities in the Netherlands are a geographical part of the EMEIA organization, consisting of 99 countries divided into 11 geographic regions and the EMEIA Financial Services Organization Region, which facilitates all services provided to the financial sector.

Until 3 April 2017 the Netherlands together with Belgium formed the 'BeNe' Region. As from 3 April 2017 the Netherlands is part of the 'Western Europe and Maghreb' Region or 'WEM' Region, which consists of France, Luxembourg, Monaco, Belgium, Morocco, Tunisia, Algeria and the Netherlands. This does not include the Financial Services sector in the countries mentioned in the previous sentence, which sector is part of the EMEIA Financial Services Organization Region.

EY Europe has significant influence over EYNL, as described in Note 25. EY Europe is a member of EY Global and EY EMEIA. EY Europe is also a member of EYNL.

1.6 Position of the members

In accordance with the contractual terms members provide certain funds to EYNL (members' capital). Both the interest allowance and the repayment of funds are subject to decisions of the Board of Directors and therefore the funds provided by members are classified as equity instruments. In the situation that the Board of Directors might decide to defer interest payments and/or repayments of funds provided, the contractual terms prohibit the distribution of profits.

The members are the sole rightful claimants to the result as determined from the consolidated financial statements. The result is subject to tax in the members' professional practice companies to the extent that the results of the entities in which participating interests are held have not already been subject to tax according to those entities' legal forms.

2 Accounting policies

2.1 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale (AFS) financial assets, derivative financial instruments, and, if any, contingent consideration resulting from business combinations which have been measured at fair value.

The designated members consider that the financial resources available to EYNL are adequate to meet its operational needs for the foreseeable future. Consequently the going concern basis has been adopted in preparing these financial statements.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

The functional currency of EYNL and its subsidiaries is the euro. The financial statements are presented in euros and all amounts are rounded to the nearest thousand (€000), unless stated otherwise.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of EYNL and its subsidiaries as at 30 June 2017. Control is achieved when EYNL is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, EYNL controls an investee if, and only if, EYNL has:

- ▶ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- ▶ Exposure, or rights, to variable returns from its involvement with the investee
- ▶ The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when EYNL has less than a majority of the voting or similar rights of an investee, EYNL considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement(s) with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ EYNL's voting rights and potential voting rights.

EYNL re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when EYNL obtains control over the subsidiary and ceases when EYNL loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date EYNL gains control until the date EYNL ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with EYNL's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities within the EYNL group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If EYNL loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.3 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRSs and IFRIC interpretations:

- ▶ Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception, effective 1 January 2016
- ▶ Amendments to IFRS 11 *Joint Arrangements* - Accounting for Acquisitions of Interests in Joint Operations, effective 1 January 2016

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

- ▶ Amendments to IAS 1 *Presentation of Financial Statements* - Disclosure Initiative, effective 1 January 2016
- ▶ Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortization, effective 1 January 2016
- ▶ Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* - Bearer Plants, effective 1 January 2016
- ▶ Amendments to IAS 27 *Separate Financial Statements* - Equity Method in Separate Financial Statements, effective 1 January 2016
- ▶ Annual Improvements to IFRSs 2012-2014 Cycle (Issued September 2014), effective 1 January 2016.

None of these changes had an impact on the accounting policies applied, nor has there been a significant impact on the disclosures.

2.4 Summary of significant accounting policies

Foreign currencies

Transactions in foreign currencies are initially recorded at the rate of exchange of the functional currency prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss. Fair value changes of derivative financial instruments which are designated as part of a cash flow hedge are recognized in other comprehensive income until the hedged item affects profit and loss.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, EYNL elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When EYNL acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by EYNL will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognized in the statement of profit or loss.

Goodwill is initially measured at cost being the excess of the consideration over the fair value of the net identifiable assets and liabilities as part of the business combination.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

If the fair value of the net assets acquired is in excess of the consideration transferred, then the gain is recognized in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of EYNL's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

Initially, financial instruments are measured at fair value. Subsequently, the financial instruments are measured at fair value or amortized cost, depending on the classification of the financial instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to EYNL.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

EYNL uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, EYNL determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

For the purpose of fair value disclosures, EYNL has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to EYNL and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Rendering of services

Rendering of services represents revenue earned under a wide variety of contracts to provide professional services to clients and to other entities within the EY global network. Revenue is recognized when the stage of completion of the contract, the amounts to be received and the costs incurred and to complete the contract can be measured reliably and it is probable that the revenue will be received. It is measured by reference to the stage of completion of the contract at the estimated fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements, but excluding value added tax.

Revenue is generally recognized as contract activity progresses, although when it is contingent on an event outside the control of EYNL it is recognized when the contingent event occurs. Revenue not billed to clients is included in unbilled receivables. Payments on account in excess of the relevant amount of revenue are included in trade and other payables.

When determining the amount of revenue to be recognized on contracts, it is necessary to estimate their stage of completion, the remaining time and costs to be incurred and the amounts that will be paid for the services provided. These estimates are made on a contract-by-contract basis and a different assessment of any of these factors would result in a change to the amount of revenue recognized.

Other income

Income earned from charges made to other entities within the EY global network is recognized based on the applicable contractual terms and conditions.

Finance income

Finance income represents interest earned on cash at banks and deposits. Revenue is recognized as interest accrues, using the effective interest method.

Income tax

Taxes on the result of EYNL are levied directly in the members professional practice companies. Taxes on subsidiaries (other than EYA and EYB) which are autonomous taxpayers are computed on the basis of the disclosed result, taking into account tax-exempt items and non-deductible expenses.

Any differences between measurement for tax purposes and for financial reporting purposes are likewise settled through the members' professional practice companies. Consequently, no deferred tax arises.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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Profit for the financial year available for distribution among members

The profit for the financial year available for distribution to members as reported in the consolidated statement of profit or loss is distributed according to an agreed system. The distributions to retired members are a contractual obligation of the members as a whole, and not EYNL.

The consolidated financial statements including the determination of the distributable profits are adopted by the Board of Directors following the approval of EY Europe and the Supervisory Board. This approval is made after balance sheet date and therefore the result for the financial year is recognized as part of equity. Distribution of profits will only take place in the situation that the Board of Directors has made use of its discretionary powers to pay interest allowance on members' capital to current or retired members and/or repay members' capital to retired members.

Drawing rights were settled in the 2006/2007 and 2008/2009 financial years. EYNL and its predecessors facilitated the settlement by making payments on behalf of the members and obtaining the necessary financing. Each year, in accordance with a fixed schedule (in fixed amounts during a remaining period of 9 years), part of the consolidated profit available to members will not be distributed, but will be set off against the settled drawing rights in retained earnings. In addition amounts are withheld regarding the settlement of goodwill and onerous contracts.

Amounts paid to members in advance of profit distribution are recoverable from these members and recognized as a financial asset. Profit distributions to members are recognized as a deduction from equity when payment is no longer discretionary.

Of the profit to be distributed to members that are subject to the clawback regulation, an average of one-sixth of these members' total profit share will be withheld unless such members have opted to allot alternative financial means to the clawback fund, all in accordance with the terms of the clawback regulation. According to this clawback regulation the members have three options: to opt that one-sixth of the profit share will not be paid out; to allot and convert a loan provided through Stichting Confidentia 2004 or to allot a part of the capital contribution.

Work performed by members is not remunerated separately. The statement of profit or loss does not recognize notional remuneration for members as such remuneration cannot be regarded as determining the profit.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

The present value of the expected decommissioning costs at the end of the lease is included in the cost of the capital expenditure in rented properties if the recognition criteria for a provision are met. It is depreciated over the remaining terms of the leases. See Note 19 for the method for calculating the provision for decommissioning costs.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset:

▶ Capital expenditure in rented properties	Lease term, usually 10 years
▶ Cars (average lease term)	5 years
▶ Fixtures and fittings, computers etc.	5 to 7 years

Depreciation is charged proportionately for additions made during the year.

Contracts are reviewed when determining the lease term for the capital expenditure in rented properties.

The depreciation period for cars equals the term of the finance lease.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively if appropriate.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Finance lease (EYNL as lessee)

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item to EYNL, are capitalized at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of profit or loss.

Assets leased through finance leases are depreciated over the useful life of the asset. However, if there is no reasonable certainty that EYNL will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease

All other lease contracts are considered to be operating leases. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term. Increases in annual rentals following rent reviews are recognized over the remaining lease term from the time they take effect. Lease incentives are recognized as a reduction of rental expenses over the contracted lease term.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Due to the absence of qualifying assets the impact is nil. All other borrowing costs are expensed in the period they occur.

Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Amortization is based on the estimated useful life of the asset and charged using the straight-line method:

▶ Software	3 years
▶ Brand names	2-3 years
▶ Customer relationships	10 years

The amortization period and method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The useful life of brand names is assessed on an individual basis.

The amortization expense on intangible assets is recognized as a separate line item in the statement of profit or loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

▶ Significant accounting judgments, estimates and assumptions	Note 4
▶ Intangible assets	Note 10
▶ Property, plant and equipment	Note 11

EYNL assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, EYNL estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

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In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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EYNL bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of EYNL's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 1 to 3 years.

Impairment losses of continuing operations, are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

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For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, EYNL estimates the asset's or the CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a remeasured amount, in which case the reversal is treated as a revaluation increase.

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Goodwill is tested for impairment annually (at financial year end) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables or AFS financial assets, as appropriate. All financial assets are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

The financial assets include cash and cash equivalents, trade and other receivables, loans and other receivables and unquoted equity shares.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

1. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

Receivables are generally carried at the original invoiced amount, less an allowance for doubtful receivables where there is objective evidence that balances will not be recovered in full.

Unbilled receivables refers to services provided but not yet billed. If the result of a transaction relating to a service can be estimated reliably, the unbilled receivables for that service are measured by reference to the stage of completion based on the estimated proceeds. Any amounts billed in advance are deducted from unbilled receivables.

Gains and losses are recognized in the consolidated statement of profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

2. AFS financial assets

Participating interests in companies over which no significant influence is exercised over financial and operating policies are measured at fair value or, if that cannot be established reliably, at cost, taking into account impairment. Unrealized gains and losses are recognized through other comprehensive income, until the investment is derecognized, at which time the cumulative gain or loss recorded in other comprehensive income is recognized in the statement of profit or loss and, or determined to be impaired, at which time the cumulative loss recorded in other comprehensive income is recognized in the statement of profit or loss.

Derecognition

A financial asset is derecognized on settlement.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

▶ Significant accounting judgments, estimates and assumptions	Note 4
▶ Trade and other receivables	Note 13

EYNL assesses, at each reporting date, whether there is objective evidence that a (group of) financial asset(s) is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, EYNL first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If EYNL determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the assets is reduced through the use of an allowance account and the loss is recognized in profit or loss.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss, loans and borrowings, hedging instruments in an effective hedge or as payables, as appropriate. Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The financial liabilities include trade and other payables and loans and borrowings. Financial liabilities at fair value through profit and loss relates to the contingent considerations in a business combination.

Subsequent measurement

After initial recognition, interest-bearing and non-interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Trade payables are generally carried at the original invoiced amount.

Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

EYNL uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

At the inception of a hedge relationship, EYNL formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how EYNL will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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Cash flow hedges

The effective portion of the unrealized gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss.

EYNL uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted future transactions denominated in US dollars. Refer to Note 23.1 for more details.

Amounts recognized as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when future transactions occur.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative unrealized gain or loss previously recognized in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognized when EYNL has a present legal or constructive obligation resulting from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Professional indemnity

In determining the amount of a provision to be recognized in respect of alleged professional negligence claims, it is necessary to make a judgment as to whether a present obligation exists as a result of a past event that gives rise to probable payments and, if so, whether the obligation can be reliably estimated. Where appropriate, provision is made based on the estimated cost of defending and settling claims. These judgments and estimates are made on a claim-by-claim basis and take account of all available evidence. A different assessment could result in a change to the amount of the provision recognized.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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Contingent liabilities, including liabilities that are not probable or which cannot be measured reliably, are not recognized but are disclosed unless the possibility of settlement is considered remote. Contingent assets are not recognized, but are disclosed where an inflow of economic benefits is probable. Separate disclosure is not made of any individual claim or of expected insurance recoveries where such disclosure might seriously prejudice the position of the entity.

Obligation for members' drawing rights

During 2008/2009, the drawing rights of certain active members were set at fixed amounts and became an obligation of EYNL, payable upon the members' retirement dates. In specific circumstances, notably when a member leaves before the usual retirement date, no payment is due.

The obligation is recognized at the best estimate of the expected payments upon retirement of the respective partners, using actuarial assumptions and discounted at a contractual determined pre-tax rate. This estimate will be revised annually.

Decommissioning provision

The provision for decommissioning relates to the leases of offices. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning obligation. The unwinding of the discount is expensed as incurred and recognized in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Provision for employee benefits

Pensions

EYNL has a defined contribution pension plan which is administered by a pension fund (Stichting Pensioenfonds Ernst & Young). The pension fund has reinsured its obligations and actuarial risks through an insurance company. EYNL is only required to pay the agreed contributions to the pension fund. After payment of this premium EYNL does not have any further obligation to the fund or its employees in this respect. EYNL cannot be held liable for any losses suffered by the pension fund, even if the pension fund is discontinued. The premium paid does not contain any elements relating to past services. EYNL is not entitled to any refund. The contributions due to the pension fund are taken to the statement of profit or loss. Contributions payable and prepaid contributions are included under current liabilities and current assets, respectively.

There is an obligation to index the paid-up entitlements of a limited, specific and closed group of former employees. This obligation is classified as a defined benefit plan. The plan is unfunded. Measurement is based on the projected unit credit method using a discount rate derived from the interest rate on high-quality corporate bonds. Actuarial gains and losses are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit and loss in subsequent periods.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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Salary payments during absence and long-service awards

The salary payments during absence consist of supplementary disability benefits under the Dutch Work and Income Act (WIA) and a provision which is formed for future payments in the event of termination of contracts of employment. Furthermore, a provision for long-service awards is made. The plans are unfunded.

Measurement of disability benefits is computed actuarially using factors for attrition, mortality and disability, and measurement of long-service awards is based on probability rates, mortality rates and future salary increases. Actuarial gains and losses are recognized immediately through profit or loss.

These provisions are discounted using a rate derived from the interest rate on high quality corporate bonds.

Equity

Members' capital

The funds provided by the members classify as Equity instruments. Reference is made to Note 1.6.

Retained earnings

The distribution of the consolidated result for the financial year will be made following the adoption of the financial statements by the Board of Directors and the approval by EY Europe and the Supervisory Board and after the financial statements are signed on behalf of the members by the designated members.

Therefore the consolidated result for the financial year is recognized as part of equity.

Distribution of profits will only take place in the situation that the Board of Directors has made use of its discretionary powers and has decided to pay interest allowance on members' capital to current or retired members and/or repay members' capital to retired members.

Amounts paid to members in advance of profit distribution are recoverable from these members and recognized as a financial asset. Profit distributions to members are recognized as a deduction from equity when payment is no longer discretionary.

Drawing rights were settled in the 2006/2007 and 2008/2009 financial years. EYNL and its predecessors facilitated this by making the payment on behalf of the members and obtaining the necessary financing. The settlement was charged against equity (retained earnings) as it related to the settlement of an obligation of the members and not an obligation of EYNL.

Part of the withdrawn drawing rights will be funded each year by the then profit-sharing members. Each year, in accordance with a fixed schedule, part of the profit available to members will not be distributed, but set off against the settled drawing rights in equity (retained earnings). In addition amounts are withheld regarding the settlement of goodwill and onerous contracts.

The drawing rights of current members have also been set at fixed amounts and became an obligation of EYNL, payable upon their retirement dates.

Statement of cash flows

The statement of cash flows has been prepared using the indirect method.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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Movements in members' capital, other loans and borrowings from members and current accounts with current and retired members are presented as a single net amount.

Combined transactions are not recognized on the basis of their individual components: e.g. assets acquired through a finance lease are not recognized in the net cash flows used in investing activities or the net cash flows used in financing activities. Instead, only the actual payment of the finance lease obligations is included in the net cash flows used in financing activities. The interest element is recognized as part of overall interest in the financing cash flow.

Transactions denominated in foreign currencies are recognized at the exchange rates ruling on the transaction date.

3 Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the EYNL's financial statements are listed below. None of the endorsed amendments have been early adopted.

- ▶ Amendments to IFRS 2 *Share-based Payment* - Classification and Measurement of Share-based Payment Transactions¹, effective 1 January 2018
- ▶ IFRS 9 *Financial Instruments*, effective 1 January 2018
- ▶ IFRS 15 *Revenue from Contracts with Customers*, including amendments to IFRS 15: *Effective date of IFRS 15* and Clarifications to IFRS 15 *Revenue from Contracts with Customers*¹, effective 1 January 2018
- ▶ IFRS 16 *Lease*¹, effective 1 January 2019
- ▶ Amendments to IAS 7 *Statement of Cash Flows* - Disclosure Initiative¹, effective 1 January 2017
- ▶ Amendments to IAS 12 *Income Taxes* - Recognition of Deferred Tax Assets for Unrealized Losses¹, effective 1 January 2017
- ▶ Amendments to IAS 40 *Investment Property* - Transfers of Investment Property¹, effective 1 January 2018
- ▶ IFRIC 22 *Foreign Currency Transactions and Advance Consideration*¹, effective 1 January 2018
- ▶ IFRIC 23 *Uncertainty over Income Tax Treatments*¹, effective 1 January 2019
- ▶ Annual Improvements Cycle - 2014-2016¹, effective 1 January 2017 and 1 January 2018.

The standards and interpretations discussed below are those which EYNL reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. EYNL intends to adopt these standards when they become effective.

IFRS 15 *Revenue from Contracts with Customers*¹

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. EYNL is assessing the impact of this standard. Furthermore, EYNL is considering the clarifications issued by the IASB and will monitor any further developments.

1) Not yet endorsed by the EU as at September 2017. IFRS 15 including Amendments to IFRS 15: *Effective date of IFRS 15* has been endorsed by the EU. The Clarifications to IFRS 15 have not yet been endorsed by the EU as at September 2017.

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IFRS 16 Leases²

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17 Leases. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's lessor accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. EYNL will assess the impact of IFRS 16.

4 Significant accounting judgments, estimates and assumptions

The preparation of EYNL's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying EYNL's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Drawing rights

Drawing rights were settled/redeemed in the 2006/2007 and 2008/2009 financial years. EYNL and its predecessors facilitated this by making the payment on behalf of the members and obtaining the necessary financing. To finance the settlement of drawing rights in 2008/2009, EYGS, on behalf of EY Europe, committed (interest-free) loans totaling €98.9 million and an equity contribution of €74.1 million. On 27 June 2012 these loans were transferred to EYGF.

The loans were measured on receipt at the fair value of the future consideration, using a discount rate of 5%. The settlement/redemption was charged against equity as it related to the settlement of a liability of the members and not a liability of EYNL.

2) Not yet endorsed by the EU as at September 2017. IFRS 15 including Amendments to IFRS 15: Effective date of IFRS 15 has been endorsed by the EU. The Clarifications to IFRS 15 have not yet been endorsed by the EU as at September 2017.

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Finance and operating leases

Effective 1 January 2016, EYNL entered into new contracts with three car lease companies. Under these contracts, the cars are recognized as operating leases. The previously existing contracts with the other car lease companies remain unchanged and continue to be classified either as operating lease or as finance leases. During 2016/2017 these financial lease contracts ended.

Management established on the basis of an evaluation of the terms and conditions for the arrangements that not all the significant risks and rewards of ownership of computers and mobile phones leased for employees and members had been transferred to EYNL. Consequently, the personal computers and mobile phones are recognized as operating leases.

Pension plan

The contractual arrangements laid down in the pension plan, the agreements with the pension fund, transparent communication on employees' entitlements and the insurance contract with professional insurance companies are of such a nature that, viewed from EYNL's perspective there is a plan under which all actuarial risks and rewards are placed outside EYNL after payment of the fixed annual premium. Based thereon it has been concluded that the pension plan qualifies as a defined contribution plan.

The obligation to index certain paid-up entitlements qualifies as a defined benefit plan, but because it relates to a limited, specific and closed group of former employees it is regarded as a separate plan and does not impact the classification of the general pension plan.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

EYNL based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of EYNL. Such changes are reflected in the assumptions when they occur.

Revenue measurement

Estimates of the fair value of the services rendered have to be made to determine revenue. The estimates are made using a method based on a primary estimate by the member with final responsibility plus a review procedure. Revenue is determined taking into account the progress of the work. Where applicable, the variations in the contracted work are also taken into account.

Property, plant and equipment

Expenditure on property, plant and equipment is allocated to the financial years according to estimates of the expected useful life of the asset and any residual value. In the case of capital expenditure in rented properties, there is also a review of whether options to renew the lease will be exercised. Part of the amount capitalized is the estimated expenditure required at the end of the lease for returning the leased premises to their original state. Further details on property, plant and equipment are disclosed in Note 11.

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Impairment of non-financial assets

An impairment exists when the carrying amount of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and forecasts for the next 1 to 3 years. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the CGUs, including a sensitivity analysis, are further explained in Note 10.

Measurement of trade receivables

Trade receivables are measured on the basis of individual reviews and a collective review. Any impairment of outstanding receivables (including unbilled amounts) is assessed on the basis of objective evidence regarding the recoverability at the reporting date. Information becoming available after the reporting date that evidences that a loss already existed at the reporting date is also taken into account. Further details on trade receivables are disclosed in Note 13.

