

# Transparency Report 2016/2017

Ernst & Young Accountants LLP

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# Welkom

Welkom bij het Transparantieverslag 2017 van Ernst & Young Accountants LLP. In dit verslag kijken we terug op ons boekjaar 1 juli 2016 – 30 juni 2017. We leggen onze organisatie en manier van werken uit, en we geven informatie over onze plannen voor de toekomst. We hebben er alle vertrouwen in dat dit Transparantieverslag voor onze stakeholders waardevolle inzichten over onze firma bevat. Het Transparantieverslag bestaat uit twee delen. In Deel 1 komen onze leiders en interne toezichthouders aan het woord. Dit deel begint met een presentatie van 'Step Change to Quality'. In april 2017 lanceerde EY dit veranderprogramma in Nederland om de kwaliteit van onze controles, van onze interne organisatie en cultuur, en van de dialoog met onze stakeholders versneld te verbeteren. Daarnaast bevat Deel 1 het Verslag van de beleidsbepalers van Ernst & Young Accountants LLP en het Verslag van de raad van commissarissen van Ernst & Young Nederland LLP.

Deel 2 bevat meer gedetailleerde informatie over onze onderneming en over ontwikkelingen gedurende boekjaar 2016-2017 op het gebied van, onder meer, juridische structuur en governance, kwaliteit en risicomanagement, onafhankelijkheid, professionele ontwikkeling, training en opleiding, en beoordeling en beloning.

Deel 1 is beschikbaar in een Nederlandstalige en een Engelstalige versie. Deel 2 is alleen beschikbaar in het Engels. Deze versie van het verslag combineert het Nederlandstalig Deel 1 met het Engelstalig Deel 2.

## EY's missie: building a better working world

EY stelt alles in het werk om deze missie te realiseren.

De inzichten en kwalitatief hoogwaardige diensten die wij leveren dragen bij aan het vergroten van het vertrouwen in de kapitaalmarkten en economieën over de hele wereld. Wij ontwikkelen uitstekende leiders die samenwerken om onze beloften aan onze stakeholders waar te maken. Op deze manier spelen wij een cruciale rol in het bouwen van een *better working world* voor onze medewerkers, onze cliënten en de maatschappij.

# Step Change to Quality

## 'Alleen topkwaliteit is goed genoeg'

EY wil dat de kwaliteit van al haar werkzaamheden consistent op een hoog niveau ligt. Dat zijn wij als organisatie aan onze stand verplicht en het is wat de stakeholders terecht van EY verwachten. De lat ligt hoog en wij halen die lat in Nederland nog niet consistent op alle onderdelen van onze controles. Om op het gewenste kwaliteitsniveau te komen, startte EY in april 2017 'Step Change to Quality', een integraal veranderprogramma om de kwaliteit versneld en structureel op het gewenste hoge niveau te brengen.

In dit vraaggesprek leggen Coen Boogaart, Rob Lelieveld, Nico Pul en Jules Verhagen uit wat de achtergrond, doelstellingen en actiepunten van Step Change to Quality zijn.

### Wie nam het initiatief tot Step Change to Quality?

Coen: 'Het is een gezamenlijk initiatief van de rvc en de rvb van EY Nederland, dat de rvb nu concreet gestalte geeft onder toezicht van de rvc. In de loop van 2016 werd het ons steeds duidelijker dat we niet overal en altijd de kwaliteit leveren die we zelf nastreven en die de buitenwereld terecht van ons verwacht. We kregen signalen uit de buitenwereld, bijvoorbeeld van de AFM tijdens haar onderzoeken. Maar ook intern merkten we dat verdere verbeteringen nodig waren. Daarom hebben we actie ondernomen.'

Coen is voorzitter van de rvb van EY Nederland; Rob, Nico en Jules zijn leden van het Management Team (MT) Assurance en statutaire bestuurders van Ernst & Young Accountants LLP. Rob is naast voorzitter van het MT Assurance ook statutair lid van de rvb van Ernst & Young Nederland LLP, terwijl Nico als kwaliteits-leider Nederland direct verantwoordelijk is voor Step Change to Quality en als niet-statutair lid de vergaderingen van de rvb bijwoont.