Provision for professional indemnity

An estimate is made of future cash outflows and of the time they are expected to arise when determining this provision. Further details are disclosed in Note 19.

Provision for premises

A provision for premises has been formed for the rent due for the remaining term of the leases of offices, or parts of them, rented by EYNL but unoccupied. In determining the amounts, assumptions and estimates are made in relation to discount rate, expected fixed expenses and expected income from sublease. For further details see Note 19.

Employee benefits

Bonuses and payments to employees are determined annually based on budgeted assumptions. During the year and as at year end, the amounts of these bonuses and payments to employees are assessed as to whether they are still applicable regarding the business circumstances. Further details are disclosed in Note 20.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 23 for further disclosures.

Contingent consideration from business combinations

Contingent considerations, resulting from business combinations, are valued at fair value at the acquisition date as part of the business combination. When the contingent considerations meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions taken into consideration include the probability of meeting each performance target and the discount factor. See Notes 5 and 18 for further details.

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The considerations subject to the retention of the former shareholders/partners and/or employees of acquired entities, which are payable in the next financial year are accounted for as Employee benefits provision. See Notes 5 and 20 for further details. The long term deferred considerations are further explained under Commitments and contingencies. See Notes 26 for further details.

5 Business combinations

Acquisitions in 2016/2017

On 1 September 2016, Parthenon-EY B.V. acquired certain activities, contracts and assets and liabilities from the partnership OC&C Strategy Consultants Benelux (OC&C Benelux). It provides services in the field of strategic consulting for large and mid-market organizations, private equity firms, governmental entities and other public institutions. The acquisition qualifies as a business combination as described in IFRS 3.

The acquisition is a distinctive step for EYNL in further developing world-class strategy services capabilities. All 59 employees of OC&C Benelux, including 6 partners, joined EY's Transaction Advisory Services to operate under the Parthenon-EY brand.

Assets acquired and liabilities assumed

The total fair value of the identifiable assets and liabilities as at the date of acquisition were:

	Notes	Fair value recognized on acquisition
Assets		
Property, plant and equipment		1,305
Trade and other receivables		2,770
Cash and cash equivalents		-
		4,075
Liabilities		
Trade and other payables		1,175
Total identifiable net assets at fair value		2,900
Goodwill arising on acquisition	10	5,811
Purchase consideration transferred		8,711

The fair value of the trade receivables amounts to €2.6 million. The gross amount of trade receivables is €2.6 million. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of €5.8 million mainly consists of the value of expected synergies arising from the acquisition. Goodwill is assessed on the level of EYA. None of the goodwill recognized is expected to be deductible for corporate income tax purposes.

From the date of acquisition, the acquired business has contributed €7.2 million of revenue and €2.3 million to the gross margin of EYNL.

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If the acquisition had taken place at the beginning of the financial year, revenue from continuing operations would have been further increased with €1.4 million and the gross margin would have been further increased with €0.5 million.

Purchase consideration

Cash paid	8,711
Total consideration	8,711

Analysis of cash flows on acquisition

Cash paid	-8,711
Net cash acquired with the subsidiaries (included in cash flows from investing activities)	-
Net cash flow on acquisition	-8,711

Partner Retention Consideration and Performance Consideration

As part of the asset purchase agreement with the partners of OC&C Benelux, a Partner Retention Consideration and a Performance Consideration have been agreed. Subject to the retention of the partners, there will be additional cash payments of maximum €10.0 million, consisting of three annual payments partly depending on the achieved levels of revenues.

These considerations explicitly focus on the tenure of the partners and therefore these payments are considered as remuneration for post-combination services (employee benefits) and are not included in the total consideration for the shares. For the current financial year an amount of €0.9 million is included in the employee benefit expenses.

Employee Retention Bonuses

The Employee Retention Bonuses are linked to the retention of employees and payable to the individual employees. The Employee Retention Bonus consists of three annual payments for a total maximum amount of €2.0 million.

These bonuses explicitly focus on the tenure of the employees and therefore these payments are considered as remuneration for post-combination services (employee benefits) and are not included in the total consideration for the shares. For the current financial year an amount of €0.7 million is included in the employee benefit expenses.

Acquisitions in 2015/2016

During 2015/2016 Ernst & Young Participaties B.V. acquired 100% of the shares of the following entities:

- ▶ On 3 August 2015, Integrc Netherlands B.V. (Integrc) a leading provider of governance, risk and compliance (GRC) services to companies that run SAP.
- ▶ On 1 March 2016, Intelligence In Information B.V. (EY i3) a provider of services in the field of business intelligence, data analytics and predictive analytics. After acquisition the name has been changed into EY Intelligence In Information B.V.
- ▶ On 2 May 2016, Montesquieu Finance B.V. and Montesquieu Institutional Risk Management B.V. (EY Montesquieu) a leading consultancy firm in the field of financing and risk management. After acquisition the names have been changed into EY Montesquieu Finance B.V. and EY Montesquieu Institutional Risk Management B.V.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

Assets acquired and liabilities assumed

The total fair value of the identifiable assets and liabilities of the acquired entities as at the dates of acquisition were:

	Notes	Fair value recognized on acquisition
Assets		
Intangible assets identified at acquisition date		1,520
Intangible fixed assets		35
Property, plant and equipment		406
Trade and other receivables		2,871
Cash and cash equivalents		231
		5,063
Liabilities		
Trade and other payables		2,287
Total identifiable net assets at fair value		2,776
Goodwill arising on acquisition	10	5,146
Purchase consideration transferred		7,922

The fair value of the trade receivables amounts to €2.2 million. The gross amount of trade receivables is €2.2 million. None of the trade receivables have been impaired.

At acquisition date, intangible assets of €1.5 million were recognized, comprising of customer relationships, brand name and software.

The goodwill of €5.1 million comprises of the value of expected synergies arising from the acquisitions, the value of the assembled workforce which cannot be separately recognized and the expected growth of the profitability, to be realized by new costumers.

Goodwill is assessed on the level of EYA. None of the goodwill recognized is expected to be deductible for corporate income tax purposes.

From the dates of acquisition to 30 June 2016, the acquired entities have contributed €4.4 million of revenue and €0.2 million to the gross margin of EYNL. If all the acquisitions had taken place at the beginning of the financial year 2015/2016, revenue from continuing operations for the year 2015/2016 would have been further increased with €5.6 million and the gross margin would have been increased with €1.1 million.

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Purchase consideration

Cash paid	6,558
Employee retention consideration	1,364
Total consideration	7,922

Analysis of cash flows on acquisitions

Cash paid	-6,558
Net cash acquired with the subsidiaries (included in cash flows from investing activities)	231
Net cash flow on acquisition	-6,327

Employee retention consideration

As part of the purchase agreements conditional cash payments to the previous owners of the acquired entities of a total amount of €1.4 million were agreed. The first instalments were payable one year after the dates of completion and the second two years after the dates of completion.

Shareholders retention consideration and earn out consideration

As part of the purchase agreements with the previous owners of Integrc and EY Montesquieu, earn out considerations were agreed. Subject to the retention of the former ultimate shareholders, there will be additional cash payments of maximum €6.0 million, based on three annual payments depending on the achieved levels of revenues.

With the previous owners of EY i3, a shareholders retention consideration was agreed. There will be additional cash payments for a total amount of €0.6 million, depending on the retention of the ultimate shareholders. The first instalment is payable one year after the date of completion and the second two years after the date of completion.

The above considerations explicitly focus on the tenure of the selling shareholders. Therefore these payments are considered as remuneration for post-combination services (employee benefits) and are not included in the total consideration for the shares. For the financial year 2015/2016 an amount of €0.6 million is included in the employee benefit expenses.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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6 Revenue

EYNL is not required to disclose segment information.

6.1 Rendering of services

Fee income from the rendering of services is generated almost entirely in the Netherlands and can be broken down by service line as follows:

	2016/2017	2015/2016
Assurance services	333,911	302,745
Tax services	217,608	208,298
Advisory services	109,832	98,873
Transaction advisory services	53,869	39,042
	715,220	648,958

6.2 Other income

	2016/2017	2015/2016
Services to other entities within the EY network	30,455	31,726
Other	228	478
	30,683	32,204

7 Operating expenses

7.1 Services provided by foreign EY member firms and third parties

These are services and expenses directly attributable to assignments.

7.2 Employee benefits expenses

	2016/2017	2015/2016
Salaries and bonuses	225,923	207,684
Social security charges	31,608	28,171
Pension contributions	26,403	25,122
Mobility expenses	34,728	33,040
Other staff expenses	7,508	6,318
	326,170	300,335

Salaries and bonuses include holiday allowance.

Mobility expenses includes car lease payments recognized as operating lease expenses of €20.7 million (2015/2016: €19.8 million).

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The average number of staff (excluding members) in full time equivalents (FTE) during the year was:

FTE	2016/2017	2015/2016
Client serving staff	3,357	3,115
Support staff	507	511
	3,864	3,626

7.3 Other operating expenses

	2016/2017	2015/2016
Premises expenses	21,423	29,033
Other staff expenses	15,663	16,383
Office expenses	12,671	11,171
IT expenses	29,001	23,443
International EY charges	55,740	45,963
Net foreign exchange gains and losses	-1,458	721
Other expenses	39,866	32,349
	172,906	159,063

Premises expenses includes lease payments recognized as operating lease expense of €18.2 million (2015/2016: €18.6 million).

IT expenses includes lease payments recognized as operating lease expense of €0.9 million (2015/2016: €1.3 million).

Auditors' remuneration of €261,400 (2015/2016: €222,300) is included in other expenses. Of these amounts, €191,400 (2015/2016: €185,800) was charged in respect of the audit of the financial statements of all entities and an amount of €70,000 (2015/2016: €36,500) for various other audit services.

8 Finance income and expenses

8.1 Finance income

	2016/2017	2015/2016
Interest on bank balances and deposits	291	35
Interest income on loans and receivables	56	67
	347	102

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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8.2 Finance expenses

	2016/2017	2015/2016
Interest on loans granted by current and retired members	2,242	2,178
Interest on current and retired members' current account balances	1,245	1,750
Total interest paid to current and retired members	3,487	3,928
Finance charges payable under finance leases	4	75
Interest on bank loans and borrowings (including amortized cost of loans and borrowings)	-	169
Unwinding of discount on provisions and loans	800	1,011
Other interest and similar expense	370	432
	4,661	5,615

9 Income tax expense

	2016/2017	2015/2016
Income tax current financial year	-54	-12
Income tax previous financial years	272	-
	218	-12

These tax charges relate exclusively to autonomous taxpaying subsidiaries. Tax on the remainder of the result for the financial year is borne by the members. As this also applies to differences in measurement for tax purposes and financial reporting purposes, EYNL has no deferred tax assets or liabilities.

There are no direct equity movements on which current or deferred tax is computed. There are no recognized or unrecognized losses available for relief.

The tax reconciliation in respect of group profits is as follows:

	2016/2017	2015/2016
Profit before tax	136,196	127,019
Tax at 25% (2015/2016: 25%)	-34,049	-31,755
Tax on partnership profits attributable to the members	33,995	31,743
Taxes receivable for previous year	272	-
Taxes receivable/payable by subsidiaries	218	-12

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

10 Intangible assets

	Customer relation- ships/ Brand names	Goodwill	Software	Total
At 1 July 2015	2,831	7,654	4	10,489
Acquisitions	1,369	5,146	186	6,701
Additions/Purchases	325	-	64	389
Adjustments	-	-878	-	-878
Amortization	-473	-	-63	-536
At 30 June 2016	4,052	11,922	191	16,165
Acquisitions	-	5,811	-	5,811
Amortization	-590	-	-75	-665
At 30 June 2017	3,462	17,733	116	21,311
Cost	3,896	7,654	281	11,831
Accumulated amortization	-1,065	-	-277	-1,342
At 1 July 2015	2,831	7,654	4	10,489
Cost	5,590	11,922	531	18,043
Accumulated amortization	-1,538	-	-340	-1,878
At 30 June 2016	4,052	11,922	191	16,165
Cost	5,590	17,733	458	23,781
Accumulated amortization	-2,128	-	-342	-2,470
At 30 June 2017	3,462	17,733	116	21,311

Acquisitions

Further details of the acquired intangible assets are included in Note 5.

Adjustments

During 2015/2016 the deferred consideration of an acquired entity was reassessed, resulting in a goodwill adjustment of €0.9 million.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to EYA as being the CGU for impairment testing.

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions: discount rate, budgeted revenue, budgeted gross margin and budgeted operating income.

The value in use calculation is based on cash flow projections from the most recent financial budgets, the discount rates are derived from the CGU's weighted average cost of capital. The indefinite growth rate used is 0.0%.

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Sensitivity to changes in assumptions

With regard to the assessment of value in use, management assessed that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed their recoverable amount.

As a result of analysis, management did not identify an impairment as at 30 June 2017 and 30 June 2016.

11 Property, plant and equipment

	Capital expenditure in rented properties	Cars	Fixtures and fittings, computers	Total
At 1 July 2015	15,268	2,079	4,064	21,411
Acquisitions	284	-	122	406
Additions	2,533	-	1,393	3,926
Disposals	-219	-1,351	-50	-1,620
Depreciation	-2,936	-310	-1,414	-4,660
At 30 June 2016	14,930	418	4,115	19,463
Acquisitions	847	-	458	1,305
Additions	5,573	-	4,219	9,792
Disposals	-14	-402	-60	-476
Depreciation	-4,118	-16	-1,890	-6,024
At 30 June 2017	17,218	-	6,842	24,060
Cost	54,114	4,897	30,214	89,225
Accumulated depreciation and impairments	-38,846	-2,818	-26,150	-67,814
At 1 July 2015	15,268	2,079	4,064	21,411
Cost	48,609	1,158	29,725	79,492
Accumulated depreciation and impairments	-33,679	-740	-25,610	-60,029
At 30 June 2016	14,930	418	4,115	19,463
Cost	54,010	-	32,243	86,253
Accumulated depreciation and impairments	-36,792	-	-25,401	-62,193
At 30 June 2017	17,218	-	6,842	24,060

As at 30 June 2017, there are contractual obligations for purchasing property, plant and equipment for an amount of €3.0 million (as at 30 June 2016: €4.5 million).

Besides the operating lease contracts for cars, EYNL has some lease contracts. During 2016/2017 these financial lease contracts ended.

Further details of the acquisitions are included in Note 5.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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All other property, plant and equipment is at the free disposal of EYNL (i.e. it has not been pledged as security).

12 Other non-current and current financial assets

	30 June 2017	30 June 2016
Non-current		
Available-for-sale (AFS) investment - unquoted equity shares	5,997	5,997
Loans granted to current members	18	18
Loans to member firms	688	-
	6,703	6,015
Current		
Loans granted to employees	59	24
	59	24

As at 30 June 2017 and 30 June 2016, there were no past-due amounts.

Available-for-sale (AFS) investment - unquoted equity shares

EYNL holds non-controlling interests in EYGI B.V. (5.86%), EY Holdings Ltd (19.68%), EY Global Finance, Inc. (4%) and EMEIA Fusion LP (14.3%). The fair value of the investments in equity instruments cannot be estimated reliably and, accordingly, they are measured at cost.

On 30 September 2016 Ernst & Young Participaties B.V. became a limited partner in EMEIA Fusion LP.

Loans to member firms

On 30 September 2016 Ernst & Young Participaties B.V. issued a loan to EMEIA Fusion LP. The repayment of the loan will be determined based on future results. The loan is interest free unless agreed between parties.

13 Trade and other receivables

	30 June 2017	30 June 2016
Unbilled receivables	94,979	89,062
Trade receivables	138,672	135,660
Other receivables	24,830	14,651
	258,481	239,373

13.1 Unbilled receivables

Amounts are not yet billed and measured at expected realizable value and therefore neither past due nor impaired. Payments on account in excess of the relevant amount of revenue are included in trade and other payables.

Unbilled receivables are pledged to Stichting Confidentia 2004 as security for the loans granted by current and retired members.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

13.2 Trade receivables

Trade receivables are generally payable between 14 and 90 days. Trade receivables are pledged to Stichting Confidentia 2004 as security for the loans granted by current and retired members.

The trade receivables are shown net of impairment. The total amount of impairment as at 30 June 2017 for these receivables is €4.1 million (30 June 2016: €7.1 million).

The movement in the provision for impairment was as follows:

	2016/2017	2015/2016
At 1 July	-7,115	-6,434
Charge for the year	-190	-763
Release of unused amounts	747	14
Written off	2,506	68
At 30 June	-4,052	-7,115

The ageing of trade receivables at 30 June was as follows:

	30 June 2017	30 June 2016
Neither past due nor impaired	61,905	62,991
Past due but not impaired:		
< 30 days	45,335	48,090
30-90 days	24,439	15,334
90-180 days	5,087	5,285
180-365 days	1,350	2,729
> 365 days	556	1,231
	138,672	135,660

See Note 23.1 on how EYNL manages credit risk.

Receivables from related parties and strategic alliance are included in trade receivables for an amount of €0.2 million (30 June 2016: €0.1million). For further information regarding related parties reference is made to Note 25.

13.3 Other receivables

Other receivables are shown net of impairment. The total amount of impairment as at 30 June 2017 for these receivables is €1.8 million (30 June 2016: €0.9 million). The movement in the provision for impairment was as follows:

	2016/2017	2015/2016
At 1 July	-946	-300
Charge for the year	-816	-646
Release of unused amounts	-	-
Written off	-	-
At 30 June	-1,762	-946

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The ageing of other receivables at 30 June was as follows:

	30 June 2017	30 June 2016
Neither past due nor impaired	16,066	11,310
Past due but not impaired:		
< 30 days	1,808	1,876
30-90 days	4,674	335
90-180 days	452	400
180-365 days	341	203
> 365 days	1,489	527
	24,830	14,651

14 Prepayments

	30 June 2017	30 June 2016
Profit-share advances paid to current members	58,283	56,222
Prepaid pension contributions	14,242	6,846
Other prepayments	6,818	32,850
	79,343	95,918

15 Cash and cash equivalents

	30 June 2017	30 June 2016
Cash at bank and in hand	36,811	32,462

The cash and cash equivalents comprise an amount of €16.7 million for the purpose of exercising a forward contract on 3 July 2017.

16 Trade and other payables

	30 June 2017	30 June 2016
Amounts due to current and retired members	56,248	58,344
Trade payables	16,588	31,759
Taxes and social security	39,749	37,065
Payments on account	60,993	61,109
Other financial liabilities	5,890	4,098
Other payables	18,940	11,204
	198,408	203,579

Trade payables are normally settled on 30-day terms.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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Amounts due to current and retired members are current account balances. Amounts drawn by current members as advances on the profit share are presented as prepayments.

Further details regarding the other financial liabilities are included in Note 18.

Payables from related parties and strategic alliance are included in trade payables and other payables. For further information regarding related parties reference is made to Note 25.

17 Interest-bearing loans and borrowings

	Effective interest rate	Maturity (financial year)	30 June 2017	30 June 2016
Current				
Loans granted by current and retired members	3.8%	2018	1,473	2,525
Private facility drawing	-	-	-	10,000
Car lease obligations	-	-	-	419
			1,473	12,944
Non-current				
Loans granted by current and retired members	4.5%	2019-2023	51,769	41,640
Private loan to finance settlement of drawing rights	5.0%	Up to 2049	8,305	7,909
			60,074	49,549

Loans granted by current and retired members

These loans are held by Stichting Confidentia 2004 on behalf of the current and retired members. This foundation holds pledges on the unbilled receivables and receivables from clients. In the event of the death of a current or former member, his/her professional corporation can demand early repayment of the amount of the loan outstanding at that time.

According to the clawback regulation one-sixth of the total profit share 2015/2016 of the members concerned will not be paid out, resulting in a 4% long term loan with a term of six years. Another option is to convert loans provided through Stichting Confidentia 2004 into a new 4% loan with a term of six years. Members have opted for both options. As a result a new 4% loan of €1.2million is issued regarding to the first option. Furthermore for an amount of €3.1 million loans held by Stichting Confidentia 2004 are converted into new 4% loans.

The fair value of the (new) loan equals the book value of the converted loan amounts.

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The loans are repayable according to the following schedule:

	Interest rate	In €000
Unsubordinated loans		
31 December 2017	3.75%	1,473
31 December 2018	5.00%	11,655
31 December 2019	5.00%	10,833
31 December 2020	4.00%	13,273
31 December 2021	4.00%	9,437
31 December 2022	4.00%	4,296
Subordinated loans		
1 February 2019	6.25%	2,275

Private facility drawing

EYNL has a facility agreement with EYGF dated 18 December 2013 under which it can draw an amount of €10 million on an as need basis. At 30 June 2016, an amount of €10 million had been drawn until 30 November 2016 with an interest rate of 2.65%.

Private loan to finance settlement of drawing rights

On behalf of EY Europe, EYGS has committed a total of €98.9 million in two loans to finance the settlement of drawing rights in 2008/2009. On 27 June 2012, these loans were transferred to EYGF.

The loans are interest-free and were measured on receipt at the fair value of the future cash flows using a discount rate of 5%. For the financial year 2016/2017 the interest charge due to application of the amortized cost method amounts to €0.4 million (2015/2016 €0.4 million).

The first loan is fully repaid. The final instalment was paid in June 2015.

The amortized cost of the remaining second loan with a face value of €39.5 million will be assessed annually based on current information on future cash flows (and, if necessary, revising the amortized cost).

Car lease obligations

This is the obligation under the finance lease contracts for cars. Further details are included in Note 26.

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18 Other financial liabilities

	30 June 2017	30 June 2016
Derivatives designated as hedging instruments		
Foreign exchange forward contracts	3,588	-
Financial liabilities at fair value through profit or loss		
Other considerations	684	2,266
Other financial liabilities at amortized cost		
Other payables	11,328	12,459
	15,600	14,725
With a term < 1 year	5,890	4,098
With a term > 1 year	9,710	10,627
	15,600	14,725

Foreign exchange forward contracts

During the financial year EYNL entered into forward contracts, designated as cash flow hedges to hedge highly probable forecasted expenses in US dollar for an amount of USD 75.5 million. The risk relates to the potential change in the relationship of the value of the euro against the US dollar for future payments denominated in US dollars. The amount reflects the change in the fair value of foreign exchange forward contracts. Refer to Note 23.1 for further information.

Other considerations

The other considerations consists of the employee retention considerations payable to the previous owners of acquired entities. Please refer to Note 5 for further information. For these payments the present value is calculated using a discount rate based on a risk free rate. The amount to be paid in the next financial year is included in the Trade and other payables - other payables, see Note 16.

Other payables

Other payables as at 30 June 2017 mainly relates to the lease incentives regarding office leases. The amount to be repaid in the next financial year is included in the Trade and other payables, see Note 16.

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19 Provisions

	Professional indemnity	Premises	Drawing rights of current members	Total
At 1 July 2015	650	13,266	8,364	22,280
Additions	806	542	-	1,348
Payments	-519	-4,567	-991	-6,077
Amounts released	-	-4,143	-267	-4,410
Unwinding of discount	-	197	378	575
At 30 June 2016	937	5,295	7,484	13,716
Additions	3,035	329	-	3,364
Payments	-7	-1,011	-1,002	-2,020
Amounts released	-	-186	-457	-643
Unwinding of discount	-	23	324	347
At 30 June 2017	3,965	4,450	6,349	14,764
With a term < 1 year	937	2,998	1,004	4,939
With a term > 1 year	-	2,297	6,480	8,777
At 30 June 2016	3,937	5,295	7,484	13,716
With a term < 1 year	3,965	2,990	1,074	8,029
With a term > 1 year	-	1,460	5,275	6,735
At 30 June 2017	3,965	4,450	6,349	14,764

Professional indemnity

Professional indemnity claims, other than the policy excess, are insured under the EY International insurance program. The professional indemnity provision serves to cover current exposures, with a maximum per event of the uninsured policy excess. Based on the best estimate of timing the cash outflow is not discounted.

In the normal course of business, entities may receive claims for alleged negligence.

Substantial insurance cover is carried in respect of professional negligence. Cover is principally written through captive insurance companies involving other EY firms and a significant proportion of the total cover is reinsured through the commercial market. Cases are usually resolved within three years, although claims that involve court action may take longer to resolve. Contingent liabilities arise where payments resulting from a claim are not probable or where it is not possible to reliably estimate the financial effect of a claim.

Premises

A provision has been formed for the rent due for the remaining term of the leases of offices, or parts of them, rented by EYNL but unoccupied. This provision also relates to the expected cost of returning rented offices to their original condition when they are vacated.

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The provisions for vacant office buildings and dilapidation costs are calculated at present value using a discount rate of 0.6% for lease contracts ending within 6 years (30 June 2016: 0.4%) and of 1.08% for lease contract with a term of 6 years or longer (30 June 2016: 0.7%).

Drawing rights of current members

During 2008/2009, the drawing rights of current members were set at fixed amounts and became an obligation of EYNL, payable upon their retirement dates.

The obligation is recognized at the best estimate of the expected payments upon retirement of the respective partners, using actuarial assumptions and discounted at a pre-tax rate of 5.0% (30 June 2016: 5.0%).

20 Employee benefits

	30 June 2017	30 June 2016
Current liabilities		
Payments to be made to staff	19,964	20,690
Salary payments during absence	678	759
Provision for long-service awards	337	339
Remuneration liability acquisitions	2,513	585
	23,492	22,373
Non-current liabilities		
Payments to be made to staff	15,891	12,562
Defined benefit pension plan	1,395	1,354
Salary payments during absence	170	191
Provision for long-service awards	2,766	2,743
	20,222	16,850

Payments to be made to staff relates to amounts to be paid for holidays, overtime and bonuses.

Remuneration liability acquisitions relates to the amounts to be paid within one year to the previous shareholders/partners of the acquired entities/businesses for the agreed earn out considerations and the retention consideration. As mentioned in Note 5 these are considered as remuneration for post-combination services.

20.1 Defined contribution pension plan

EYNL has a defined contribution pension plan, which is administered by a pension fund (Stichting Pensioen-fonds Ernst & Young). The pension fund has reinsured its obligations and actuarial risks through an insurance company. EYNL is only required to pay the agreed contributions to the pension fund. After payment of this premium EYNL does not have any further obligation to the fund or its employees in this respect. EYNL cannot be held liable for any losses suffered by the pension fund, even if the pension fund is discontinued. The premium paid does not contain any elements relating to past services. EYNL is not entitled to any refund. The contributions due to the pension fund are taken to the statement of profit or loss. Contributions payable and prepaid contributions are included under current liabilities and current assets, respectively.

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The total amount of the defined contribution plan charged to profit or loss during the financial year was €26.0 million (2015/2016: €24.7 million).

20.2 Defined benefit pension plan

There is an obligation to index the paid-up entitlements of a limited, specific and closed group of former employees. This obligation is classified as a defined benefit plan. The plan is unfunded. Measurement is based on the projected unit credit method using a discount rate derived from the interest rate on high-quality corporate bonds. Actuarial gains and losses are recognized in other comprehensive income and permanently excluded from profit and loss.

Considering the relative small size of this obligation, disclosures are limited to those below.

	2016/2017	2015/2016
Defined benefit obligation		
At 1 July	1,354	1,751
Interest cost	31	33
Current service cost	-	-
Benefits paid	-	-
Actuarial (gains)/losses on obligation	10	-430
At 30 June	1,395	1,354

	30 June 2017	30 June 2016
With a term < 1 year	-	-
With a term > 1 year	1,395	1,354
	1,395	1,354

The principal assumptions used are:

	30 June 2017	30 June 2016
Discount rate	1.6%	2.3%
General salary increase	0.0%	0.0%
Inflation	0.3%	0.3%
Mortality rates	2016 Forecast tables of the Dutch Actuarial Association	2014 Forecast tables of the Dutch Actuarial Association

The total amount of defined benefit obligation charged to profit or loss during the financial year was €0.03 million (2015/2016: €0.03 million). The actuarial loss of the current year of €0.01 million (2015/2016: a gain of €0.4 million) is recognized in other comprehensive income.

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20.3 Salary payments during absence

This provision relates to salary to be paid in the event of termination of contracts of employment and supplementary disability benefits under the Dutch Work and Income Act (WIA).

The movements in the provision were as follows:

	2016/2017	2015/2016
At 1 July	950	1,650
Additions	2,116	2,824
Payments	-2,099	-1,895
Released	-123	-1,635
Unwinding of discount	4	6
At 30 June	848	950

	30 June 2017	30 June 2016
With a term < 1 year	678	759
With a term > 1 year	170	191
	848	950

The principal assumptions used for the provision for supplementary disability benefits under the WIA are:

	30 June 2017	30 June 2016
Discount rate	1.8%	1.8%
Probability rate	Kazo 2000	Kazo 2000
Mortality rates	2016 Forecast tables of the Dutch Actuarial Association	2014 Forecast tables of the Dutch Actuarial Association

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20.4 Provision for long-service awards

The provision for long-service awards relates to costs attributable to future long-service payments relating to past years of employment, taking into account the probability of staff leaving and death.

The movements in the provision were as follows:

	2016/2017	2015/2016
At 1 July	3,082	2,830
Additions	413	766
Payments	-433	-564
Released	-13	-
Unwinding of discount	54	50
At 30 June	3,103	3,082

	30 June 2017	30 June 2016
With a term < 1 year	337	339
With a term > 1 year	2,766	2,743
	3,103	3,082

The principal assumptions used are:

	30 June 2017	30 June 2016
Discount rate	1.8%	1.8%
Factor for attrition, mortality and disability	19.5%	18.9%
Future salary increase	2.7%	3.0%

21 Members' capital

	30 June 2017	30 June 2016
Contractual capital contribution by members	84,298	81,553

The movements were as follows:

	2016/2017	2015/2016
At 1 July	81,533	76,545
Contributions	8,190	8,611
Repayment on retirement	-5,425	-3,623
At 30 June	84,298	81,533

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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The number of members and the capital contribution for each LLP and/or partnership is as follows:

	30 June 2017		30 June 2016	
	Number of members	Capital contribution (in € million)	Number of members	Capital contribution (in € million)
EYA	163	56.2	158	54.9
EYB	81	28.1	77	26.6
EYNL	244	84.3	235	81.5
Members retired in financial year	7		8	
Number of profit-sharing partners	251		243	

Each member is required to make a capital contribution according to a capital-contribution method that is equal for all members.

In accordance with the clawback regulation, some members have opted for an allotment of (part of) their capital contribution. An amount of €3.3 million is allotted to the clawback fund for a period of six years.

22 Reserves

22.1 Result for the financial year

The consolidated financial statements are adopted by the Board of Directors following the approval of EY Europe and the Supervisory Board. The consolidated result for the financial year is shown in these financial statements.

22.2 Retained earnings

This reserve relates mainly to the settlement of drawing rights in the 2006/2007 and 2008/2009 financial years to former members and partners, which will be settled in annual instalments in the period to 2026 (9 years) with the then profit-sharing members. It also includes the present value of the arrangements made in 2008/2009 for drawing rights of members eligible in that year. The amount of contributions and other amounts for this received from EYGS on behalf of EY Europe is deducted from the reserve.

The retained earnings also include the settlement of goodwill and onerous contracts, the actuarial gains and losses arising on defined benefit pension plans and unrealized gains and losses arising on cash flow hedges.

22.3 Movements

Reference is made to the consolidated statement of changes in equity.

23 Financial instruments

23.1 Hedging activities and derivatives

Foreign exchange forward contracts are designated as hedging instruments in cash flow hedges to hedge highly probable future expense payments in US dollar.

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During the financial year EYNL entered into forward contracts designated as cash flow hedges for an amount of USD 75.5 million. The risk relates to the potential change in the relationship of the value of the euro against the US dollar for future payments denominated in US dollars.

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result there is no hedge ineffectiveness to be recognized in the statement of profit or loss.

Throughout the period to maturity of the derivatives, effectiveness will be tested on each reporting date. Any inefficiencies will immediately be taken to the income statements. The cash flow hedge of the expected future transactions in FY18 were assessed to be highly effective and an unrealized loss of €4.0 million is included in other comprehensive income.

23.2 Financial risk management and objectives

EYNL's financial instruments arise from normal commercial activities and include amounts owed to and receivable from current and retired members. EYNL does not use financial instruments for speculative activities, and complex financial instruments are avoided.

Financial instruments give rise to credit, liquidity, interest rate and foreign currency risks. Information about how these risks arise and are managed is set out below.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises primarily from client debtors and unbilled receivables and other financial assets, including deposits with banks and financial institutions and amounts due from members. EYNL's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2017 and 30 June 2016 is the carrying amounts presented in Notes 13 and 15. Due to the nature of the receivables presented in Note 12 (members, employees and EY member firms) no or very limited risk applies.

EYNL maintains procedures to minimize the risk of default by trade debtors. Services are provided to such a large group of clients that there is no concentration of credit risk. Credit risk is not covered by credit insurance or other credit instruments other than billing in advance in certain cases.

Unbilled receivables are typically billed to clients within a month of arising and invoices are generally payable between 14 and 90 days after presentation.

Note 13 presents information on the ageing of receivables and provisions for impairment.

Per year end, the requirement for an impairment of trade debtors is analyzed on an individual basis.

Amounts due from members are recovered from the current year's profit distribution or otherwise contractually reclaimed from the members.

Cash deposits are placed with creditworthy banks only. Deposits of surplus funds are made with approved counterparties only and within limits assigned to each counterparty. The limits are set to adhere to professional independence rules, to minimize the concentration of risks and, therefore, to mitigate financial loss from a potential counterparty failure.

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Liquidity risk

Liquidity risk is the risk that EYNL is unable to meet its financial obligations on the due date. Liquidity risk arises from the ongoing financial obligations of EYNL, including settlement of financial liabilities such as trade and other payables, as well as interest-bearing loans and borrowings and members' capital. The policy is to maintain a positive working capital balance. Depending on the time of year, there can be a considerable balance of cash and cash equivalents.

The maturity profile of the contractual payments, including interest, arising from EYNL's financial liabilities at year end, is as follows (the amounts disclosed are the gross undiscounted cash flows):

	< 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
Year ended 30 June 2017					
Interest-bearing loans and borrowings:					
▶ Contractual payments	1,473	13,930	33,543	44,296	93,242
▶ Interest payments	2,406	1,996	2,441	86	6,929
Trade and other payables	198,408	-	-	-	198,408
	202,287	15,926	35,984	44,382	298,579
Year ended 30 June 2016					
Interest-bearing loans and borrowings:					
▶ Contractual payments	12,944	1,750	39,890	40,000	94,584
▶ Interest payments	2,063	1,919	2,622	-	6,604
Trade and other payables	203,579	-	-	-	203,579
	218,586	3,669	42,512	40,000	304,767

The financing requirements of EYNL vary during the year, primarily as a result of the incidence of major payments. Capital expenditure on cars is funded by both finance leases and operating leases; reference is made to Note 11. The other main source of financing capital expenditure is funding supplied by current and retired members.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises primarily from interest-bearing loans and borrowings and cash and cash equivalents.

An inherent feature of a structure in which current and retired members provide a significant part of the funding for activities is that the variability is not hedged by derivatives.

A fixed rate of interest is paid on long-term loans granted by current and retired members. The interest on current account liabilities to current and retired members is assessed and set quarterly.

Funds drawn for settlement of drawing rights are interest-free or bear a fixed interest rate. Interest on finance leases is fixed for the term of the lease.

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The following table shows the sensitivity to a reasonably possible change in interest rates. With all other variables held constant, the profit of EYNL before tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease	2016/2017	2015/2016
	in basis points	€000	€000
Effect on profit before tax	+15	55	49
Effect on profit before tax	-15	-55	-49

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Although the majority of the income and expenses of EYNL are denominated in euros, foreign currency risk arises from transactions denominated in other currencies, particularly the US dollar and pound sterling. Balances in foreign currency bank accounts are held to facilitate cash management and to provide means for future payments in currencies other than euros.

EYNL manages its foreign currency risk by hedging US dollar payments that are expected to occur within a maximum 12-month period.

If the US dollar exchange rate were to change by 10%, the impact on profit or loss would be €0.5 million (2015/2016: €0.6 million) as a result of changes in the carrying amount of US dollar-denominated cash and amounts receivable/payable. If the pound sterling exchange rate were to change by 10%, the impact on profit or loss would be €0.1 million (2015/2016: €0.1 million) as a result of changes in the carrying amount of pound sterling-denominated cash and amounts receivable/payable.

23.3 Other notes

Reconciliation of classes and categories

All presented groups of financial assets, except other non-current financial assets, are part of the loans and receivables category measured at amortized cost. The financial assets in other non-current financial assets are in the available-for-sale (AFS) category and are measured at fair value, if they can be measured reliably, or otherwise at cost.

All presented groups of financial liabilities are part of the loans and borrowings category, measured at amortized cost. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination and is subsequently remeasured to fair value at each reporting date.

Fair values

Initially, financial instruments are measured at fair value. Subsequently, the financial instruments are measured at fair value or amortized cost, depending on the classification of the financial instruments. If the fair value of the AFS assets cannot be established reliably, these investments are measured at cost.

As at 30 June 2017 and 30 June 2016, contingent considerations resulting from business combinations are measured at fair value.

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During the financial year 2016/2017 EYNL entered into cash flow hedges for an amount of USD 75.5 million, fair value as at 30 June 2017 €4.0 million. Refer to Note 23.1 for further information. As at 30 June 2016 EYNL did not hold other financial instruments measured at fair value.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- ▶ EYNL assessed, based on a discounted cash flow (DCF) model, that cash, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- ▶ Long-term fixed-rate receivables are evaluated by EYNL using parameters such as interest rates, individual creditworthiness of the borrower and the risk characteristics of the financed project. Based on this evaluation, no impairment has been deemed necessary to recognize expected losses on these receivables. At 30 June 2017 and 30 June 2016, the carrying amounts of these receivables approximated their fair value.
- ▶ EYNL enters into derivative financial instruments (cash flow hedges) with a financial institution with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs.
- ▶ The fair value of fixed-rate borrowings and obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. At 30 June 2017 and 30 June 2016, the carrying amounts of these payables approximated their fair value.

Fair value assessment of the above mentioned financial assets and liabilities is of a level 2-type.

24 Capital management

EYNL's objective when managing capital is to safeguard its ability to continue as a going concern. Partly in view of its professional independence requirements, EYNL aims for financing which is predominantly provided voluntarily or compulsorily by the members (and retired members). Each member can be demanded to contribute an amount, not exceeding the amount (if any) unpaid in respect of the capital obligation for which the member is liable as a member.

Certain categories of property, plant and equipment, such as cars and computer equipment, are funded through finance or operating leases. Working capital is managed in such a manner that in principle no other external bank needs to be called upon and no other financing needs to be drawn. The same criteria apply to advances of profit shares to the members for the financial year. An exception to this is specific financing of the settlement of drawing rights for loans from EYGF have been drawn.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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25 Related parties and strategic alliance

25.1 Related parties

The financial statements include the financial information of EYNL and the subsidiaries listed in the following table.

	Country of incorporation	Equity interest	
		30 June 2017	30 June 2016
Ernst & Young Accountants LLP	United Kingdom	100%	100%
Ernst & Young Belastingadviseurs LLP	United Kingdom	100%	100%
Ernst & Young Participaties Coöperatief U.A.	The Netherlands	100%	100%
Ernst & Young Participaties B.V.	The Netherlands	100%	100%
Ernst & Young VAT Rep B.V.	The Netherlands	100%	100%
Ernst & Young Actuarissen B.V.	The Netherlands	100%	100%
Ernst & Young CertifyPoint B.V.	The Netherlands	100%	100%
GS Participation Ltd	United Kingdom	100%	100%
Ernst & Young Real Estate Advisory Services B.V.	The Netherlands	100%	100%
Parthenon-EY B.V.	The Netherlands	100%	100%
Centre B.V.	The Netherlands	100%	100%
Integrc Netherlands B.V.	The Netherlands	100%	100%
EY Intelligence In Information B.V.	The Netherlands	100%	100%
EY Montesquieu Finance B.V.	The Netherlands	100%	100%
EY Montesquieu Institutional Risk Management B.V.	The Netherlands	100%	100%

On 1 September 2016 Parthenon-EY B.V. acquired certain assets and liabilities from the partnership OC&C Strategy Consultants Benelux. In June 2016 the name Ernst & Young CA B.V. was changed in Parthenon-EY B.V.

During 2015/2016 the following entities were acquired by Ernst & Young Participaties B.V.:

- ▶ 100% of the shares of Integrc Netherlands B.V. - 3 August 2015
- ▶ 100% of the shares of Intelligence In Information B.V. - 1 March 2016, after acquisition the name has been changed to EY Intelligence In Information B.V.
- ▶ 100% of the shares of Montesquieu Finance B.V. and Montesquieu Institutional Risk Management B.V. - 2 May 2016, after acquisition the names have been changed to EY Montesquieu Finance B.V. and EY Montesquieu Institutional Risk Management B.V.

With an effective date of 1 July 2016, the activities of EY Intelligence In Information B.V. and Integrc Netherlands B.V. were transferred to EYA. This transfer of activities is a common control transaction and therefore no result is recognized on this transfer except for the tax expense related to this transaction.

BECO Groep B.V. was liquidated during 2015/2016. The liquidation was finalized on 12 April 2016.

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Transactions and balances

Under IFRS 10, an investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In 2015/2016 the Board of EY Europe has reassessed the arrangements between EY Europe and EYNL, and considered that EY Europe's own exposure to variable returns from EYNL arising from those arrangements is not sufficient to meet the definition of control, despite having power over EYNL. The arrangements do give EY Europe significant influence over EYNL, so EYNL is therefore an associate of EY Europe.

During 2016/2017 and 2015/2016 there were no sales to and purchases from EY Europe. As at 30 June 2017 and 30 June 2016, there were no outstanding balances with EY Europe.

25.2 Strategic alliance

EYB has a strategic alliance with HVG.

The following table provides the total amounts for which transactions were entered into during the relevant financial years and the outstanding balances at 30 June 2017 and 30 June 2016.

	2016/2017	2015/2016
Sales	10,428	9,350
Purchases	9,810	7,467
Current amounts receivable as at 30 June ³	197	91
Current amounts payable as at 30 June	1,270	1,479

25.3 Terms and conditions of transactions

Services provided to and received from related parties and strategic alliance are generally settled at prices applicable under normal market circumstances.