### Wat gaan we met Step Change to Quality verbeteren?

- ▶ Onze bedrijfscultuur.
- ▶ Onze interne beheersorganisatie.
- ▶ Onze primaire processen bij het uitvoeren en documenteren van jaarrekeningcontroles.
- ▶ Onze dialoog met stakeholders.

Het is in het belang van de samenleving dat ons controlewerk consistent van hoge kwaliteit is, dat we controles gedisciplineerd en in overeenstemming met de geldende standaarden uitoefenen, dat we een professioneel-kritische instelling tonen en oog hebben voor de signaleringsfunctie die onze stakeholders van ons verwachten. Onze inspanning om de kwaliteit in de hele organisatie omhoog te brengen moet diepgaander, breder en sneller. Dat is Step Change to Quality.'

### Wat is er nieuw aan Step Change to Quality, EY is toch al langer bezig met het verbeteren van de kwaliteit?

Rob: 'Dat klopt, maar er zijn enkele essentiële verschillen. Om te versnellen en te verdiepen gaan we nu in Nederland extra investeren in kwaliteitsverbetering, fors meer dan in het verleden. In versterking van de controleteams, in ondersteunende functies en IT, in opleiding en training, in monitoring, in onderzoek naar de oorzaken van problemen. Dat maakt verbeteringen sneller mogelijk.'

Nico: 'We volgen bovendien een integrale aanpak. Op de terreinen waar actie nodig is gaat het meestal om de samenhang en het gezamenlijk negatief effect van veel op zichzelf vaak kleine factoren. Dat moet je dus als geheel aanpakken. We gaan onze professionals bijvoorbeeld op functieniveau veel specifiekere aangeven wat van hen verwacht wordt op kwaliteitsgebied, veel processen verder standaardiseren en specifiek aangeven wat er met behoud van het goede aan onze cultuur moet veranderen.'

## Step Change to Quality

We moeten bijvoorbeeld gedisciplineerder volgens de geldende normen werken, altijd en overal. Meestal goed is niet goed genoeg.'

### Op welke gebieden legt Step Change to Quality de nadruk?

Rob: 'We hebben vier gebieden geïdentificeerd waarop we moeten verbeteren. Onze bedrijfscultuur, onze beheersorganisatie en ondersteunende functies, onze primaire processen bij de controles, en onze stakeholderdialoog. Op alle vier die gebieden hebben we ambities gedefinieerd die we hebben omgezet in actiepunten. Wij realiseren ons dat dit een hele opdracht is voor onze mensen en dat verandering tijd vergt, maar tegelijk hebben we er vertrouwen in dat het ons gaat lukken. Onze mensen zijn enthousiast, heel loyaal naar EY en ze werken keihard om kwaliteit te leveren. Het is onze intentie en inzet dat iedereen binnen EY participeert in Step Change to Quality, maar als iemand de gezamenlijke reis van kwaliteitsverbetering niet kan of wil maken, dan moeten we afscheid van elkaar nemen. Ik zie dat onze mensen de noodzaak van verandering voelen en zich 100% willen inzetten. Waar het nu op aankomt is niet nóg harder werken, maar werken met een andere instelling: steeds met kwaliteit als hoogste doel, gedisciplineerd, veeleisend naar elkaar toe en met de wil om continu te leren en te verbeteren.'

### De vier criteria voor kwaliteit

De kwaliteit van ons werk is goed wanneer:

- ▶ De *maatschappij* vertrouwen heeft in onze verklaringen, onze controles en onze professioneel-kritische instelling.
- ▶ Onze *externe toezichthouder* een positief oordeel over ons velt, omdat wij consistent voldoen aan externe en interne normen en standaarden.
- ▶ Onze *opdrachtgevers* toegevoegde waarde krijgen in de vorm van relevante informatie en analyses, hoe onze verklaring ook uitvalt.
- ▶ *Wijzelf* trots zijn op ons werk, omdat we het effectief, conform onze standaarden, gedisciplineerd en met een goed toegerust team hebben uitgevoerd.