Outstanding balances at year-end are unsecured and interest-free, and settlement occurs in cash.

No guarantees were provided or received for any related party/strategic alliance receivable or payable.

For the year ended 30 June 2017 EYNL did not record any impairment of receivables of related parties and strategic alliance (30 June 2016: nil). This assessment is undertaken each financial year through examining the financial position of the related party/strategic alliance and the market in which it operates.

25.4 Compensation of key management personnel of EYNL

Key management personnel are the designated members of EYNL, EYA and EYB and the members of the Supervisory Board of EYNL during the financial year.

The designated members do receive their remuneration through their professional corporations, being a total of €3.8 million (2015/2016: €3.2 million).

From 1 July 2015, EYNL has a Supervisory Board. The remuneration of the Supervisory Board members for 2016/2017 is a total amount of €0.2 million (2015/2016: €0.2 million).

3) Gross amounts.

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26 Commitments and contingencies

Operating lease commitments

EYNL has entered into long-term leases for office premises and operating leases for personal computers, mobile phones, copiers/printers and cars. These leases have an average life between 1 and 10 years and may contain renewal options. Future minimum rentals payable are as follows:

	IT related contracts	Cars	Office leases	Total
Year ended 30 June 2017				
Within 1 year	921	15,408	21,032	37,361
Between 1 and 5 years	437	19,604	68,821	88,862
More than 5 years	-	-	61,014	61,014
	1,358	35,012	150,867	187,237
Year ended 30 June 2016				
Within 1 year	1,696	15,725	20,684	38,105
Between 1 and 5 years	736	22,032	68,636	91,404
More than 5 years	-	-	20,329	20,329
	2,432	37,757	109,649	149,838

The lease commitments relate only to the actual commitments at year end, excluding any service or other charges. Future rent increases were disregarded, except for those contracts which have been indexed (assumed to be 1.5%). Guarantees totaling some €1.1 million (2015/2016: €1.1 million) have been issued for lease commitments.

Effective 1 January 2016, EYNL entered into new contracts with three car lease companies. Under these contracts, the cars are recognized as operating leases. The previously existing contracts with the other car lease companies remain unchanged.

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Finance lease commitments

Finance lease charges for the financial year amount to €0.8 million (2015/2016: €1.1 million).

Future minimum lease payments under finance leases and the present value of the net minimum lease payments are as follows:

	2016/2017		2015/2016	
	Minimum payments	Present value of payments (Note 17)	Minimum payments	Present value of payments (Note 17)
Within 1 year	-	-	435	431
Between 1 and 5 years	-	-	-	-
After 5 years	-	-	-	-
Total minimum lease payments	-	-	435	431
Lease charges still to be incurred (incl. fuel)	-	-	-12	-12
Total minimum lease commitment	-	-	423	419
Less: amounts representing finance charges	-	-	-4	-
Present value of minimum lease commitment	-	-	419	419

The finance lease commitments for cars have ended in FY16/17 (2015/2016: a remaining average term of 0.01 year). Leased assets are pledged as security for the related finance lease.

Contingent assets

In connection with the representation of VGAN⁴ with effect from 1 March 1999 and the termination of the joint operating agreement with EYB, an amount is conditionally payable by HVG which will be recognized as income when received.

An income of €0.9 million (2015/2016: €1.4 million) has been taken to the 2016/2017 statement of profit or loss within this context (see Note 6.2).

Contingent liabilities

As part of the purchase agreements with the previous owners of the acquired business and/or entities, considerations have been agreed. Payments of these considerations are subject to the retention of the former ultimate shareholders/partners and/or employees.

There will be additional cash payments to the previous owners of these acquired entities, if still employed by EY, of maximum €14.4 million (2015/2016: maximum €6.6 million), payable in three annual payments partly depending on the achieved levels of revenues in the three years after completion of the acquisitions. Besides there will be additional cash payments to individual employees of acquired entities, if still employed by EY, of maximum €2.0 million, consisting of three annual payments.

4) VGAN is the legal predecessor of HVG.

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

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Proceedings and claims

Disciplinary and civil law proceedings and claims have been brought against entities pursuant to alleged professional negligence and other claims. Forceful defense is put up against such proceedings and claims, which sometimes involve substantial amounts. In many cases it is exceedingly difficult to estimate the risks involved due to many uncertainties regarding facts, the legal position of all parties involved and other legal issues.

Insurance cover is carried in respect of professional indemnity. Cover is principally written through captive insurance companies and a proportion of the total cover is reinsured through the commercial market. Cases are usually resolved within three years, although claims that involve court action may take longer to resolve. Where appropriate, provision is made for costs arising from such claims representing the estimated costs of defense and settlements below the uninsured policy excess. Separate disclosure is not made of any individual claim or expected insurance recoveries where such disclosure might seriously prejudice the position of the entity.

Contingent liabilities, including liabilities that are not probable or which cannot be measured reliably, are not recognized but are disclosed unless the possibility of settlement is considered remote.

Deferred balance - member firms

EY member firms, including EYNL, have entered into an agreement under which certain expenses of, and investments in, the global network are charged to the member firms. An annual charge is levied on each member firm existing at the time based on a percentage of the member firm's revenues for that period. These charges are recognized as an expense in the period in which the revenues are earned. No liability is recognized in respect of potential future charges because no current obligation is considered to arise at year-end.

Funding of settlement of drawing rights

Contributions totaling €217.9 million were obtained from EYGS on behalf of EY Europe to fund the settlement of drawing rights:

- ▶ On behalf of EY Europe, EYGS has committed a total of €98.9 million in two loans to finance the settlement of drawing rights in 2008/2009. On 27 June 2012, these loans were transferred to EYGF. The first loan is fully repaid. The repayment of the second loan with a face value of €39.5 million will be determined based on future cash flows.
- ▶ A contribution of €74.1 million has to be repaid under the following circumstances only.
 - Bankruptcy or suspension of payments, failure to meet the loan terms and conditions, or appointment of a receiver or administrator.
 - Termination of participation in EY Global.
- ▶ The difference (€44.9 million) between the amounts received and the fair value at the time of receipt in 2008/2009 is recognized as a contribution to the withdrawals paid (net amount recognized in equity, see Note 22).

27 Events after the reporting period

After the reporting date no events occurred that need to be reported.

Separate financial statements

for the year ended 30 June 2017
Ernst & Young Nederland LLP

Statement of profit or loss of Ernst & Young Nederland LLP

for the year ended 30 June 2017 | In thousands of euros

	Notes	2016/2017	2015/2016
Revenue			
Rendering of services	32	1,689	2,212
Other income	32	125,476	124,727
		127,165	126,939
Operating expenses			
Services provided by foreign EY member firms and third parties		5,341	7,514
Employee benefits expenses	33.1	39,391	40,566
Depreciation and impairment of property, plant and equipment	36	5,805	4,612
Other operating expenses	33.2	76,831	74,804
		127,368	127,496
Operating profit/(loss)		-203	-557
Finance income	34.1	8,469	7,371
Finance expenses	34.2	-4,501	-5,525
Share of profit from subsidiaries	37	134,546	127,326
Profit before tax		138,311	128,615
Income tax expense	35	-	-
Profit for the financial year		138,311	128,615
Profit attributable to members of EYNL		138,311	128,615

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Statement of other comprehensive income of Ernst & Young Nederland LLP

for the year ended 30 June 2017 | In thousands of euros

	Notes	2016/2017	2015/2016
Profit for the financial year		138,311	128,615
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net unrealized (loss)/gain on cash flow hedges		-3,954	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains and (losses) on defined benefit plans	46.2	-10	430
Other comprehensive income for the year, net of tax		-3,964	430
Total comprehensive income for the year, net of tax		134,347	129,045
Total comprehensive income for the year attributable to members of EYNL		134,347	129,045

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Statement of financial position of Ernst & Young Nederland LLP

as at 30 June 2017 | In thousands of euros

	Notes	30 June 2017	30 June 2016
Assets			
Non-current assets			
Property, plant and equipment	36	22,617	19,054
Investment in subsidiaries	37	26,990	21,990
Other non-current financial assets	38	304	456
		49,911	41,500
Current assets			
Other receivables	39	116,602	102,544
Prepayments	40	78,198	94,572
Other current financial assets	38	152	152
Cash and cash equivalents	41	29,397	22,782
		224,349	220,050
Total assets		274,260	261,550
Equity and liabilities			
Current liabilities			
Trade and other payables	42	85,127	89,627
Interest-bearing loans and borrowings	43	1,473	12,944
Provisions	45	4,064	3,933
Employee benefits	46	2,861	2,320
		93,525	108,824
Non-current liabilities			
Interest-bearing loans and borrowings	43	60,074	49,549
Other non-current financial liabilities	44	9,710	9,946
Provisions	45	6,735	8,777
Employee benefits	46	4,250	3,777
		80,769	72,049
Total liabilities		174,294	180,873
Equity			
Members' capital	47	84,298	81,533
Reserves	48	15,668	-856
Total equity		99,966	80,677
Total equity and liabilities		274,260	261,550

These financial statements were signed on 25 September 2017 by C.B. Boogaart on behalf of Drs. C.B. Boogaart B.V.

Statement of changes in equity of Ernst & Young Nederland LLP

In thousands of euros

	Members' capital	Profit available for distribution	Retained earnings	Total reserves	Total equity
At 1 July 2015	76,545	119,993	-130,568	-10,575	65,970
Profit for the financial year	-	116,515	12,100	128,615	128,615
Other comprehensive income	-	430	-	430	430
Total comprehensive income	-	116,945	12,100	129,045	129,045
Profit distribution 2014/2015	-	-119,993	667	-119,326	-119,326
Contributions of capital					
from members	8,611	-	-	-	8,611
Repayment on retirement	-3,623	-	-	-	-3,623
At 30 June 2016	81,533	116,945	-117,801	-856	80,677
Profit for the financial year	-	122,681	15,630	138,311	138,311
Other comprehensive income	-	-10	-3,954	-3,964	-3,964
Total comprehensive income	-	122,671	11,676	134,347	134,347
Profit distribution 2015/2016	-	-116,945	-878	-117,823	-117,823
Contributions of capital					
from members	8,190	-	-	-	8,190
Repayment on retirement	-5,425	-	-	-	-5,425
At 30 June 2017	84,298	122,671	-107,003	15,668	99,966

Negative retained earnings are mainly a result of settlement of drawing rights in 2006/2007 and 2008/2009 with current and retired members. These negative retained earnings do not have any impact on the going concern assumption under which these statements have been prepared. Also the future cash flow will not be significantly negative influenced as a result of the settlement of the drawing rights. For these reasons EYNL will be able to continue distribution of its profits.

Statement of cash flows of Ernst & Young Nederland LLP

for the year ended 30 June 2017 | In thousands of euros

	Notes	2016/2017	2015/2016
Operating activities			
Profit for the financial year		138,311	128,615
Share of profit from subsidiaries	37	-134,546	-127,326
		3,765	1,289
Adjustment for:			
Depreciation and impairment of property, plant and equipment	36	5,805	4,612
Finance income and expenses	34	-3,968	-1,846
Increase/(Decrease) in employee benefits provision	46	962	-517
Decrease in provisions	45	-2,486	-9,495
		4,078	-5,957
Working capital adjustments:			
Decrease/(Increase) in other receivables and prepayments		5,690	-37,944
(Decrease)/Increase in trade and other payables		-6,326	9,373
Net cash flows from operating activities		3,442	-34,528
Investing activities			
Purchase of property, plant and equipment		-9,822	-3,927
Disposal of property, plant and equipment		52	268
Repayment of other financial assets/loan		152	152
Interest received		8,469	7,371
Net cash flows used in investing activities		-1,149	3,864
Financing activities			
Payment from members (current account)		125,949	133,264
Prepayment to current members	40	-58,283	-56,222
Payment of profit distribution 2015/2016 (2014/2015)		-61,601	-66,632
Contributions of capital from members	47	8,190	8,611
Repayment of capital contributions on retirement	47	-5,425	-3,623
Repayment of private facility drawing	43	-10,000	-
Payment of finance lease liabilities		-17	-309
Proceeds from interest-bearing loans and borrowings	43	12,994	13,790
Repayment of interest-bearing loans and borrowings	43	-3,917	-15,140
Repayment of other non-current financial liabilities		-80	-159
Interest paid		-3,488	-4,526
Net cash flows used in financing activities		4,322	9,054
Net cash flow		6,615	-21,610
Net cash and cash equivalents at 1 July	41	22,782	44,392
Net cash flow		6,615	-21,610
Net cash and cash equivalents at 30 June	41	29,397	22,782

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

28 Financial year

A financial year consists of 52 or 53 weeks and therefore the year-end date differs from year to year. The financial year 2016/2017 started on 2 July 2016 (2015/2016: 4 July 2015) and ended on 30 June 2017 (2015/2016: 1 July 2016). Accordingly, references to 30 June 2016 must be read as references to 1 July 2016.

29 Accounting policies

29.1 Basis of preparation

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The separate financial statements have been prepared on the historical cost basis, except for derivative financial instruments, which have been measured at fair value.

EYNL's objective is to safeguard its status as a going concern; therefore the separate financial statements are prepared on a going concern basis.

The functional currency of EYNL is the euro. The financial statements are presented in euros and all amounts are rounded to the nearest thousand (€000), unless stated otherwise.

29.2 Changes in accounting policy and disclosures

Reference is made to Note 2.3 of the consolidated financial statements.

29.3 Summary of significant accounting policies

Reference is made to the summary in Note 2.4 of the consolidated financial statements for information on significant accounting policies.

Subsidiaries are measured at cost less impairment. EYNL exercises control over EYA and EYB except in specific professional matters. EYA and EYB have no capital and, under contractual arrangements, distribute their entire result for the financial year to EYNL. Accordingly, the cost and/or net-asset value of both EYA and EYB are nil.

30 Standards issued but not yet effective

Reference is made to Note 3 of the consolidated financial statements.

31 Significant accounting judgments, estimates and assumptions

Reference is made to Note 4 of the consolidated financial statements.

32 Revenue

EYNL does not report segment information.

Other income

Other income relates to expenses charged to EYA, EYB, other subsidiaries and HVG. These expenses include employee expenses, premises, office expenses, IT expenses, International EY charges, finance income and expenses and other expenses.

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

33 Operating expenses

33.1 Employee benefits expenses

	2016/2017	2015/2016
Salaries and bonuses	29,433	28,641
Social security charges	3,982	3,902
Pension contributions	4,225	4,140
Mobility expenses	1,543	3,274
Other staff expenses	208	609
	39,391	40,566

Salaries and bonuses include vacation allowance.

The average number of staff (excluding members) in full time equivalents (FTE) during the year was:

FTE	2016/2017	2015/2016
Client serving staff	3	1
Support staff	477	484
	480	485

33.2 Other operating expenses

	2016/2017	2015/2016
Premises expenses	22,387	30,520
Other staff expenses	2,313	1,905
Office expenses	9,310	7,895
IT expenses	23,040	19,992
International EY charges	5,282	2,302
Fees charged to subsidiaries	-1,500	-1,500
Other expenses	15,999	13,690
	76,831	74,804

Premises expenses includes lease payments recognized as operating lease expense of €17.6 million (2015/2016: €18.6 million).

IT expenses includes lease payments recognized as operating lease expenses of €0.9 million (2015/2016: €1.3 million).

Auditors' remuneration of €221,400 (2015/2016: €182,300) is included in other expenses. Of this amount, €151,400 (2015/2016: €145,800) was charged in respect of the partnership and the consolidated financial statements and €70,000 (2015/2016: €36,500) for various other audit services.

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

34 Finance income and expenses

34.1 Finance income

	2016/2017	2015/2016
Interest on bank balances and deposits	997	420
Interest on (un)billed receivables held by subsidiaries	7,194	6,737
Other interest and similar income	278	214
	8,469	7,371

34.2 Finance expenses

	2016/2017	2015/2016
Interest on loans granted by current and retired members	2,242	2,178
Interest on current and retired members' current account balances	1,245	1,750
Total interest paid to current and retired members	3,487	3,928
Finance charges payable under finance leases	4	75
Interest on bank loans and borrowings (including amortized cost of loans and borrowings)	-	169
Unwinding of discount on provisions and loans	752	966
Interest on current account subsidiaries	-	28
Other interest and similar expenses	258	359
	4,501	5,525

35 Income tax expense

Tax on the result for the financial year is borne by the members. As this also applies to differences in measurement for tax purposes and financial reporting purposes, EYNL has no deferred tax assets or liabilities. There are no direct equity movements on which current or deferred tax is computed. There are no recognized or unrecognized losses available for relief.

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

36 Property, plant and equipment

	Capital expenditure in rented properties	Cars	Fixtures and fittings, computers	Total
At 1 July 2015	15,232	2,079	4,047	21,358
Additions	2,533	-	1,394	3,927
Disposals	-219	-1,351	-49	-1,619
Depreciation	-2,923	-310	-1,379	-4,612
At 30 June 2016	14,623	418	4,013	19,054
Transfer of activities	-	-	30	30
Additions	5,603	-	4,189	9,792
Disposals	-14	-402	-38	-454
Depreciation	-4,001	-16	-1,788	-5,805
At 30 June 2017	16,211	-	6,406	22,617
Cost	54,014	4,897	30,103	89,014
Accumulated depreciation and impairment	-38,782	-2,818	-26,056	-67,656
At 1 July 2015	15,232	2,079	4,047	21,358
Cost	48,016	1,158	29,061	78,280
Accumulated depreciation and impairment	-33,438	-740	-25,048	-59,226
At 30 June 2016	14,623	418	4,013	19,054
Cost	52,677	0	31,145	83,822
Accumulated depreciation and impairment	-36,466	0	-24,739	-61,205
At 30 June 2017	16,211	-	6,406	22,617

As at 30 June 2017, there are contractual obligations for purchasing property, plant and equipment for an amount of €3.0 million (as at 30 June 2016: €4.5 million).

Besides the operating lease contracts for cars, EYNL has some lease contracts. During 2016/2017 these financial lease contracts ended.

All other property, plant and equipment is at the free disposal of EYNL (i.e. it has not been pledged as security).

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

37 Investments in subsidiaries

Direct subsidiaries

	Country of incorporation	Equity interest 30 June 2017	Equity interest 30 June 2016
Ernst & Young Accountants LLP	United Kingdom	100%	100%
Ernst & Young Belastingadviseurs LLP	United Kingdom	100%	100%
Ernst & Young Participaties Coöperatief U.A.	The Netherlands	100%	100%

Indirect through subsidiaries

	Country of incorporation	Equity interest 30 June 2017	Equity interest 30 June 2016
Ernst & Young Participaties B.V.	The Netherlands	100%	100%
Ernst & Young VAT Rep B.V.	The Netherlands	100%	100%
Ernst & Young Actuarissen B.V.	The Netherlands	100%	100%
Ernst & Young CertifyPoint B.V.	The Netherlands	100%	100%
GS Participation Ltd	United Kingdom	100%	100%
Parthenon-EY B.V.	The Netherlands	100%	100%
Centre B.V.	The Netherlands	100%	100%
Ernst & Young Real Estate Advisory Services B.V.	The Netherlands	100%	100%
Integrac Netherlands B.V.	The Netherlands	100%	100%
EY Intelligence In Information B.V.	The Netherlands	100%	100%
EY Montesquieu Finance B.V.	The Netherlands	100%	100%
EY Montesquieu Institutional Risk Management B.V.	The Netherlands	100%	100%

The share of profit from investments is as follows:

	2016/2017	2015/2016
Ernst & Young Accountants LLP	73,094	62,459
Ernst & Young Belastingadviseurs LLP	61,452	64,867
	134,546	127,326

Ernst & Young Participaties Coöperatief U.A. has three members. The members have equal voting rights. During 2016/2017 the current account liability of Ernst & Young Participaties Coöperatief U.A. to EYNL was turned into capital for an amount of €5.0 million.

On 1 September 2016 Parthenon-EY B.V. acquired certain assets and liabilities from the partnership OC&C Strategy Consultants Benelux. In June 2016 the name Ernst & Young CA B.V. was changed in Parthenon-EY B.V.

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

During 2015/2016 the following entities were acquired by Ernst & Young Participaties B.V.:

- ▶ 100% of the shares of Integrc Netherlands B.V. - 3 August 2015
- ▶ 100% of the shares of Intelligence In Information B.V. - 1 March 2016, after acquisition the name has been adjusted to EY Intelligence In Information B.V.
- ▶ 100% of the shares of Montesquieu Finance B.V. and Montesquieu Institutional Risk Management B.V. - 2 May 2016, after acquisition the names have been adjusted to EY Montesquieu Finance B.V. and EY Montesquieu Institutional Risk Management B.V.

With an effective date of 1 July 2016, the activities of EY Intelligence In Information B.V. and Integrc Netherlands B.V. were transferred to EYA. This transfer of activities is a common control transaction and therefore no result is recognized on this transfer except for the tax expense related to this transaction.

BECO Groep B.V. was liquidated during 2015-2016. The liquidation was finalized on 12 April 2016.

38 Other non-current and current financial assets

	Effective interest rate	Maturity (financial year)	30 June 2017	30 June 2016
Non-current				
Loans granted to subsidiaries	5.0%	2020	304	456
Current				
Loans granted to subsidiaries	5.0%	2018	152	152

Loans granted to subsidiaries

The loans granted to subsidiaries are as follows:

Subsidiary	Principal amount	Interest rate	Maturity (financial year)	30 June 2017	30 June 2016
Ernst & Young Actuarissen B.V.	760	5.0%	2020	456	608

39 Other receivables

	30 June 2017	30 June 2016
Other receivables	112,917	98,235
Tax receivables	3,685	4,309
	116,602	102,544

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

39.1 Other receivables

Other receivables are shown net of impairment. The movement in the provision for impairment was as follows:

	2016/2017	2015/2016
At 1 July	-33	-47
Charge for the year	-30	-
Release of unused amounts	-	14
Written off	-	-
At 30 June	-63	-33

The ageing of other receivables at 30 June was as follows:

	30 June 2017	30 June 2016
Neither past due nor impaired	111,876	96,186
Past due but not impaired:		
< 30 days	370	1,658
30-90 days	464	179
90-180 days	162	161
180-365 days	20	28
> 365 days	25	23
	112,917	98,235

Receivables from related parties are included in other receivables. For further information regarding related parties reference is made to Note 50.

40 Prepayments

	30 June 2017	30 June 2016
Profit-share advances paid to current members	58,283	56,222
Prepaid pension contributions	14,242	6,758
Other prepayments	5,673	31,592
	78,198	94,572

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

41 Cash and cash equivalents

	30 June 2017	30 June 2016
Cash at bank and in hand	29,397	22,782

The cash and cash equivalents comprise an amount of €16.7 million for the purpose of exercising a forward contract on 3 July 2017.

42 Trade and other payables

	30 June 2017	30 June 2016
Amounts due to current and retired members	56,060	58,344
Trade payables	10,091	20,918
Taxes and social security	1,020	1,141
Other financial liabilities	5,206	2,513
Other payables	12,750	6,711
	85,127	89,627

Trade payables are normally settled on 30-day terms.

Amounts due to current and retired members are current account balances. Amounts drawn by current members as advances on the profit share are presented as prepayments.

Further details regarding the other financial liabilities are included in Note 44.

Payables from related parties and strategic alliance are included in trade payables. For further information regarding related parties reference is made to Note 50.

43 Interest-bearing loans and borrowings

Reference is made to Note 17 of the consolidated financial statements.

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

44 Other financial liabilities

	30 June 2017	30 June 2016
Derivatives designated as hedging instruments		
Foreign exchange forward contracts	3,588	-
Other financial liabilities at amortized cost		
Other payables	11,328	12,459
Total other financial liabilities	14,916	12,459
With a term < 1 year	5,206	2,513
With a term > 1 year	9,710	9,946
	14,916	12,459

Foreign exchange forward contracts

During the financial year EYNL entered into forward contracts, designated as cash flow hedges to hedge highly probable forecasted expenses in US dollar for an amount of USD 75.5 million. The risk relates to the potential change in the relationship of the value of the euro against the US dollar for future payments denominated in US dollars. The amount reflects the change in the fair value of foreign exchange forward contracts.

Refer to Note 49.1 for further information.

Other payables

Other payables as at 30 June 2017 mainly relates to the lease incentives regarding office leases. The amount to be repaid in the next financial year is included in the Trade and other payables, see Note 42.

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

45 Provisions

	Premises	Drawing rights of current members	Total
At 1 July 2015	13,266	8,364	21,630
Additions	473	-	473
Payments	-4,567	-991	-5,558
Amounts released	-4,143	-267	-4,410
Unwinding of discount	197	378	575
At 30 June 2016	5,226	7,484	12,710
Additions	398	-	398
Payments	-1,011	-1,002	-2,013
Amounts released	-186	-457	-643
Unwinding of discount	23	324	347
At 30 June 2017	4,450	6,349	10,799
With a term < 1 year	2,929	1,004	3,933
With a term > 1 year	2,297	6,480	8,777
At 30 June 2016	5,226	7,484	12,710
With a term < 1 year	2,990	1,074	4,064
With a term > 1 year	1,460	5,275	6,735
At 30 June 2017	4,450	6,349	10,799

Premises

A provision has been formed for the rent due for the remaining term of the leases of offices, or parts of them, rented by EYNL but unoccupied. This provision also relates to the expected cost of returning rented offices to their original condition when they are vacated.

The provisions for vacant office buildings and dilapidation costs are calculated at present value using a discount rate of 0.6% for lease contracts ending within 6 years (30 June 2016: 0.4%) and 1.08% for lease contracts with a term of 6 years or longer (30 June 2016: 0.7%).

Drawing rights of current members

During 2008/2009, the drawing rights of current members were set at fixed amounts and became an obligation of EYNL, payable upon their retirement dates.

The obligation is recognized at the best estimate of the expected payments upon retirement of the respective partners, using actuarial assumptions and discounted at a pre-tax rate of 5.0% (30 June 2016: 5.0%).

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

46 Employee benefits

	30 June 2017	30 June 2016
Current liabilities		
Payments to be made to staff	2,711	2,101
Salary payments during absence	75	154
Provision for long-service awards	75	65
	2,861	2,320
Non-current liabilities		
Payments to be made to staff	2,408	1,950
Defined benefit pension plan	1,395	1,354
Salary payments during absence	18	22
Provision for long-service awards	429	451
	4,250	3,777

Payments to be made to staff relates to amounts to be paid for holidays, overtime and bonuses.

46.1 Defined contribution pension plan

EYNL has a defined contribution pension plan which is administered by a pension fund (Stichting Pensioenfonds Ernst & Young). The pension fund has reinsured its obligations and actuarial risks through an insurance company. EYNL is only required to pay the agreed contributions to the pension fund. After payment of this premium EYNL does not have any further obligation to the fund or its employees in this respect. EYNL cannot be held liable for any losses suffered by the pension fund, even if the pension fund is discontinued. The premium paid does not contain any elements relating to past services. EYNL is not entitled to any refund. The contributions due to the pension fund are taken to the statement of profit or loss. Contributions payable and prepaid contributions are included under current liabilities and current assets, respectively.

The total amount of the defined contribution plan charged to profit or loss during the financial year was €4.2 million (2015/2016: €4.1 million).

46.2 Defined benefit pension plan

There is an obligation to index the paid-up entitlements of a limited, specific and closed group of former employees. This obligation is classified as a defined benefit plan. The plan is unfunded. Measurement is based on the projected unit credit method using a discount rate derived from the interest rate on high-quality corporate bonds. The plan covers former staff who were previously employed by the legal predecessors of EYNL, EYA and EYB. These obligations have been recognized in full in the separate financial statements of EYNL.

Actuarial gains and losses are recognized in other comprehensive income and permanently excluded from profit and loss.

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

Considering the relative small size of this obligation, disclosures are limited to those below.

	2016/2017	2015/2016
Defined benefit obligation		
At 1 July	1,354	1,751
Interest cost	31	33
Current service cost	-	-
Benefits paid	-	-
Actuarial (gains)/losses on obligation	10	-430
At 30 June	1,395	1,354

	30 June 2017	30 June 2016
With a term < 1 year	-	-
With a term > 1 year	1,395	1,354
	1,395	1,354

The principal assumptions used are:

	30 June 2017	30 June 2016
Discount rate	1.6%	2.3%
General salary increase	0.0%	0.0%
Inflation	0.3%	0.3%
Mortality rates	2016 Forecast tables of the Dutch Actuarial Association	2014 Forecast tables of the Dutch Actuarial Association

The total amount of defined benefit obligation charged to profit during the financial year was €0.03 million (2015/2016: €0.03 million). The actuarial loss of the current year of €0.01 million (2015/2016: a gain of €0.4 million) is recognized in other comprehensive income.

46.3 Salary payments during absence

This provision relates to salary to be paid in the event of termination of contracts of employment and supplementary disability benefits under the Dutch Work and Income Act (WIA).

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

The movements in the provision were as follows:

	2016/2017	2015/2016
At 1 July	176	617
Additions	420	750
Payments	-464	-494
Released	-39	-699
Unwinding of discount	-	2
At 30 June	93	176

	30 June 2017	30 June 2016
With a term < 1 year	75	154
With a term > 1 year	18	22
	93	176

The principal assumptions used for the provision for supplementary disability benefits under the WIA are:

	30 June 2017	30 June 2016
Discount rate	1.8%	1.8%
Probability rate	Kazo 2000	Kazo 2000
Mortality rates	2016	2014
	Forecast tables of the Dutch Actuarial Association	Forecast tables of the Dutch Actuarial Association

46.4 Provision for long-service awards

The provision for long-service awards relates to costs attributable to future long-service payments relating to past years of employment, taking into account the probability of staff leaving and death.

The movements in the provision were as follows:

	2016/2017	2015/2016
At 1 July	516	491
Additions	70	162
Payments	-91	-146
Released	-	-
Unwinding of discount	9	9
At 30 June	504	516

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

	30 June 2017	30 June 2016
With a term < 1 year	75	65
With a term > 1 year	429	451
	504	516

The principal assumptions used are:

	30 June 2017	30 June 2016
Discount rate	1.8%	1.8%
Factor for attrition, mortality and disability	19.5%	18.9%
Future salary increase	2.7%	3.0%

47 Members' capital

Reference is made to Note 21 of the consolidated financial statements.

48 Reserves

48.1 Result for the financial year

The determination of the (consolidated) result for the financial year and any distribution thereof is made following the approval of EY Europe.

48.2 Retained earnings

This reserve relates mainly to the settlement of drawing rights in the 2006/2007 and 2008/2009 financial years to former members and partners, which will be settled in annual instalments in the period to 2026 (9 years) with the then profit-sharing members. It also includes the present value of the arrangements made in 2008/2009 for drawing rights of members eligible in that year. The amount of contributions and other amounts for this received from EYGS on behalf of EY Europe is deducted from the reserve.

The retained earnings also include the settlement of goodwill and onerous contracts, the actuarial gains and losses arising on defined benefit pension plans and unrealized gains and losses arising on cash flow hedges.

48.3 Movements

Reference is made to the statement of changes in equity.

49 Financial instruments

49.1 Hedging activities and derivatives

Foreign exchange forward contracts are designated as hedging instruments in cash flow hedges to hedge highly probable future expense payments in US dollar.

During the financial year EYNL entered into forward contracts designated as cash flow hedges for an amount of USD 75.5 million. The risk relates to the potential change in the relationship of the value of the euro against the US dollar for future payments denominated in US dollars.

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result there is no hedge ineffectiveness to be recognized in the statement of profit or loss.

Throughout the period to maturity of the derivatives, effectiveness will be tested on each reporting date. Any inefficiencies will immediately be taken to the income statements. The cash flow hedge of the expected future transactions in FY18 were assessed to be highly effective and an unrealized loss of €4.0 million is included in other comprehensive income.

49.2 Financial risk management and objectives

EYNL's financial instruments arise from normal commercial activities and include amounts owed to and receivable from current and retired members. EYNL does not use financial instruments for speculative activities and complex financial instruments are avoided.

Financial instruments give rise to credit, liquidity, interest rate and foreign currency risks. Information about how these risks arise and are managed is set out below.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises primarily from financial assets, including deposits with banks and financial institutions and amounts due from members. EYNL's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2017 and 30 June 2016 is the carrying amounts presented in Notes 39 and 41. Due to the nature of the receivables presented in Note 38 (subsidiaries) no or very limited risk applies.

EYNL maintains procedures to minimize the risk of default by debtors. Credit risk is not covered by credit insurance or other credit instruments.

Amounts due from members are recovered from the current year's profit distribution or otherwise contractually reclaimed from the members.

Cash deposits are placed with creditworthy banks only. Deposits of surplus funds are made with approved counterparties only and within limits assigned to each counterparty. The limits are set to adhere to professional independence rules, to minimize the concentration of risks and, therefore, to mitigate financial loss from a potential counterparty failure.

Liquidity risk

Liquidity risk is the risk that EYNL is unable to meet its financial obligations on the due date. Liquidity risk arises from EYNL's ongoing financial obligations, including settlement of financial liabilities such as trade and other payables, as well as interest-bearing loans and borrowings and members' capital. The policy is to maintain a positive working capital balance. Depending on the time of year, there can be a considerable balance of cash and cash equivalents.

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

The maturity profile of the contractual payments, including interest, arising from EYNL's financial liabilities at year end, is as follows (the amounts disclosed are the gross undiscounted cash flows):

	< 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
Year ended 30 June 2017					
Interest-bearing loans and borrowings:					
▶ Contractual payments	1,473	13,930	33,543	44,296	93,242
▶ Interest payments	2,406	1,996	2,441	86	6,929
Trade and other payables	85,127	-	-	-	85,127
	89,006	15,926	35,984	44,382	185,298

Year ended 30 June 2016

Interest-bearing loans and borrowings:					
▶ Contractual payments	12,944	1,750	39,890	40,000	94,584
▶ Interest payments	2,063	1,919	2,622	-	6,604
Trade and other payables	89,627	-	-	-	89,627
	104,634	3,669	42,512	40,000	190,815

The financing requirements of EYNL vary during the year, primarily as a result of the incidence of major payments. Capital expenditure on cars is funded by both finance leases and operating leases; reference is made to Note 36. The other main source of financing capital expenditure is funding supplied by current and retired members.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises primarily from interest-bearing loans and borrowings and cash and cash equivalents.

An inherent feature of a structure in which current and retired members provide a significant part of the funding for activities is that the variability is not hedged by derivatives.

A fixed rate of interest is paid on long-term loans granted by current and retired members. A variable rate of interest is only paid on one loan granted by current and retired members. The interest on current account liabilities to current and retired members is assessed and set quarterly.

Funds drawn for settlement of drawing rights are interest-free or bear a fixed interest rate. Interest on finance leases is fixed for the term of the lease.

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

The following table shows the sensitivity to a reasonably possible change in interest rates. With all other variables held constant, the profit of EYNL before tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease	2016/2017	2015/2016
	in basis points	€000	€000
Effect on profit before tax	+15	44	34
Effect on profit before tax	-15	-44	-34

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Although the majority of the income and expenses of EYNL are denominated in euros, foreign currency risk arises from transactions denominated in other currencies, particularly the US dollar and pound sterling. Balances in foreign currency bank accounts are held to facilitate cash management and to provide means for future payments in other currencies than euros.

EYNL manages its foreign currency risk by hedging US dollar payments that are expected to occur within a maximum 12-month period.

If the US dollar exchange rate were to change by 10%, the impact on profit or loss would be €0.8 million (2015/2016: €0.7 million) as a result of changes in the carrying amount of US dollar-denominated cash and amounts receivable/payable. If the pound sterling exchange rate were to change by 10%, the impact on profit or loss would be €0.1 million (2015/2016: €0.01 million) as a result of changes in the carrying amount of pound sterling-denominated cash and amounts receivable/payable.

49.3 Other notes

Reconciliation of classes and categories

All presented groups of financial assets, except other non-current financial assets, are part of the loans and receivables category measured at amortized cost. The financial assets in other non-current financial assets are in the available-for-sale category and are measured at fair value, if they can be measured reliably, or otherwise at cost.

All presented groups of financial liabilities are part of the loans and borrowings category, measured at amortized cost.

Fair values

Initially, financial instruments are measured at fair value. Subsequently, the financial instruments are measured at fair value or amortized cost, depending on the classification of the financial instruments. If the fair value of the available-for-sale (AFS) assets cannot be established reliably, these investments are measured at cost.

During the financial year 2016/2017 EYNL entered into cash flow hedges for an amount of USD 75.5 million, fair value as at 30 June 2017 €4.0 million. Refer to Note 49.1 for further information. As at 30 June 2016, EYNL did not hold financial instruments measured at fair value.

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- ▶ EYNL assessed, based on a discounted cash flow (DCF) model, that cash, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- ▶ Long-term fixed-rate receivables are evaluated by EYNL using parameters such as interest rates, individual creditworthiness of the borrower and the risk characteristics of the financed project. Based on this evaluation, no impairment has been deemed necessary to recognize expected losses on these receivables. At 30 June 2017 and 30 June 2016, the carrying amounts of these receivables approximated their fair value.
- ▶ EYNL enters into derivative financial instruments with a financial institution with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs.
- ▶ The fair value of fixed-rate borrowings and obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. At 30 June 2017 and 30 June 2016, the carrying amounts of these payables approximated their fair value.

Fair value assessment of the above mentioned financial assets and liabilities is of a level 2-type.

50 Related parties and strategic alliance

50.1 Related parties

The financial statements include the financial information of EYNL and the direct and indirect subsidiaries listed in note 37.

Transactions and balances

Under IFRS 10, an investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In 2015/2016, the Board of EY Europe has reassessed the arrangements between EY Europe and EYNL and considered that EY Europe's own exposure to variable returns from EYNL arising from those arrangements is not sufficient to meet the definition of control, despite having power over EYNL. The arrangements do give EY Europe significant influence over EYNL, so EYNL is therefore an associate of EY Europe.

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

The following table provides the total amounts for which transactions were entered into during the relevant financial years and the outstanding balances at 30 June 2017 and 30 June 2016.

	2016/2017	2015/2016
Entity with significant influence over EYNL		
Sales	-	-
Purchases	-	-
Current amounts receivable as at 30 June ⁵	-	-
Current amounts payable as at 30 June	-	-
Subsidiaries of EYNL		
Sales	-	-
Purchases	288	346
Current amounts receivable as at 30 June ⁵	105,998	83,937
Current amounts payable as at 30 June	3,195	-

50.2 Strategic alliance

EYB has a strategic alliance with HVG.

The following table provides the total amounts for which transactions were entered into during the relevant financial years and the outstanding balances at 30 June 2017 and 30 June 2016.

	2016/2017	2015/2016
Sales	-	-
Purchases	1,633	1,435
Current amounts receivable as at 30 June ⁵	-	-
Current amounts payable as at 30 June	368	162

50.3 Terms and conditions of transactions

Services provided to and received from related parties and strategic alliance are generally settled at prices applicable under normal market circumstances.

Outstanding balances at year-end are unsecured and interest-free and settlement occurs in cash.

No guarantees were provided or received for any related party/strategic alliance receivable or payable.

For the year ended 30 June 2017 EYNL did not record any impairment of receivables of related parties and strategic alliance (30 June 2016: nil). An assessment is undertaken each financial year by examining the financial position of the related party/strategic alliance and the market in which it operates.

5) Gross amounts.

Notes to the separate financial statements

In thousands of euros, unless stated otherwise

50.4 Compensation of key management personnel of EYNL

Key management personnel are the designated members of EYNL and the members of the Supervisory Board of EYNL during the financial year.

The designated members do receive their remuneration through their professional corporations, being a total of €3.8 million (2015/2016: €3.2 million).

From 1 July 2015, EYNL has a Supervisory Board. The remuneration of the Supervisory Board members for 2016/2017 is a total amount of €0.2 million (2015/2016: €0.2 million).

51 Commitments and contingencies

Reference is made to Note 26 of the consolidated financial statements.

52 Events after the reporting period

After the reporting date no events occurred that need to be reported.