### Gaat Step Change to Quality alleen over de service line Assurance?

Coen: 'Nee, Step Change to Quality is een programma voor heel EY in Nederland. De nadruk ligt in eerste instantie wel op Assurance. Bij Assurance voldoet het proces waarmee wij tot ons eindproduct (de controleverklaring) komen qua uitvoering en vastlegging niet op alle onderdelen consistent aan de normen van onszelf en van onze stakeholders. Bij de andere service lines is het proces om te komen tot het eindproduct (advies) minder complex en staat de kwaliteit

'Ik wil bereiken dat er bij onze stakeholders geen greintje twijfel meer bestaat over de kwaliteit van ons werk, omdat die consistent op het vereiste hoge niveau ligt of dat overstijgt.'

Coen Boogaart





van dit proces niet ter discussie. Anderzijds gaat het bij Step Change to Quality ook over de kwaliteit van onze organisatie, van ons intern functioneren, van onze bedrijfscultuur. Drie van de vier aandachtsgebieden van Step Change to Quality die Rob net noemde gelden voor de hele organisatie: onze cultuur, onze beheersorganisatie en onze stakeholderdialoog. Qua cultuur spreken we elkaar niet genoeg aan op fouten, omdat wij dat te veel als bedreiging ervaren in plaats van als feedback om de kwaliteit van ons werk te verhogen en te leren. Haperingen in onze beheersorganisatie en ondersteunende functies betekenen onnodige risico's voor alle service lines. Een goed gestructureerde stakeholderdialoog, ten slotte, is relevant voor de hele organisatie.'

Nico: 'Daar komt bij dat de kwaliteit bij Assurance voor een deel afhangt van collega's uit andere service lines. Wanneer dezen als specialisten worden ingeschakeld door een controleteam, bijvoorbeeld. Of wanneer er een onafhankelijkheidsprobleem bij organisaties van openbaar belang kan ontstaan, omdat collega's diensten willen verlenen aan een cliënt waar wij de externe accountant zijn. Die onafhankelijkheidsregels bij organisaties van openbaar belang zijn heel strikt, in Nederland strikter dan in de rest van de EU, en daar moet de hele organisatie heel zorgvuldig mee omgaan.'

### **Wat merken de cliënten van EY van Step Change to Quality?**

Jules: 'Uit onze onderzoeken blijkt dat cliënten van EY in Nederland heel tevreden zijn over de diensten die we leveren. De sterke nadruk op kwaliteit zal ertoe leiden dat we nog vaker dan voorheen de verwachtingen van onze cliënten zullen overtreffen en dat is natuurlijk erg positief. Met name bij Assurance is tevredenheid van onze cliënten echter niet voldoende, we dienen als externe accountant in eerste instantie het publiek belang. Dat houdt onder meer in dat wij bij de uitvoering en vastlegging van de controle consistent voldoen aan onze eigen, interne kwaliteitseisen en aan die van onze toezichthouder en dat we binnen onze mogelijkheden een poortwachtersrol vervullen op gebieden als fraude en "going concern", een rol die de maatschappij van ons verwacht. Het voldoen aan deze hoge kwaliteits-eisen zal er overigens ook toe leiden dat we nog strenger kijken of een cliënt bij ons past. Als een cliënt bijvoorbeeld zijn systemen niet op orde heeft, betekent dat ook voor ons

### **Step Change to Quality: kwaliteit in het hart van de bedrijfscultuur**

- ▶ Een glasheldere, veelvuldig uitgedragen Tone at the Top: kwaliteit heeft de absolute prioriteit.
- ▶ Kwaliteit én kwaliteitsbevorderend gedrag bepalend bij beoordeling en beloning van partners en medewerkers.
- ▶ Lokale invulling in onze controlepraktijk van de mondiale EY-visie, met ondubbelzinnige prioriteit van kwaliteit.
- ▶ Concrete invulling op functieniveau van het begrip kwaliteit: iedere professional moet precies weten wat er van hem verwacht wordt.
- ▶ Leren van onze successen en van onze fouten.
- ▶ Aanpassingen in onze familiecultuur: we behouden wat kwaliteit bevordert, we elimineren wat kwaliteit tegengaat. We spreken elkaar aan op fouten en werken gedisciplineerd: voor een sterke ketting moet elke schakel sterk zijn.
- ▶ Een actuele foto van onze bedrijfscultuur: een diepgaand cultuuronderzoek onder alle professionals met gerichte opvolging.
- ▶ Afscheid van cliënten met een hoog kwaliteitsrisico, wanneer de cliënten niet voldoende willen verbeteren.

een kwaliteitsrisico. We gaan daarover in gesprek met de cliënt en als de situatie niet verbetert, nemen we afscheid. Daarin worden we nog strikter.