GRI Index

2016/2017

Ernst & Young Nederland LLP

Appendix to
Integrated Annual Review 2016/2017
Ernst & Young Nederland LLP

GRI 102 General Disclosures

Disclosure number	Disclosure title	Reference/Direct answer	Omissions and, if applicable, reason for omission
Organizational profile			
102-1	Name of the organization	a. Name of the organization ▶ Cover	
102-2	Activities, brands, products, and services	a. A description of the organization's activities. ▶ EY Nederland at a glance: About EY, Our services b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets. ▶ EY Nederland at a glance: About EY, Our services ▶ Governance: EY entities in the Netherlands ▶ Annex 2: Entities that belong to the EY network in 2016/2017	
102-3	Location of headquarters	a. Location of the organization's headquarters. ▶ EY Nederland at a glance: EY worldwide	
102-4	Location of operations	a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report. ▶ EY Nederland at a glance: EY worldwide	
102-5	Ownership and legal form	a. Nature of ownership and legal form. ▶ EY Nederland at a glance: About EY ▶ EY Nederland at a glance: Role of the partners	
102-6	Markets served	a. Markets served: i. geographic locations where products and services are offered. ▶ EY Nederland at a glance: EY worldwide ii. sectors served. ▶ EY Nederland at a glance: Excellent services and customization: Approach per sector ▶ Our results in the market: The market sectors in 2016/2017 iii. types of customers and beneficiaries. ▶ EY Nederland at a glance: About EY: Our services ▶ Our results in the market: The market sectors in 2016/2017	
102-7	Scale of the organization	a. Scale of the organization: i. total number of employees. ▶ EY Nederland at a glance: About EY ii. total number of operations. ▶ Governance: EY entities in the Netherlands iii. net sales. ▶ Report of the Board of Directors: Introduction: a year of extremes ▶ EY Nederland at a glance: Financial iv. total capitalization (for private sector organizations) broken down in terms of debt and equity. ▶ Financial statement: Consolidated statement of financial position of Ernst & Young Nederland LLP v. quantity of products or services provided. ▶ Our results in the market: The market sectors in 2016/2017, Our service lines in 2016/2017	

Disclosure number	Disclosure title	Reference/Direct answer	Omissions and, if applicable, reason for omission
102-8	Information on employees and other workers	<p>a. Total number of employees by employment contract (permanent and temporary), by gender. See annex 5 (102-8)</p> <p>b. Total number of employees by employment contract (permanent and temporary), by region. See annex 5 (102-8)</p> <p>c. Total number of employees by employment type (full-time and part-time), by gender. See annex 5 (102-8)</p> <p>d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees. See annex 5 (102-8)</p> <p>e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries). See annex 5 (102-8)</p> <p>f. An explanation of how the data have been compiled, including any assumptions made.</p> <p>▶ Employee numbers are expressed both as Full Time Equivalent (FTE) and Headcount at the end of the reporting cycle. Working students and expats paid by home country are included in the employee numbers. Interns and expats paid by host country are excluded from the employee numbers.</p>	
102-9	Supply chain	<p>a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.</p> <p>▶ As a service organization we have many suppliers that enable us to serve our customers as optimally as possible. We have an internal purchasing department which is supported by the risk department. In this way we can safeguard our independence. Detailed information about our process can be found in our Global Procurement Policy. The suppliers, contracted by the department Procurement Products & Services, are asked to comply with our Supplier Code of Conduct. A single supplier has its own Code of Conduct.</p> <p>▶ Compared to last year, we not only provide insight into the suppliers under the responsibility of Procurement Products & Services, but we also provide insight into the other categories. The top 10 is as follows:</p> <ul style="list-style-type: none"> - LeasePlan Nederland N.V. - Lease Cars - AAFM Facility Management B.V. - Facilities - Wisdom (Cross Towers) B.V. - Real Estate - HRG Netherlands AMEX - Travel - Vodafone Libertel B.V. - Technology - Alphabet Nederland B.V. - Lease Cars - IEF Capital Rietveld West - Real Estate - Traction Netherlands B.V. - Real Estate - Wolters Kluwer Nederland B.V. - External Content - CHG-Meridian Nederland B.V. - Technology 	

Disclosure number	Disclosure title	Reference/Direct answer	Omissions and, if applicable, reason for omission
102-10	Significant changes to the organization and its supply chain	<p>a. Significant changes to the organization's size, structure, ownership, or supply chain:</p> <p>i. Changes in the location of, or changes in, operations, including facility openings, closings, and expansions.</p> <p>▶ EY Nederland at a glance: EY worldwide</p> <p>▶ Our results in the market: Our service lines in 2016/2017: Transaction Advisory Services</p> <p>▶ Governance: Our firm within the EY Network: WEM and EMEA</p> <p>ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).</p> <p>▶ No significant changes.</p> <p>iii. Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination.</p> <p>▶ The top 5 in FY17 for Procurement Products & Services is as follows:</p> <ul style="list-style-type: none"> - LeasePlan Nederland N.V. - Lease cars - AAFM Facility Management B.V. - Facilities - Alphabet Nederland B.V. - Lease cars - Wolters Kluwer Nederland B.V. - External Content - Electriciteitswerken Kronenburg - Facilities <p>▶ Alphabet is the new supplier of lease cars, but the current contracts are still with Leaseplan. As a result, they are currently the largest supplier of lease cars.</p> <p>Electriciteitswerken Kronenburg has done a lot of work due to architectural adjustments for EY @ Work / Workplace of the Future, making it the second newcomer in the top 5.</p>	
102-11	Precautionary Principle or approach	<p>a. Whether and how the organization applies the Precautionary Principle or approach.</p> <p>▶ Strategy: Vision 2020, Main risks</p> <p>▶ The quality of our work: Step Change to Quality, The four dimensions of Step Change to Quality, Strengthening our governance</p> <p>▶ Internal control: Independence, Client acceptance, Integrity, Quality management</p>	
102-12	External initiatives	<p>a. A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.</p> <p>▶ Annex 1: External initiatives</p> <p>▶ Annex 4: EY's contribution to the SDGs</p>	

Disclosure number	Disclosure title	Reference/Direct answer	Omissions and, if applicable, reason for omission
102-13	Membership of associations	<p>a. A list of the main memberships of industry or other associations, and national or international advocacy organizations.</p> <p>▶ Many of our employees and partners occupy positions at local or national sports clubs, associations of owners and other social, cultural, religious and humanitarian initiatives. Before accepting paid or unpaid work or positions, including all supervisory and advisory functions, our people must receive permission from our leadership team for independence. EY uses a periodically adjusted list of all approved positions and functions.</p> <p>▶ Our national memberships are as follows;</p> <ul style="list-style-type: none"> - August Connect - De Groene Zaak - Klimaatplein - MVO Nederland - Nederlandse Beroepsorganisatie van Accountants - Nederlandse Orde van Belastingadviseurs - Nederlandse Orde van Register EDP-auditors - Nederlandse Orde van Advocaten - Raad voor de Jaarverslaggeving - Vereniging van Beleggers voor Duurzame Ontwikkeling - VNO-NCW 	
Strategy			
102-14	Statement from senior decision-maker	<p>a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.</p> <p>▶ Report of the Board of Directors: Introduction: A year of extremes</p>	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	<p>a. A description of the organization's values, principles, standards, and norms of behavior.</p> <p>▶ EY Nederland at a glance: Excellent services and customization, Our people, our values</p> <p>▶ The quality of our work: Step Change to Quality, The four dimensions of Step Change to Quality, Strengthening our governance</p> <p>▶ Internal control: Independence, Client acceptance, Integrity, Quality management</p> <p>▶ Internal control: Risk management</p>	
Governance			
102-18	Governance structure	<p>a. Governance structure of the organization, including committees of the highest governance body.</p> <p>▶ Governance</p> <p>b. Committees responsible for decision-making on economic, environmental, and social topics.</p> <p>▶ About this report: Governance CR</p>	
Stakeholder engagement			
102-40	List of stakeholder groups	<p>a. A list of stakeholder groups engaged by the organization.</p> <p>▶ Strategy: Stakeholder engagement and materiality: Materiality matrix</p>	

Disclosure number	Disclosure title	Reference/Direct answer	Omissions and, if applicable, reason for omission
102-41	Collective bargaining agreements	<p>a. Percentage of total employees covered by collective bargaining agreements.</p> <p>▶ EY in the Netherlands (EY NL) has its own, company specific compensation and benefits agreement, established in agreement with the Works Council. It is laid down in our Staff Manual and covers the rules on employment relationships between EY NL and its employees. The Staff Manual is part of each employee contract. By signing the contract, an employee agrees to the content of the Staff Manual.</p>	
102-42	Identifying and selecting stakeholders	<p>a. The basis for identifying and selecting stakeholders with whom to engage.</p> <p>▶ Strategy: Stakeholder engagement and materiality</p> <p>▶ About this report: Choice of topics</p>	
102-43	Approach to stakeholder engagement	<p>a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.</p> <p>▶ Annex 3: Stakeholder engagement</p>	
102-44	Key topics and concerns raised	<p>a. Key topics and concerns that have been raised through stakeholder engagement:</p> <p>i. how the organization has responded to those key topics and concerns, including through its reporting.</p> <p>▶ Annex 3: Stakeholder engagement</p> <p>ii. the stakeholder groups that raised each of the key topics and concerns.</p> <p>▶ Annex 3: Stakeholder engagement</p>	
Reporting practice			
102-45	Entities included in the consolidated financial statements	<p>a. A list of all entities included in the organization's consolidated financial statements or equivalent documents.</p> <p>▶ Consolidated Financial Statements Ernst & Young Nederland LLP 2016/2017</p> <p>▶ Notes to the consolidated financial statements of Ernst & Young Nederland LLP: 50 Related party disclosures</p> <p>b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.</p> <p>▶ Not applicable.</p>	
102-46	Defining report content and topic Boundaries	<p>a. An explanation of the process for defining the report content and the topic Boundaries.</p> <p>▶ Strategy: Stakeholder engagement and materiality</p> <p>b. An explanation of how the organization has implemented the Reporting Principles for defining report content.</p> <p>▶ Strategy: Stakeholder engagement and materiality</p> <p>▶ About this report: Choice of topics</p>	
102-47	List of material topics	<p>a. A list of the material topics identified in the process for defining report content.</p> <p>▶ Strategy: Stakeholder engagement and materiality: Materiality matrix</p>	

Disclosure number	Disclosure title	Reference/Direct answer	Omissions and, if applicable, reason for omission
102-48	Restatements of information	a. The effect of any restatements of information given in previous reports, and the reasons for such restatements. We use emission factors to calculate our natural capital. Compared to last year, emission factors have been changed for train travel, district heating and natural gas. Last year's results have been modified with these new emission factors to improve comparability.	
102-49	Changes in reporting	a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries. ▶ Strategy: Stakeholder engagement and materiality ▶ About this report: Choice of topics	
102-50	Reporting period	a. Reporting period for the information provided. ▶ Fiscal year, running from July 1, 2016 until June 30 2017.	
102-51	Date of most recent report	a. If applicable, the date of the most recent previous report. ▶ Integrated Annual Report 2015/2016, published on September 28, 2016, including GRI G4 Content Index.	
102-52	Reporting cycle	a. Reporting cycle. ▶ We have an annual reporting cycle.	
102-53	Contact point for questions regarding the report	a. The contact point for questions regarding the report or its contents. ▶ Dutch offices and addresses	
102-54	Claims of reporting in accordance with the GRI Standards	a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards: ▶ 'This report has been prepared in accordance with the GRI Standards: Core option'	
102-55	GRI content index	a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report. b. For each disclosure, the content index shall include: i. the number of the disclosure (for disclosures covered by the GRI Standards). ii. the page number(s) or URL(s) where the information can be found, either within the report or in other published materials. iii. if applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made.	
102-56	External assurance	a. A description of the organization's policy and current practice with regard to seeking external assurance for the report. ▶ About this report: Internal and external assurance b. If the report has been externally assured: i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process. ▶ Independent auditors' report to the members of Ernst & Young Nederland LLP ii. The relationship between the organization and the assurance provider. ▶ About this report: Internal and external assurance iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report. ▶ About this report: Internal and external assurance	

Topic Specific GRI Standards

Disclosure number	Disclosure title	Reference/Direct answer	Omissions and, if applicable, reason for omission
Nurturing Innovation			
NA	NA	▶ Operational results: Value creation	
Quality of Service			
NA	NA	▶ Our results in the market: Customer satisfaction (recommendation score) ▶ Internal control: Quality management: Quality measurement (reviewed assignments) ▶ Our performance as an employer: Attracting and retaining talent (retention rate top talents)	
Responsible Citizenship			
NA	NA	▶ EY Nederland at a glance: Quality (community investment hours)	
Recruiting and retaining top talent			
401-1	New employee hires and employee turnover	a. Total number and rate of new employee hires during the reporting period, by age group, gender and region. See annex 5 (401-1) b. Total number and rate of employee turnover during the reporting period, by age group, gender and region. See annex 5 (401-1)	
Learning and development			
404-1	Average hours of training per year per employee	a. Average hours of training that the organization's employees have undertaken during the reporting period, by: i. gender: See annex 5 (404-1) ii. employee category: See annex 5 (404-1)	
Sustainable performance			
201-1	Direct economic value generated and distributed	a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components: i. Direct economic value generated: revenues; ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments; iii. Economic value retained: 'direct economic value generated' less 'economic value distributed'. ▶ Consolidated statement of profit or loss of Ernst & Young Nederland LLP b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance. ▶ Not applicable.	
NA	NA	▶ Operational results: Sustainability in our business	

Disclosure number	Disclosure title	Reference/Direct answer	Omissions and, if applicable, reason for omission
Independence, integrity and ethical standards			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	<p>a. Total number of substantiated complaints received concerning breaches of customer privacy, categorized by:</p> <ul style="list-style-type: none"> i. complaints received from outside parties and substantiated by the organization; ii. complaints from regulatory bodies. <p>▶ Not applicable.</p> <p>b. Total number of identified leaks, thefts, or losses of customer data.</p> <p>▶ Data breach notification.</p> <p>▶ Effective January 1, 2016, the Dutch data protection act ('Wet bescherming persoonsgegevens') was amended and a mandatory data breach notification obligation came into force. This obligation means that organizations must immediately notify the Dutch Data Protection Authority ('Autoriteit Persoonsgegevens') as soon as they experience a serious data breach. A data breach must be reported to the Dutch Data Protection Authority if it leads to a considerable likelihood of serious adverse effects on the protection of personal data, or if it has serious adverse effects on the protection of personal data.</p> <p>▶ One can only speak of a data breach when an actual security breach has occurred. A security breach may be, for example, the loss of a USB key, the theft of a laptop or the intrusion by a hacker. Not every security breach however qualifies as a data breach. A security breach is only considered to be a data breach if it involves the loss of personal data, or if unlawful processing of personal cannot reasonably be excluded.</p> <p>EY NL keeps a register of all security breaches to assess whether a breach needs to be reported to the Dutch Data Protection Authority as a data breach. This register includes incidents like lost or stolen laptops, smart devices, secure ID tokens, lost or stolen hard copy files, errantly sent emails etc.</p> <p>In FY 2017 we registered 302 (potential) security breaches. Out of these 302 incidents, we reported 10 data breaches to the Dutch Data Protection Authority. A non-substantial number of these incidents (only 2) related to events that occurred in previous years.</p> <p>c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient.</p> <p>▶ Not applicable.</p>	

GRI 103 Management Approach

Disclosure number	Disclosure title	Reference/Direct answer
Nurturing Innovation		
103-1	Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> a. An explanation of why the topic is material. ▶ Strategy: Our environment: Developments on the employment market, Developments in society, Developments in assurance services ▶ Strategy: Vision 2020: En route to an innovative organization b. The Boundary for the material topic, which includes a description of: <ul style="list-style-type: none"> i. where the impacts occur. ▶ Strategy: Vision 2020: En route to an innovative organization ▶ Our results in the market: The impact of new technology ▶ Our results in the market: Our service lines in 2016/2017: Assurance: Innovation within the accountancy profession ii. the organization's involvement with the impacts. ▶ Our results in the market: The impact of new technology c. Any specific limitation regarding the topic Boundary. ▶ Nurturing innovation and the impact focuses on all four service lines, clients and partners.
103-2	The management approach and its components	<ul style="list-style-type: none"> a. An explanation of how the organization manages the topic. ▶ Strategy: Vision 2020: En route to an innovative organization ▶ Our results in the market: The impact of new technology ▶ Our results in the market: Our service lines in 2016/2017: Assurance: Innovation within the accountancy profession b. A statement of the purpose of the management approach. ▶ Strategy: Our environment: Developments on the employment market, Developments in society, Developments in assurance services ▶ Strategy: Vision 2020: En route to an innovative organization c. A description of the following, if the management approach includes that component: <ul style="list-style-type: none"> i. Policies ▶ Our results in the market: The impact of new technology ii. Commitments ▶ Our results in the market: The impact of new technology iii. Goals and targets ▶ Strategy: Vision 2020 iv. Responsibilities ▶ The COO is ultimately responsible for the material subject Nurturing Innovation. v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives ▶ Our results in the market: The impact of new technology: EYnovation ▶ Our results in the market: The impact of new technology: Innovate EY
103-3	Evaluation of the management approach	<ul style="list-style-type: none"> i. the mechanisms for evaluating the effectiveness of the management approach. ▶ Governance material topic Nurturing innovation (103-1, 103-2) ii. the results of the evaluation of the management approach. ▶ Governance material topic Nurturing innovation (103-1, 103-2) iii. any related adjustments to the management approach. ▶ Governance material topic Nurturing innovation (103-1, 103-2)

Disclosure number	Disclosure title	Reference/Direct answer
Quality of Service		
103-1	Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> a. An explanation of why the topic is material. ➤ Report of the Board of Directors: Introduction: A year of extremes: Criticism of accountancy firms ➤ Strategy: Our environment: Developments in assurance services b. The Boundary for the material topic, which includes a description of: <ul style="list-style-type: none"> i. where the impacts occur. ➤ The quality of our work: Step Change to Quality, The four dimensions of Step Change to Quality ➤ Strategy: Vision 2020 ii. the organization's involvement with the impacts. ➤ Strategy: Vision 2020 ➤ Strategy: Stakeholder engagement and materiality ➤ The quality of our work: Step Change to Quality, The four dimensions of Step Change to Quality c. Any specific limitation regarding the topic Boundary. ➤ Quality of Service and the impact focuses on our clients.
103-2	The management approach and its components	<ul style="list-style-type: none"> a. An explanation of how the organization manages the topic. ➤ The quality of our work: Step Change to Quality, The four dimensions of Step Change to Quality ➤ Strategy: Vision 2020 b. A statement of the purpose of the management approach. ➤ Report of the Board of Directors: Introduction: A year of extremes: Criticism of accountancy firms ➤ Strategy: Our environment: Developments in assurance services c. A description of the following, if the management approach includes that component: <ul style="list-style-type: none"> i. Policies ➤ The quality of our work: Step Change to Quality, The four dimensions of Step Change to Quality ii. Commitments ➤ The quality of our work: Step Change to Quality iii. Goals and targets ➤ Strategy: Vision 2020 iv. Responsibilities ➤ The quality of our work: Strengthening our governance ➤ The Quality Leader is ultimately responsible for the material subject Quality of Service. v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives ➤ The quality of our work: The four dimensions of Step Change to Quality
103-3	Evaluation of the management approach	<ul style="list-style-type: none"> i. the mechanisms for evaluating the effectiveness of the management approach. ➤ Governance material topic Quality of Service (103-1, 103-2) ➤ Internal control: Quality management: Quality measurement, Global Code of Conduct ii. the results of the evaluation of the management approach. ➤ Governance material topic Quality of Service (103-1, 103-2) ➤ Internal control: Quality management: Quality measurement iii. any related adjustments to the management approach. ➤ Governance material topic Quality of Service (103-1, 103-2)

Disclosure number	Disclosure title	Reference/Direct answer
Responsible Citizenship		
103-1	Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> a. An explanation of why the topic is material. ▶ EY Nederland at a glance: Excellent services and customization, Our people, our values: Responsible citizenship b. The Boundary for the material topic, which includes a description of: <ul style="list-style-type: none"> i. where the impacts occur. ▶ EY Nederland at a glance: Excellent services and customization, Our people, our values: Responsible citizenship ii. the organization's involvement with the impacts. ▶ Our results in the market: EY in society c. Any specific limitation regarding the topic Boundary. ▶ Responsible Citizenship and the impact focuses on all four service lines, clients and partners.
103-2	The management approach and its components	<ul style="list-style-type: none"> a. An explanation of how the organization manages the topic. ▶ Our results in the market: EY in society b. A statement of the purpose of the management approach. ▶ EY Nederland at a glance: Excellent services and customization, Our people, our values: Responsible citizenship ▶ Our results in the market: EY in society c. A description of the following, if the management approach includes that component: <ul style="list-style-type: none"> i. Policies ▶ Our results in the market: EY in society ii. Commitments ▶ Our results in the market: EY in society iii. Goals and targets ▶ Strategy: Vision 2020 iv. Responsibilities ▶ The CR Working Group is ultimately responsible for the material subject Responsible Citizenship. v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives ▶ Our results in the market: EY in society
103-3	Evaluation of the management approach	<ul style="list-style-type: none"> i. the mechanisms for evaluating the effectiveness of the management approach. ▶ Governance material topic Responsible Citizenship (103-1, 103-2) ii. the results of the evaluation of the management approach. ▶ Governance material topic Responsible Citizenship (103-1, 103-2) iii. any related adjustments to the management approach. ▶ Governance material topic Responsible Citizenship (103-1, 103-2)

Disclosure number	Disclosure title	Reference/Direct answer
Recruiting and retaining top talent		
103-1	Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> a. An explanation of why the topic is material. ▶ EY Nederland at a glance: Excellent services and customization, Our people, our values ▶ Strategy: Vision 2020 b. The Boundary for the material topic, which includes a description of: <ul style="list-style-type: none"> i. where the impacts occur. ▶ Our performance as an employer: The best performing teams ii. the organization's involvement with the impacts. ▶ Our performance as an employer: The EY Experience: lifelong c. Any specific limitation regarding the topic Boundary. ▶ Recruiting and retaining top talent and the impact focuses on all four service lines.
103-2	The management approach and its components	<ul style="list-style-type: none"> a. An explanation of how the organization manages the topic. ▶ Our performance as an employer: The best performing teams ▶ Our performance as an employer: Attracting and retaining talent: Recruitment efforts, At home at EY b. A statement of the purpose of the management approach. ▶ Our performance as an employer: The best performing teams ▶ Our performance as an employer: Attracting and retaining talent: Recruitment efforts, At home at EY c. A description of the following, if the management approach includes that component: <ul style="list-style-type: none"> i. Policies ▶ Our performance as an employer: Attracting and retaining talent: Recruitment efforts, At home at EY ii. Commitments iii. Goals and targets ▶ Strategy: Vision 2020 iv. Responsibilities ▶ The Talent Leader is ultimately responsible for the material subject recruiting and retaining top talent. v. Resources ▶ Our results in the market: Investing in the EY brand vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives ▶ EY Nederland at a glance: Excellent services and customization, Our people, our values ▶ Strategy: Vision 2020 ▶ Our performance as an employer: The EY Experience: lifelong, The best performing teams, Attracting and retaining talent: Recruitment efforts, At home at EY
103-3	Evaluation of the management approach	<ul style="list-style-type: none"> i. the mechanisms for evaluating the effectiveness of the management approach. ▶ Governance material topic Recruiting and retaining top talent (103-1, 103-2) ii. the results of the evaluation of the management approach. ▶ Governance material topic Recruiting and retaining top talent (103-1, 103-2) iii. any related adjustments to the management approach. ▶ Governance material topic Recruiting and retaining top talent (103-1, 103-2)