### **Een van de vier gebieden waar Step Change to Quality verandering wil, is cultuur. Dat klinkt zo vaag, wat bedoelen jullie daar precies mee?**

Rob: 'We willen dat onze mensen vanuit de juiste bedrijfscultuur het juiste gedrag vertonen, dat wil zeggen, dat ze in hun werk absolute prioriteit geven aan kwaliteit. Dat betekent kwaliteit in het eigen werk en het bevorderen en bewaken van kwaliteit in het werk van collega's. De cultuur van EY is een familiecultuur met veel mooie aspecten: saamhorig, vriendelijk, bereid om elkaar te helpen, respectvol. Dat heeft een positieve impact op de werksfeer en ook op de kwaliteit van ons werk. Maar er is ook een keerzijde aan onze familiecultuur. We spreken elkaar onvoldoende aan wanneer er een fout gemaakt wordt, wanneer kwaliteit niet op het hoge vereiste niveau ligt of wanneer iemand een afspraak niet helemaal of helemaal

niet nakomt. We nemen discipline niet serieus genoeg. Dat moet veranderen, want die minder mooie kant van onze famelielcultuur is één van de redenen dat de kwaliteit in de afgelopen jaren niet snel genoeg is verbeterd. We verwachten als MT dat mensen voldoende discipline tonen om zelf aan onze hoge kwaliteitseisen te voldoen en elkaar aanspreken wanneer de gewenste kwaliteit in het geding komt. Op het moment zelf is kritiek niet altijd leuk. Je wordt er echter wel een betere professional van en daar is iedereen bij gebaat.'

**En wat moet er anders in het primaire proces, in de dagelijkse praktijk van het voorbereiden, uitvoeren en documenteren van een controle?**

Nico: 'Om direct aan te sluiten bij wat Rob net zei: in de dagelijkse controlepraktijk is bedrijfscultuur heel concreet. Sowieso hangen de vier aandachtsgebieden met elkaar samen, vandaar ook onze integrale aanpak. Discipline is een kwestie van cultuur en gedrag. Als we niet gedisciplineerd genoeg werken, gaat dat direct ten koste van het primaire proces en de controlekwaliteit, zo simpel is het. We moeten gedisciplineerd alle controle-acties die de standaarden en normen vereisen uitvoeren en afdoende documenteren. Zowel voor de jaarverslaggeving door onze cliënten als voor onze controle zijn er enorm veel regels bijgekomen de afgelopen twintig jaar. Kwaliteit kunnen leveren betekent dat

### Step Change to Quality: een effectieve beheersorganisatie

- ▶ Versterking van onze 'lerende organisatie': meer leren, ook 'on the job', als springplank naar hogere kwaliteit.
- ▶ Door de organisatie heen meer standaardisatie van onze processen.
- ▶ Investerings in ondersteunende en controlerende functies en betere afbakening van de verantwoordelijkheden van die functies.
- ▶ Investerings in IT-systemen om meer relevante management-informatie te genereren, met name op het gebied van kwaliteit en compliance, zodat het management beter en sneller kwaliteitsbeleid kan aanpassen en implementeren.
- ▶ Investerings in versterking van onze Plan-Do-Check-Act cyclus, met name in tussentijdse monitoring van resultaten van acties.
- ▶ Meer en diepgaande oorzaak analyses ('root cause analyses'), op de uitkomsten wordt actie ondernomen.

je die regels grondig kent en strikt volgt, ook in de gevallen waarin je als accountant het gevoel hebt dat je al voldoende informatie over een controle-onderdeel hebt verzameld om tot een goed inzicht te komen. Neem de professionele beoordelingen ten aanzien van schattingsposten in de

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Rob Lelieveld

jaarrekening, ook wel het toepassen van judgement genoemd. Dat doen we nog steeds en zullen we blijven doen, maar de regels verplichten ons veel meer te vragen, veel meer werkzaamheden te verrichten en vast te leggen om dat oordeel te onderbouwen. Er is wat dat betreft dus sprake van minder professionele vrijheid voor de accountant om te bepalen wat voldoende is en voor sommige professionals is dat wennen. Wij zullen onze professionals helpen door gedetailleerdere guidance te geven hoe de externe en interne controle-normen concreet moeten worden toegepast. “This is how we do it!” en “First time right!” zijn de twee motto’s die dat samenvatten.’

**Rob:** ‘Omdat er zoveel regelgeving bijgekomen is en nog steeds bijkomt, gaan we ook onze training en opleiding verder intensiveren. Een essentiële stap is dat onze partners en executive directors consistent over de vereiste kennis en kunde beschikken op alle relevante gebieden van een controle. Training on the job is daarbij ook ontzettend belangrijk. Daar geven de ervaren krachten hun kennis en kunde continu door aan de andere teamleden. Dat vereist wel dat die ervaren krachten zelf daar de actuele kennis, kunde en tijd voor hebben. Daar gaan we meer in investeren. Meer praktijkgerichte training en opleiding, dat was tijdens de Summer Course van 2017 al te merken. Sterkere teams, waarin de partners en executive directors voldoende tijd hebben om belangrijke controlebeslissingen zelf te nemen én om hun kennis en kunde door “learning on the job” door te geven aan de rest van het team, is een andere belangrijke ambitie van Step Change to Quality.

Tijd hebben betekent ook tijd voor feedback, om af en toe een stapje terug te doen en elkaar in het team te vragen waar verbeterpunten zitten, wat we van ervaringen kunnen leren, binnen het team of zelfs binnen de hele controlepraktijk. We willen een lerende organisatie zijn en leren veronderstelt ook communiceren, daar moet dus tijd en ruimte voor zijn.’

**Nico:** ‘Als de leider van een controleteam denkt dat hij die tijd en ruimte niet heeft, dat hij niet genoeg menskracht en kennis in zijn team heeft om de controle op ons kwaliteits-niveau uit te voeren, moet hij bij ons aan de bel trekken, dat verwachten wij gewoon. Als er inderdaad mensen bij moeten, dan gebeurt dat. Daarom zijn we ook van plan om waar nodig nieuwe medewerkers aan te trekken.’

**Jules:** ‘Die teams met behoefte aan extra kennis of kunde kunnen ook profiteren van de mensen die vrijkomen bij cliënten waar we afscheid van nemen. Daar zitten vaak heel

### Step Change to Quality: vlekkeloze controles

- ▶ Striktere interne guidance over hoe we externe controlestandaarden toepassen: ‘This is how we do it!’
- ▶ Investeren in extra praktijkgerichte training voor alle professionals in de controlepraktijk, inclusief intensivering ‘training and coaching on the job’.
- ▶ Versterking van discipline bij opzet, uitvoering en documentering van controles: ‘First time right!’
- ▶ Investeren in versterking van de controleteams: voldoende mensen, voldoende kennis, voldoende kunde, voldoende leiding.
- ▶ Intensivering en opschaling van interne kwaliteits-controles: verdieping van onze AQR (Audit Quality Review); vorming van een reviewpool van ervaren collega’s die op verschillende momenten tijdens of na het controleproces een review kunnen verrichten: AQR, pre-issuance AQR, Engagement Quality Review (EQR) of inflight review.

ervaren collega’s bij, die je in de huidige krappe markt niet zo makkelijk buiten de deur vindt.’

**Nico:** ‘Klopt. Een laatste punt dat ik nog wil noemen is dat we ook investeren in meer en betere reviews van de controlekwaliteit. We vormen een review pool van ervaren collega’s die alle soorten reviews kunnen uitvoeren: Audit Quality Reviews (AQRs) en pre-issuance AQRs, maar ook de Engagement Quality Reviews (EQRs) – de naam voor de Opdrachtgerichte Kwaliteitsbeoordeling binnen EY – en de inflight reviews. Die reviews kunnen heel algemeen van aard zijn, of juist heel specifiek. Bij zo’n specifieke “focus area review” kan bijvoorbeeld onderzocht worden hoe een bepaald controle issue in vijf dossiers door vijf verschillende partners is aangepakt. Als geheel moet de review pool van alle markten thuis zijn, van “deep dive” reviews tot de algemene reviews die onderdeel uitmaken van een EQR.