Disclosure number	Disclosure title	Reference/Direct answer
Learning and development		
103-1	Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> a. An explanation of why the topic is material. ▶ Our performance as an employer: Learning and development b. The Boundary for the material topic, which includes a description of: <ul style="list-style-type: none"> i. where the impacts occur. ▶ Our performance as an employer: Learning and development ii. the organization's involvement with the impacts. ▶ Our performance as an employer: Learning and development c. Any specific limitation regarding the topic Boundary. ▶ Learning and development and the impact focuses on all four service lines.
103-2	The management approach and its components	<ul style="list-style-type: none"> a. An explanation of how the organization manages the topic. ▶ Our performance as an employer: Learning and development b. A statement of the purpose of the management approach. ▶ Our performance as an employer: Learning and development c. A description of the following, if the management approach includes that component: <ul style="list-style-type: none"> i. Policies ▶ Our performance as an employer: Learning and development ii. Commitments iii. Goals and targets iv. Responsibilities ▶ The Talent Leader is ultimately responsible for the material subject Learning and development. v. Resources ▶ Our performance as an employer: Learning and development vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives ▶ Our performance as an employer: Learning and development
103-3	Evaluation of the management approach	<ul style="list-style-type: none"> i. the mechanisms for evaluating the effectiveness of the management approach. ▶ Governance material topic Learning and development (103-1, 103-2) ii. the results of the evaluation of the management approach. ▶ Governance material topic Learning and development (103-1, 103-2) iii. any related adjustments to the management approach. ▶ Governance material topic Learning and development (103-1, 103-2)

Disclosure number	Disclosure title	Reference/Direct answer
Sustainable performance		
103-1	Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> a. An explanation of why the topic is material. ▶ Strategy: Vision 2020 ▶ Operational results: Sustainability in our business, Value creation b. The Boundary for the material topic, which includes a description of: <ul style="list-style-type: none"> i. where the impacts occur. ▶ Our results in the market: The market sectors in 2016/2017 ii. the organization's involvement with the impacts. ▶ Our results in the market: Our service lines in 2016/2017 c. Any specific limitation regarding the topic Boundary. ▶ Our results in the market: Our service lines in 2016/2017 ▶ Sustainable performance and the impact focuses on all four service lines.
103-2	The management approach and its components	<ul style="list-style-type: none"> a. An explanation of how the organization manages the topic. ▶ Strategy: Vision 2020 ▶ Operational results: Sustainability in our business, Value creation b. A statement of the purpose of the management approach. ▶ Strategy: Vision 2020 c. A description of the following, if the management approach includes that component: <ul style="list-style-type: none"> i. Policies ▶ Strategy: Vision 2020 ii. Commitments iii. Goals and targets ▶ Strategy: Vision 2020 iv. Responsibilities ▶ The CFO is ultimately responsible for the material subject Sustainable performance. v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives ▶ Vision 2020 ▶ The quality of our work: Step Change to Quality, The four dimensions of Step Change to Quality
103-3	Evaluation of the management approach	<ul style="list-style-type: none"> i. the mechanisms for evaluating the effectiveness of the management approach. ▶ Governance material topic Sustainable performance (103-1, 103-2) ii. the results of the evaluation of the management approach. ▶ Governance material topic Sustainable performance (103-1, 103-2) iii. any related adjustments to the management approach. ▶ Governance material topic Sustainable performance (103-1, 103-2)

Disclosure number	Disclosure title	Reference/Direct answer
Independence, integrity and ethical standards		
103-1	Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> a. An explanation of why the topic is material. ▶ Report of the Board of Directors: Introduction: A year of extremes: Criticism of accountancy firms ▶ Strategy: Vision 2020 b. The Boundary for the material topic, which includes a description of: <ul style="list-style-type: none"> i. where the impacts occur. ▶ Internal control: Independence, Client acceptance, Integrity ii. the organization's involvement with the impacts. ▶ Internal control: Independence, Client acceptance, Integrity c. Any specific limitation regarding the topic Boundary. ▶ Independence, integrity and ethical standards, and the impact focuses on all four service lines, clients and supervisors.
103-2	The management approach and its components	<ul style="list-style-type: none"> a. An explanation of how the organization manages the topic. ▶ Internal control: Independence, Client acceptance, Integrity b. A statement of the purpose of the management approach. ▶ Internal control: Independence, Client acceptance, Integrity c. A description of the following, if the management approach includes that component: <ul style="list-style-type: none"> i. Policies ▶ The quality of our work: Step Change to Quality, The four dimensions of Step Change to Quality, Strengthening our governance ▶ Internal control: Independence, Client acceptance, Integrity, Quality management: Quality measurement, Global Code of Conduct ii. Commitments iii. Goals and targets iv. Responsibilities ▶ The Quality Leader is ultimately responsible for the material subject Independence, integrity and ethical standards. v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives ▶ Internal control: Independence, Client acceptance, Integrity
103-3	Evaluation of the management approach	<ul style="list-style-type: none"> i. the mechanisms for evaluating the effectiveness of the management approach. ▶ Internal control: Risk management ▶ Governance material topic Independence, integrity and ethical standards (103-1, 103-2) ii. the results of the evaluation of the management approach. ▶ Governance material topic Independence, integrity and ethical standards (103-1, 103-2) iii. any related adjustments to the management approach. ▶ Governance material topic Independence, integrity and ethical standards (103-1, 103-2)

Other information

Assurance Report of the independent auditor

To: the management board of Ernst & Young Nederland LLP

Report on the information on the Integrated Annual Review and GRI Standards Content Index

Our opinion

We have examined the enclosed information on Integrated Annual Review and GRI Standards Content Index (further: 'the Integrated Report') of Ernst & Young Nederland LLP (further: 'EY'), based in Rotterdam, for the year ended 30 June 2017. The references in the Integrated Report (to www.ey.com/nl, external websites and other documents) and the 'views' of seven EY employees are excluded from our engagement. Our opinion is applicable to pages 1 up to 106, 196 up to 211 and 215 up to 231 of this document.

In our opinion, the Integrated Report for the year ended 30 June 2017 is prepared, in all material aspects, in accordance with the applied criteria. This opinion is subject to the inherent limitation outlined below.

Inherent limitations

In the Integrated Report, prospective information such as ambitions, strategy, plans, expectations and estimates is included. Inherent to this prospective information is that achievability is uncertain. Therefore we will not provide any assurance relating to the achievability of the prospective information.

Basis for our opinion

We conducted our examination in accordance with Dutch law, including the Dutch Standard on auditing 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen'. This requires that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain reasonable assurance about whether the Integrated Report is free of material misstatements. Our responsibilities on this basis are described in the 'Our responsibilities for examining the Integrated Report' section of our report.

We are independent of Ernst & Young Nederland LLP in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)' and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants (VGBA)'.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Applicable criteria

Identification of criteria

The criteria EY used for the preparation of the Integrated Report were:

- ▶ Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI Standards, option Core);
- ▶ Handreiking maatschappelijke verslaggeving van de Raad voor de Jaarverslaggeving' and
- ▶ The accounting principles of EY as included in the chapter 'About this report' of the Integrated Report.

Description of responsibilities

Responsibilities of management and the evaluator

Management is responsible for the preparation of the Integrated Report in accordance with the applicable criteria, including the identification of stakeholders and the selection of material topics. The choices made by management regarding the scope of the non-financial information and the reporting policies are set out in the GRI reporting tables in the website version of the Integrated Report. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the information on the Integrated Report free that is from material misstatement, whether due to errors or fraud.



Our responsibilities for examining the Integrated Report

Our responsibility is to plan and perform our examination to obtain sufficient and appropriate assurance information for our opinion. A reasonable assurance engagement in accordance with Dutch Standard of auditing 3810N involves performing procedures to obtain evidence about the correct and complete presentation of the Integrated Report.

The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error in the Integrated Report. In making those risk assessments, we considered internal control relevant to the preparation of the Integrated Report. In order to get reasonable assurance on the Integrated Report, we performed substantive procedures to determine the correctness and completeness of the reported information. Our examination has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud. An assurance engagement includes examining appropriate evidence on a test basis.

We apply the "Nadere voorschriften accountantskantoren ter zake van assurance opdrachten (NVAK-ass)" (regulations for professional accountants practices on assurance engagements) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Rotterdam, 25 September 2017

For and on behalf of BDO Audit & Assurance B.V.

W.A. de Jong RA

Profit appropriation

The profit available for distribution this year amounted to €126 million (2015/2016: €115 million). The average amount paid out to the 261 FTE partners (2015/2016: 245 FTE partners) amount to €485,000 (2015/2016: €470,000). The amount paid out to partners includes salary, pension, commercial expenses, depreciation, insurance premiums, wage tax, social security premiums, income tax, dividend tax and the corporate income tax owed by the private company (B.V.).

About this report

EY Nederland LLP publishes this integrated annual review over the fiscal year that runs from 1 July 2016 to 30 June 2017.

In this review, we report on material financial and non-financial themes that are connected to our strategy, our performance, the opportunities and risks. In doing so, we take the expectations of our most important stakeholders into account with regard to the themes on which we report.

Reporting policy

This fiscal year, EY Nederland decided to publish large parts of the integrated annual review in Dutch and in English. This is in line with our aim to stand closer to our stakeholders and to be transparent about who we are, what we stand for and how we perform. The financial statements and the GRI Index have been drafted in English. We publish all versions of the report digitally on our website, including appendices. This English version of the integrated report was translated from the Dutch version of this integrated report. For the purpose of proper reading all texts could not be translated literally. Although we aimed the translation to be as close as possible to the Dutch texts, minor deviations may occur. In these cases the Dutch text is leading.

Guidelines

The report has been prepared using the guidelines of the International Integrated Reporting Council (IIRC). This framework enables us to provide insight in a well-structured manner into the economic and social added value that we aim for, as well as lowering our impact on the environment.

The financial statements have been prepared in accordance with IFRS. For more information, see the notes to the financial statements.

EY reports in accordance with the GRI Standards.

Although it is not yet obligatory to apply the new GRI Standards for this fiscal year, we have chosen to adopt these standards already. We advise many of our clients on the

transition to the GRI Standards and can thus share our experience with them.

With the transition from GRI G4 to the GRI Standards, we have chosen to report on the Core level.

Contrary to previous fiscal years, the financial statements and the GRI Index are included in the integrated annual review.

Delineation and scope of CR information

EY Nederland reports on its activities in the Netherlands. The three strategies that follow from 'Vision 2020' and the corresponding performance indicators form the framework for this report.

This integrated report comprises the activities of Ernst & Young Nederland LLP, Ernst & Young Accountants LLP, Ernst & Young Belastingadviseurs LLP, Ernst & Young Actuarissen B.V., Ernst & Young CertifyPoint B.V., Ernst & Young VAT Rep B.V., Ernst & Young Real Estate Advisory Services B.V., Centre B.V., CFORS B.V., Integrc Netherlands B.V., EY Intelligence in Information B.V., EY Montesquieu Finance B.V., EY Montesquieu Institutional Risk Management B.V., Parthenon-EY B.V. and Stichting Ernst & Young Foundation. Ernst & Young Nederland LLP acts as a holding company and does not provide any services to clients. Ernst & Young Belastingadviseurs LLP has a strategic alliance with HVG Law LLP. Consequently, HVG Law LLP falls within the scope of this report.

Governance CR

EY Nederland has a CR Working Group that supervises the implementation of our CR strategy. The working group is comprised of senior representatives of the four service lines, the HR director and the Business, Marketing & Communication director. The chair of the Board of Directors is responsible for the ultimate implementation of the CR policy and also chairs the working group. Subjects that are discussed are related to our strategy and KPIs, our Community Investment Program and the activities that take place within the service lines in the CR field.

Preparation of the annual review

This year, we started with a new annual review committee led by the Director Brand, Marketing & Communications, who reports on this to the CFO. A team of internal employees and external writers draft the report of the Board of Directors. The company secretary prepares the report of the Supervisory Board. The CFO is responsible for the financial statements and the accompanying notes.

The steps that we take when preparing the report are the following:

Strategic review	Board of Directors
Risk analysis	Risk Management
Materiality analysis	CR working group
Determining material topics	Board of Directors
Determining steering framework	Board of Directors
Check validity process data	internal audit
Data collection	topic owners/service lines, support services
Drafting structure / synopsis	annual review committee
Determining subject owners	annual review committee
Drafting Board of Directors report	annual review committee
Drafting Board of Directors report	company secretary
Approval	subject owners and Board of Directors
Assurance Auditor's report and the assurance report	external auditor

Representatives from the service lines and support departments are involved as a sounding board group.

Choice of topics

The materiality principle determines the choice of topics in the report. The materiality analysis of the previous year was used as basis for the preparation of the annual review and was updated for this fiscal year by means of desk research and interviews with internal stakeholders. The materiality overview was ultimately validated by the Board of Directors. From the analysis and discussions with the board, it became apparent that there were no significant changes in the material topics compared to the previous year. It is our ambition to prepare a completely new materiality analysis next year that will also involve the inclusion of external stakeholders by means of interviews and surveys.

Governance material themes

We conduct a constructive and proactive dialog with stakeholders that enable us to evaluate and assess our performance with regard to the material themes. Our performance is reported using the KPIs that form part of our Vision 2020. The defined material topics are monitored periodically. The seven defined material topics with underlying KPIs are assigned to one or several persons.

The only change in the management approach is related to Quality of Service. As of April 2017, a new Quality Leader was appointed, who also attends the meetings of the Board of Directors. As a result, the top of the firm will be even more involved in the quality program. The monthly meetings also provide the opportunity to evaluate the results of the management approach (see also GRI table under 103-3).

Data collection

The financial and non-financial information comes from various sources. Where possible, we make use of existing business information systems, supplemented with qualitative information provided by the managers in the service lines.

Reporting principles

KPI	Measurement
Financial	<ul style="list-style-type: none"> ▶ Total revenue: sum of revenues as disclosed in the financial statements ▶ Operating profit margin: operating profit as a percentage of our total revenues ▶ Revenue by service line: allocation of revenues to service lines ▶ Revenue by industry market segment: allocation of revenues to industry market segment. The 2016/2017 market segment landscape is also applied to the 2015/2016 revenues. Therefore the 2015/2016 market segment revenues in this report might differ from market segment revenues reported in the previous reporting period.
Headcount by service lines	▶ Year-end headcount
Headcount by rank and gender (ratio)	▶ Year-end headcount
Headcount by age category	▶ Year-end headcount
Global People Pulse Survey: engagement score	▶ The Global People Pulse Survey conducted by an external party (IBM) across a range of topics relevant to our organization and our employees.
Retention rate top talent	▶ Retention at end of fiscal year of people with personal performance scores of 4 and 5 (on a scale of 1 to 5) over the previous fiscal year.
Assessment of Service Quality (ASQ)	▶ % of 164 clients with a recommendation score of ≥ 7 on a scale of 1 (never) to 10 (always).
Quality review engagements	▶ Internal reviews of engagements selected on the basis of risk, focusing on clients that are large, complex or of significant public interest. Primary goal of the review is to determine compliance with quality control systems, policies and procedures, professional standards, and regulatory standards. Due to a revision of the quality program, no quality reviews have been performed in the Transaction Advisory service line in the fiscal year 2016/2017.
Independence review partners	▶ Outcome of our yearly Personal Independence Compliance Testing (PICT) program. This program tests compliance with personal independence confirmation requirements. In the fiscal year 2016/2017 testing cycle, 34 partners and directors were tested.
Community engagement hours	▶ Community engagement hours consist of pro bono advisory, skills-based volunteering and Corporate Responsibility (CR) related staff hours.
Emissions in tCO ₂ per FTE	▶ Total emissions in tCO ₂ divided by the average total number of FTEs including partners. For the 2016/2017 figures, the most recent conversion factors have been applied. The comparable figures have been restated using the 2016/2017 conversion factors.

KPI	Measurement
Value of our natural capital	▶ When calculating natural capital we look at climate change. This concerns the CO ₂ emissions due to car travel, energy consumption of offices, air travel, train travel and waste. For the calculation of natural capital, we make use of the emission factors that are published on www.co2emissiefactoren.nl and an average carbon price. The average carbon price is based on various calculations of the European Climate Foundation and the U.S. Environmental Protection Agency. Compared to last year, the emission factors for train travel, district heating and natural gas have changed. The outcomes of the previous years have been adjusted in accordance with these new emission factors.
Value of our human capital	▶ Human capital pertains to the outflow of EY's human capital to future employers due to the departure of employees who were trained by EY. Salaries, profit per hour, training and education costs are taken into account in the calculation of human capital; based on this, a future earning capacity is calculated. We apply learning depreciation and discount the net future value creation.
Value of our economic capital	▶ Economic capital represents the value of the salaries of all employees, taxes, costs of purchased goods and services, interest, depreciation and net profit.

Scope: EYNL Ernst & Young Nederland LLP and subsidiaries, HVG Law LLP and subsidiaries, aggregation of EYNL and HVG without elimination of any transactions between the two groups.

How we calculate our Human Capital

We regard EY's investment in learning and development as the main driver behind human capital value creation. Highly trained and well-developed employees generate earnings for EY as long as they remain in our employment. This is expressed in a flow of capital from intellectual and human capital to financial capital which is reflected in our financial statements and thus internalized. The unmeasured human capital contribution is related to the employees who leave EY. This contribution is captured within our human capital disclosures. We view this contribution to society as future value, comparable to the present value of an investment. It is measured as the Net Present Value of the earnings (revenues minus the employee's salary and education costs) that our employees would have generated if they had continued to work for EY up to their retirement age. The most important assumptions and limitations that we made include:

- ▶ The assumed retirement age for regular employees is 67;
- ▶ The assumed retirement age for partners is 60;
- ▶ Education is depreciated at a rate of approximately 17%¹ per year. This 'learning depreciation' is used as an average and does not contain specifics for various function levels or specific training.
- ▶ The actual partner income is unknown and, therefore, we have used an average value.
- ▶ We have used client-facing employees' data for all calculations. Therefore, education rates, staff turnover rates etc. exclude non-client facing employees such as Core Business Services (CBS).
- ▶ In addition to the actual spend on education, we monetized the hours spent on education (study hours x ERP rate) based on opportunity costs. These are deducted from EY's revenue.
- ▶ The outflow rate is not calculated by rank, but has been calculated using the data of all client-facing employees.

1) Groot, W. (1998), 'Empirical estimates of the rate of depreciation of education', *Applied Economics Letters*, 5: 535-538.

Internal and external assurance

We asked our independent external auditor, BDO, to provide reasonable assurance on both the financial and non-financial information in the integrated annual review.

BDO LLP has issued an unqualified auditor's report on the financial statements, which is included on pages 113 up to and including 115.

The engagement to audit the other chapters in the integrated annual review entails both financial as non-financial information. Furthermore this engagement comprised the assessment of the contents of the report, the performance indicators and the GRI Index. The in control statement did not fall within the scope of the assurance engagement. Before this report was submitted to the external auditor, an internal audit team of the Climate Change and Sustainability Services department reviewed the report critically. BDO Audit & Assurance B.V. issued a clean assurance report on the integrated annual review.

Consult *the auditor's report* and *the assurance report* here.

Disclaimer

In this report, we report about our efforts and the realization of objectives in 2016/2017. In addition, we also outline our plans and vision for the future. This future-oriented information can be recognized through the use of words such as to continue, to wish, to aim, to forecast, expectation, goal, objective, vision, planning, ambition, intention and forecast. Inherent in expectations regarding the future is that the outcomes are subject to risks and uncertainties and that realization thereof is therefore uncertain.

Transparency report

In addition to this report, Ernst & Young Accountants LLP publishes a Transparency Report. This is an obligation for firms that perform audit activities for public interest entities. In this report, Assurance reports in more detail on the subjects governance, quality policy, independence policy and remunerations.

1. External Initiatives Stakeholder engagement

International Corporate Governance Network (ICGN)

EY is active member of the ICGN. Member firms participate in a number of investor groups in different countries.

International Integrated Reporting Council (IIRC)

EY is among a select group of organizations supporting the IIRC by participating in the Board, the Council, working groups and secondments (with an EY professional serving as deputy to the CEO).

Transparency International

EY participates in and contributes funding to Global Corporations for Transparency International initiatives.

United Nations Global Compact (UNGC)

EY is a proud member of the UNGC. At a global level, EY annually communicates its progress on upholding the UNGC's Ten Principles.

United Nations Women's Empowerment (WEP)

EY is a signatory of UN WEP.

World Economic Forum Partnering Against Corruption Initiative (PACI)

EY is a signatory to PACI, the leading anti-corruption initiative in the world.

EY's Global Chairman and CEO is a member of the PACI Board.

World Economic Forum (WEF)

EY has been a strategic supporter of the WEF for 15 years. Its involvement in the WEF enables EY to help shape future economic development and share its insights with the world's most influential business leaders, politicians, academics and the global media.

2. Entities that belong to the EY network in 2016/2017

As a global organization, EY engages with a number of groups and initiatives at global, regional and local levels, including:

- ▶ Ernst & Young Nederland LLP
- ▶ Ernst & Young Accountants LLP
- ▶ Ernst & Young Belastingadviseurs LLP
- ▶ Ernst & Young Actuarissen B.V.
- ▶ Ernst & Young CertifyPoint B.V. - independent and objective certification institute
- ▶ Ernst & Young VAT Rep B.V. - VAT representation
- ▶ Ernst & Young Real Estate Advisory Services B.V. - advice and appraisal real estate investments
- ▶ Stichting Ernst & Young Foundation - supporting sustainable and environment initiatives of non-profit organizations
- ▶ Centre B.V. - Enterprise Performance Management (EPM) services
- ▶ CFORS B.V. - development of software solutions that enable banks and insurers to comply with new reporting standards such as Solvency II, CRD IV and IFRS4
- ▶ Parthenon-EY B.V. - strategy advice on a global level
- ▶ Integrc Netherlands B.V. - advice with regard to SAP systems in general and SAP GRC in particular
- ▶ EY Intelligence in Information B.V.
- ▶ EY Montesquieu Finance B.V.
- ▶ EY Montesquieu Institutional Risk Management B.V.

3. Stakeholder engagement

Stakeholder group	Nature of the dialogue/approach	Main topics + Frequency of contact 2016/2017	Our response
Market			
CLIENTS	Client Satisfaction Program.	Clients tell us that they not only expect to be served by the best mix of people offering the most relevant and innovative services, but they also want an interesting, memorable, value-enhancing experience from the organizations they work with. Contemporary best practice involves the use of technology to predict market trends and client needs, to gather and act on live customer feedback and to monitor the end-to-end client experience. And embedding digital in the diverse range of channels used to create engaging client interactions.	We use our Expectations of Service Quality (ESQ) framework to understand client expectations before work begins, and subsequently measure how well we perform against those expectations through our Assessment of Service Quality (ASQ). Capturing what clients expect from EY through an ESQ conversation at the beginning of an engagement, allows us to plan our work to meet their objectives, reduce risk and identify opportunities. It enables our account teams to be better informed about what is important to the client and how we manage the service we deliver. ASQ starts at the point where Expectations of Service Quality (ESQ) end - with EY setting and capturing the client's expectations. ASQ is a review to assess EY's performance and impact on an organizational and personal level. Account teams work with their clients to identify the right participants, plan how to gather feedback and how they will develop the action plan to follow up.
	Tomorrow's Economy breakfast meeting.	These breakfast sessions help to develop meaningful relationships with C-level, influencers and politicians. The quarterly sessions of Tomorrow's Economy will bring our business associates up to speed on how the national and international economies are faring, place recent events in a wider context and offer an often surprising, refreshing look at what is on the cards for the coming fiscal quarters. Tomorrow's Economy will help them distill a pattern from the constant stream of facts and statements, form a clear opinion about what keeps our economy ticking and take an honest look at the future. At Tomorrow's Economy, they will be guided through that maze by a series of specialists and high profile speakers.	Reflection with top level executives on economic development and activities. We also discussed with the Dutch employers' federation how they see the future of the Netherlands after Prinsjesdag, the day on which the government policy for the coming parliamentary session is announced. In another session, Willem Vermeend, former state secretary of finance, talked about the Dutch readiness for the new economy. Ton Büchner, former CEO of AkzoNobel, talked about the theme 'Sustainability and Purpose' within modern business.
	Leveraging EY's network to support entrepreneurship.	Innovative entrepreneurship and start-ups.	EYnovation program.
	White papers and publications.	A variety of topics, related to our services.	Examples: Barometer Nederlands Vestigingsklimaat, Barometer Nederlandse Gezondheidszorg, Reporting magazine (Assurance), T magazine, Exceptional magazine (Advisory).
	Growth navigator.	Benchmark of the client's business practice against comprehensive maturity models.	Discussion with clients about the benchmark outcome and providing advice to clients on potential improvements.



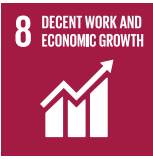

Stakeholder group	Nature of the dialogue/approach	Main topics + Frequency of contact 2016/2017	Our response
Market			
LEGISLATORS, REGULATORS AND AUTHORITIES	Meetings with and inspections and reviews by the AFM and PCAOB.	The results of the AFM's investigations were published recently. The AFM concluded that the implementation of changes in order to improve the quality of the audits is too slow. And, in six of the eight inspected statutory audits, neither sufficient nor appropriate audit evidence was obtained to substantiate the audit opinion. EY's quality safeguards did not prevent this. In addition, the AFM has asked EY to investigate the nature and cause of incidents. The PCAOB recently informed EY about the results of the investigation.	We responded with a firm wide initiative: Step Change to Quality. The program is based on our root cause analysis of the quality challenges we currently face, the findings of the supervisor, outside views and an in-depth analysis of our change inhibitors and accelerators. Step Change to Quality comprises a significant number of change projects under the direct management of the policy makers, as recently appointed within the revised governance of the Dutch EY firm. The change projects focus on strategic and/or operational changes and are all aimed at addressing the root causes, achieving the EY quality ambitions, addressing the concerns of our supervisor and living up to the demands of our stakeholders. The program is accompanied by intensive communication efforts aimed at our internal and external stakeholders.
POLITICIANS	Meetings with the Dutch Ministry of Finance and the Dutch Tax Authorities.	Discussions on tax policy and tax conduct.	Providing points of view and exchanging experiences.
	Working visits for and exchange of views with Dutch members of parliament (VVD, CDA, PVV, PvdA, ChristenUnie).	Increasing trust and understanding between EY and politicians by explaining the activities (including the dilemmas) of tax and audit professionals in depth.	The working visits will be continued, as part of our dialog with politicians.
	Organizing conferences with politicians and business executives to inspire the debate on important societal topics.	Conferences were held on the themes: EY Havenavond, Entrepreneurship and The Future of the Dutch Energy sector.	Conferences are a structural part of EY's stakeholder engagement program.
SUPERVISORY BOARDS	Round table dialogs, with in total 39 Supervisory Board members, external experts/speakers and EY partners.	Supervising fiscal planning and strategy. Executive Remuneration. Collaboration internal accountant, external accountant and audit committee.	The outcomes of the round tables are described in the report (to be found on www.ey.com/nl/nl/about-us/ey-stakeholderdialog--introductie).
	<i>Training program for supervisory board members.</i>	Dialog with Supervisory Board members on a variety of topics (e.g. risk management, fraud, data analytics, sustainability, strategy).	Developing and sharing thought leadership regarding the supervisory function.
NGOs AND SOCIAL ORGANIZATIONS	Active participation in professional bodies.	Sector-related topics.	Participation in discussions, giving presentations, lectures and publications.
	Community investment.	Continuing our Community Investment strategy and staying on track with respect to our targets for 2016-2020.	Our Community Investment strategy promotes social organizations that contribute to a better urban environment. 'Better' refers to three pillars: Supporting the next generation, Driving inclusive growth and Fostering a Low Carbon economy.



Stakeholder group	Nature of the dialogue/approach	Main topics + Frequency of contact 2016/2017	Our response
Talent			
EMPLOYEES	EY Connect Office Roadshows of combined Regional Leadership Team.	Discuss the progress we have made in realizing our Vision 2020 ambition and how each individual can contribute to achieving our goals.	Questions and outcomes were discussed in the combined Regional Leadership Team and we undertook specific interventions as a follow up. Interaction with employees is a continuous focus of the combined Regional Leadership Team.
	Learning and Talent Development Program.	Flexibility and occupational qualifications in learning and development.	Blended learning is part of facilitating flexible working and learning for our professionals. Lifelong learning comprises firm-wide learning, milestone events, sector learning and highest performing team sessions.
		Entrepreneurship and innovation.	Innovate EY. We are working together with, for instance, Amsterdam (ACE Venturelab, StartupAmsterdam, FinTech), Delft (Yes!Delft, high tech), Eindhoven (HighTechXL, high tech), Maastricht (Brightland, smart materials) and Rotterdam (PortXL, maritime, logistics and energy).
	Counseling family trees.	Career management, coaching, learning, EY's Vision 2020. Building a Better Working World.	Frequent discussions and coaching sessions for each service line, led by the Partner responsible for the service line.
	Bi-annual Global People Pulse.	People Pulse topics include engagement, career value, exceptional client service and quality, corporate sustainability, highest performing teams, leadership, people management, and recognizing and rewarding excellence.	People Pulse scores provide input for talent development topics: Leadership, diversity and inclusiveness and further tailoring of EY talent framework and community investment through pro bono advisory and voluntary work.
	Works council.	Talent and business-related topics.	In the spirit of a good, constructive and open dialog numerous talent and business-related topics and challenges are discussed and solved with a view to the interests of the employees and the employer and compliant with legislation.
	PMDP planning cycle.	Performance and employee development plans and career opportunities at EY.	Ongoing activity - key activity of our talent development program and performance measurement program.

Stakeholder group	Nature of the dialogue/approach	Main topics + Frequency of contact 2016/2017	Our response
PARTNERS	Partner Connect Meetings.	Quarterly meetings in which we discuss various topics e.g. Global/EMEIA developments, financial performance, quality, markets and talent.	Questions and outcomes were discussed in the combined Regional Leadership Team. Interaction with partners is a continuous focus of the combined Regional Leadership Team.
	GPPM planning cycle.	Performance and Partner development plans and career opportunities at EY.	Ongoing activity - key activity of our partner development program and performance measurement program.
	Regional Partner Forum (BeNe).	Strategic and operational matters.	Input and feedback regarding decision-making by the combined Regional Leadership Team.
POTENTIAL AND FORMER EMPLOYEES	Student debates/future employees.	Future of the audit profession.	Involving students in the material societal topics and work at EY.
	Alumni Group.	Alumni event.	Our alumni are important ambassadors of EY. They can reflect on both EY services and performance and on relevant themes in their new role.
NEW HIRES/ STUDENTS	EY provides pro bono lectures at universities. EY provides Masterclasses on the future of the audit profession. Employer brand recognition.	Financial Management, Accounting Information Systems, Financial Auditing, Financial Reporting.	As a professional service firm that also provides statutory audit services, it is our responsibility to actively contribute to the accounting and auditing curriculum of universities to bring practical insights into theoretical concepts. Furthermore, we seek and learn from their insights in our stakeholder dialog. We contribute practical business perspectives and cases, which is of added value to the theoretical knowledge in the curriculum.
	In-house and external recruiting events (in-house days, business courses, job fairs, study association days, guest lectures, internships, presentations, etcetera).	Our recruitment activities focus on content-driven presentations, skills workshops, business cases and simulations to provide a realistic picture of working at EY.	Ongoing, and continuation of activities and monitoring our employer position with other companies (e.g. the Universum ranking, an annual ideal employer ranking metric).
	Employer brand activities.	Events focusing on the early identification of talents.	Further roll-out of the employer branding activities.

Stakeholder group	Nature of the dialogue/approach	Main topics + Frequency of contact 2016/2017	Our response
Operations			
SUPPLIERS	Supplier code of conduct.	Continuation of the dialog with our key suppliers on the CSR standards in relation to their products/services (social, ecological and ethical aspects).	In FY 17, for example, due to our Mobility policy, there is a strong increase of Plug-in hybrid cars. In FY17, there was an increase of 120 cars, today we have 360 Plug-in Hybrid cars, this increase reduces the CO ₂ emissions significantly.
INVESTORS	Round tables for analysts and investors and representatives of institutional investors (Eumedion) and private investors (VEB).	Dialog with investors on a variety of topics.	Ongoing activities addressing a variety of topics such as reporting and auditing in 2025, impact of the mandatory audit firm rotation, the segregation of audit and non-audit work and communication with the auditor.
	Periodical publications e.g. Barometer Nederlands Vestigingsklimaat.		
PRESS/MEDIA	Expert meetings on relevant topics, interviews, press releases and invitations for journalists for corporate events, working visits.	The future of audit profession, quality, regular inspection of oversight, corporate and strategic topics, thought leadership materials (e.g. attractiveness survey), external newsworthy topics (such as tax evasion), cybersecurity & data-analytics.	Continuation of building and strengthening relationships with relevant journalists of key media by sharing corporate statements, organizing working visits, thought leadership materials, publications and by giving background information through interviews with top executives and spokespersons of EY. Several members of EY's Board of Directors are in regular contact with the media and the press.

4. EY's contribution to the SDGs

SDG number	Goal	Link with material topic	Link with strategy	Our contribution	KPI
 4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none"> ▶ Learning and development ▶ Recruiting and retaining top talent 	Talent	<ul style="list-style-type: none"> ▶ Personal talent development ▶ Investment in educating EY professionals ▶ In cooperation with partners, pro bono teaching financial skills and coaching young entrepreneurs 	Number of training hours / euros spent on training
 5 GENDER EQUALITY	Achieve gender equality and empower all women and girls	<ul style="list-style-type: none"> ▶ Recruiting and retaining top talent 	Talent	<ul style="list-style-type: none"> ▶ Embed a thorough diversity policy and KPIs ▶ Install several diversity and inclusiveness programs such as 'Women in Financial Services', the 'EveryWomen network' and several internal development courses ▶ Publish and circulate a magazine concerning diversity and inclusiveness: 'Verschil moet er zijn' 	Number of training hours per FTE man and per FTE woman
 8 DECENT WORK AND ECONOMIC GROWTH	Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> ▶ Innovation ▶ Quality of service ▶ Sustainable performance ▶ Independence, integrity and ethical standards 	Markets, Operations	<ul style="list-style-type: none"> ▶ Contribute to entrepreneurial ecosystems ▶ Pro-bono support to partners that reduce youth unemployment and stimulate entrepreneurship ▶ Contribute to financial and non-financial performance of organizations ▶ Operate in accordance with our EY Code of Conduct 	Financial result, revenue
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> ▶ Sustainable performance 	Markets, Operations	<ul style="list-style-type: none"> ▶ Enable clients to deliver sustainable products and services ▶ Reduce our environmental footprint with focus on mobility and energy efficient operations and offices ▶ Sustainable sourcing ▶ Compliance with supplier code procedures 	CO ₂ emissions per FTE

SDG number	Goal	Link with material topic	Link with strategy	Our contribution	KPI
 16 PEACE AND JUSTICE STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	<ul style="list-style-type: none"> ▶ Quality of service 	Markets, Operations	<ul style="list-style-type: none"> ▶ Contribute to creating trust and confidence in the capital markets ▶ Provide services which meet our ethical standards and good governance practices 	Quality of service (QRM)
 17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalize the global partnership for sustainable development	<ul style="list-style-type: none"> ▶ Innovation ▶ Responsible citizenship 	Markets	<ul style="list-style-type: none"> ▶ Involve stakeholders in order to facilitate sustainable development ▶ Support partners with innovations and community investment 	Number of hours spent on community investment

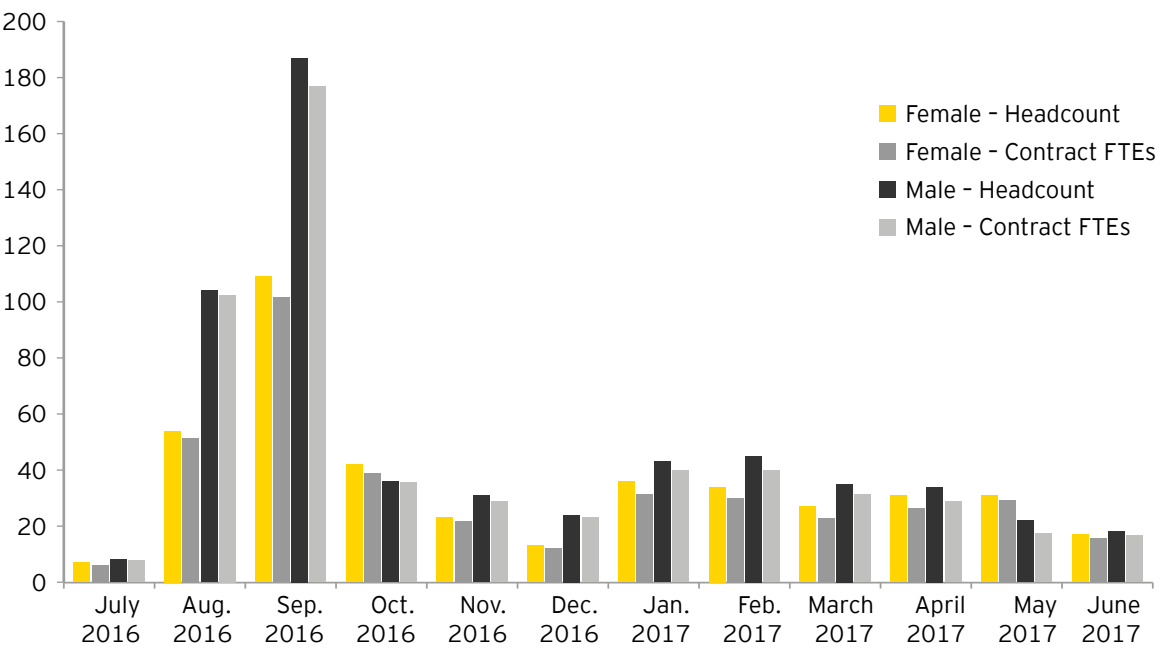
5. Workforce data

102-8: Information on employees and other workers end of fiscal year 2016/2017*

	Total headcount		Total FTE		Female FTE		Male FTE	
	#	%	#	%	#	%	#	%
Partners	265	5.9%	263.0	6.1%	35.7	2.1%	227.3	8.6%
Employees	4,241	94.1%	4,055.2	93.9%	1,628.0	97.9%	2,427.2	91.4%
Total	4,506	100.0%	4,318.2	100.0%	1,663.7	100.0%	2,654.5	100.0%
Employment Contracts								
Permanent, of which	3,838	85.2%	3,695.3	85.6%	1,363.5	82.0%	2,331.8	87.9%
FT	3,226	71.6%	3,226.0	74.7%	997.0	59.9%	2,229.0	84.0%
PT	612	13.6%	469.3	10.9%	366.5	22.0%	102.8	3.9%
Temporary, of which	668	14.8%	622.9	14.4%	300.2	18.0%	322.7	12.1%
FT	550	12.2%	550.0	12.7%	259.0	15.6%	291.0	10.9%
PT	118	2.6%	72.9	1.7%	41.2	2.5%	31.7	1.2%
Total	4,506	100.0%	4,318.2	100.0%	1,663.7	100.0%	2,654.5	100.0%
By Service line								
Assurance	2,013	44.7%	1,971.6	45.7%	674.7	40.6%	1,296.9	48.9%
Tax	1,070	23.7%	995.2	23.0%	445.1	26.7%	550.1	20.6%
Advisory	620	13.8%	606.0	14.0%	166.3	10.0%	439.7	16.6%
TAS	227	5.0%	223.7	5.2%	38.3	2.3%	185.4	7.0%
CBS	576	12.8%	521.7	12.1%	339.3	20.4%	182.4	6.9%
Total	4,506	100.0%	4,318.2	100.0%	1,663.7	100.0%	2,654.5	100.0%
Externals								
Contractors	88	30.8%	81.0	46.1%	25.3	31.7%	55.7	58.2%
Outsourced	198	69.2%	94.6	53.9%	54.6	68.3%	40.0	41.8%
Total	286	100.0%	175.6	100.0%	79.9	100.0%	95.7	100.0%

*) FTE figures in this table differ from the FTE figures in the Integrated Annual Report.
In the table above year-end figures are provided.

G4-10: New hires in fiscal year 2016/2017 by headcount and FTE



As every year, EY NL had a significant peak in new hires in September.

401-1: New employee hires and employee turnover

	Total headcount 2015/2016		New hires		Turnover		Total headcount 2016/2017		Retention
	#	%	#	%	#	%	#	%	%
Age group									
< 21	3	0.1%	4	0.4%	3	0.4%	4	0.1%	100.0%
21-30	1,761	41.1%	804	79.5%	474	60.1%	2,091	46.4%	26.9%
31-40	1,275	29.8%	145	14.3%	215	27.2%	1,205	26.7%	16.9%
41-50	734	17.1%	52	5.2%	65	8.2%	721	16.0%	8.9%
>50	511	11.9%	6	0.6%	32	4.1%	485	10.8%	6.3%
Total	4,284	100.0%	1,011	100.0%	789	100.0%	4,506	100.0%	18.4%
Gender									
Females	1,727	40.3%	424	41.9%	352	44.6%	1,799	39.9%	20.4%
Males	2,557	59.7%	587	58.1%	437	55.4%	2,707	60.1%	17.1%
Total	4,284	100.0%	1,011	100.0%	789	100.0%	4,506	100.0%	18.4%
Service line									
Assurance	1,948	44.5%	362	35.8%	297	37.7%	2,013	44.7%	15.5%
Tax	1,027	24.0%	309	30.6%	266	33.7%	1,070	23.7%	25.8%
Advisory	557	13.0%	188	18.6%	125	15.8%	620	13.8%	21.2%
TAS	151	3.5%	107	10.6%	31	3.9%	227	5.0%	20.0%
CBS	601	14.0%	45	4.4%	70	8.9%	576	12.8%	11.7%
Total	4,284	100.0%	1,011	100.0%	789	100.0%	4,506	100.0%	18.4%

404-1: Average hours of training per year per employee

Employee category	Female training hours	Male training hours	Total training hours	%	FTE	Training hours per FTE
Partners	1,815	9,012	10,827	2.5%	261	41.5
Directors	2,041	6,607	8,648	2.0%	164	52.7
Senior managers	7,115	21,231	28,346	6.6%	469	60.4
Managers	13,775	30,240	44,015	10.2%	530	83.0
Employees	126,146	213,280	339,426	78.7%	2,862	118.6
Total	150,892	280,370	431,262	100.0%	4,286	100.6

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