Als geheel genomen moeten de reviews ervoor zorgen dat we fouten eerder opsporen en vaker tijdig kunnen herstellen. Met de vorming van de review pool willen we kennis bundelen. Goede communicatie van de reviewers onder elkaar en met de rest van de organisatie betekent ook dat we door de hele organisatie heen meer en sneller leren van praktijkervaringen. Daarnaast gaan we bij de dossier-controles achteraf, de AQRs, de lat hoger leggen, op het



niveau dat onze externe toezichthouder en wij van onze teams verwachten.'

### Waar zit het probleem bij de interne beheersorganisatie?


Coen: 'Een kwestie die we zeker moeten verbeteren, is de management-informatie. Die moeten we systematisch, periodiek en in voldoende mate genereren, zeker op het gebied van monitoren van onze kwaliteitsprestaties. Nu hebben we dat nog niet voldoende op orde. Het gevolg: in de rvb, en ook in de management teams van de service lines, krijgen we niet altijd voldoende informatie om beleid optimaal te ontwikkelen, aan te passen of te implementeren, en om de uitvoering te corrigeren als daartoe aanleiding bestaat. Oftewel, onze Plan-Do-Check-Act cyclus is niet op alle onderdelen robuust. Die informatievoorziening gaan we opvoeren. Denk aan informatie over de organisatie en aan kwaliteitsgerelateerde KPI's, maar ook aan de frequentie en diepgang van oorzakenanalyses. Zoals Rob net al aangaf, we willen een lerende organisatie zijn, dat geldt zeker ook voor ons in de rvb en in de management teams, maar voor effectief en snel leren moeten we duidelijker en eerder kunnen zien wat goed gaat en wat niet.'

Rob: 'Verder is er een tekort aan menskracht bij onze ondersteunende, monitorende en controlerende functies. Daar hebben we de laatste jaren te weinig in geïnvesteerd, zodat we niet volledig zijn meegegaan met de toenemende

### Step Change to Quality: leren van stakeholders

- ▶ Structureren en intensivering van de stakeholder-dialoog.
- ▶ Luisteren naar en leren van onze stakeholders, waar mogelijk vervullen van de bredere signaleringsfunctie en poortwachtersrol die zij van ons verlangen.
- ▶ Pro-actieve deelname aan kwaliteitsgerelateerde discussies binnen onze beroepsgroep.
- ▶ Step Change to Quality wordt leidend in onze communicatiestrategie.

eisen die aan die functies gesteld worden, dat veranderen we nu. Bij verschillende functies is de rolverdeling ook niet altijd 100% duidelijk. Die verantwoordelijkheden bakenen we duidelijker af, zodat er geen verwarring meer is bij mensen in de controlepraktijk waar je voor welke vraag of suggestie moet zijn. De functies zelf weten ook beter wie welke taken op zich mag en moet nemen. Bovendien benadrukken we nu dat functies als Independence en Risk Management een centrale, service line overstijgende rol hebben. Ieder op het eigen gebied zijn die functies nadrukkelijk voor de hele organisatie van EY in Nederland verantwoordelijk.'



'Vertrouwen is de optelsom van kwaliteit en communicatie, anders gezegd: je werk goed doen en praten met de stakeholders die legitieme verwachtingen hebben over de kwaliteit van je werk.'

Jules Verhagen

### **Wat heeft de stakeholderdialoog met kwaliteit te maken?**


**Jules:** 'Een heleboel! Wij opereren niet in het luchtledige. Als de maatschappij, onze externe toezichthouder, onze cliënten minder vertrouwen hebben in ons dan voorheen, dan bedreigt dat simpelweg onze bestaansreden. Dat vertrouwen moeten we waar nodig herstellen. Vertrouwen is de optelsom van kwaliteit en communicatie, anders gezegd: je werk goed doen en praten met de stakeholders die legitieme verwachtingen hebben over de kwaliteit van je werk. Sterker nog: die communicatie is essentieel om als organisatie te begrijpen wat onder kwaliteit verstaan wordt. De techniek van ons beroep verandert continu, de wetten, standaarden en normen die ons beroep regelen veranderen continu, de verwachtingen van onze stakeholders veranderen continu. De maatschappij verwacht nu bijvoorbeeld meer dan vroeger dat een controlerend accountant een externe signaleringsfunctie op zich neemt en vroegtijdig zaken als continuïteitsrisico's of integriteitsrisico's aanpakt. Wij willen die verwachting absoluut niet negeren. Daarom bespreken we met onze stakeholders wat - binnen de bestaande regulering van ons beroep - van ons verwacht kan worden en welke verwachtingen alleen vervuld kunnen worden door verandering van regelgeving. Door al die veranderingen in technieken, regelgeving en verwachtingen verandert de definitie van kwaliteit ook voortdurend.'

De stakeholderdialoog stelt ons in staat goed te luisteren naar wat onze belangrijkste belanghebbenden verstaan onder kwaliteit, dat luisteren is dus essentieel. We willen een lerende organisatie zijn en van luisteren leer je heel veel. Tegelijk stelt de stakeholderdialoog ons in staat uitleg te geven over ons vak, voor welke dilemma's een extern accountant of een belastingadviseur kan komen te staan. En natuurlijk kunnen we via de stakeholderdialoog uitleggen aan de buitenwereld wat we doen om de kwaliteit consistent op het gewenste niveau te brengen. Daarom structureren en intensiveren we onze stakeholderdialoog.'

**Rob:** 'Dat vertrouwen van al onze stakeholders, dat kun je zien als onze stip op de horizon, daar willen we naar toe. Zoals Jules al aangeeft verandert die stip steeds van positie, de concrete kwaliteitseisen waaraan we moeten voldoen zijn niet statisch. Daarom is onze reis om kwaliteit te verbeteren nooit voorbij, de horizon wijkt altijd terug. Dat maakt de stip op de horizon niet minder belangrijk, hij geeft steeds aan in welke richting we moeten bewegen. Hier en nu moeten wij snel bewegen.'

### **Waar is de nadruk op kwaliteit concreet zichtbaar?**

**Coen:** 'Bij de beoordeling en beloning van onze partners en medewerkers speelt kwaliteit een bepalende rol. Daarbij is binnen de controleteams de kwaliteit van de directe



**'We moeten gedisciplineerd alle vereiste controle-acties volgens de regels uitvoeren en afdoende documenteren. "This is how we do it!" en "First time right!" zijn de twee motto's die dat samenvatten.'**

Nico Pul

controlewerkzaamheden natuurlijk heel belangrijk, maar niet het enige kwaliteitsaspect. Met name partners en andere executives beoordelen we ook sterker op kwaliteitsbevorderend gedrag. Schep je als executive voldoende ruimte en tijd voor "learning on the job", voor het uitwisselen van feedback? Zorg je als partner dat jouw team en de hele organisatie leert van gemaakte fouten of nieuwe oplossingen? Geef je het goede voorbeeld door je gedisciplineerd te gedragen, door voldoende aanwezigheid? Dat zijn het soort vragen die bij beoordeling belangrijker zullen worden.'

**Rob:** 'We zijn ook glashelder in onze Tone at the Top, in de boodschap die we als bestuur en management teams van de service lines uitdragen, extern en intern, schriftelijk en mondeling: kwaliteit heeft absolute prioriteit en we verwachten dat iedereen binnen de organisatie daarnaar handelt.'

**Nico:** 'Zoals eerder gezegd: partners zullen merken dat de kwaliteitslat bij de AQR hoger komt te liggen. Daar staat tegenover dat partners en medewerkers nu al kunnen zien dat we meer investeren in kwaliteit, dat we iedereen helpen om de kwaliteit consistent op het gewenste niveau te krijgen. De lat hoger leggen zonder dat eerst te doen, zou als unfair overkomen.'

### **Tot slot: wanneer is voor jullie Step Change to Quality een succes?**

**Nico:** 'Voor mij is het antwoord simpel: ik ben tevreden wanneer al onze professionals voldoende kennis en kunde in huis hebben om hun rol in de controle op het gewenste niveau van kwaliteit te vervullen. Het moet hen op ieder moment duidelijk zijn welke acties ze moeten uitvoeren en hoe ze die moeten documenteren en ze moeten de discipline tonen om dat ook te doen. Dat veronderstelt ook dat we sterke teams hebben, met een diverse samenstelling en voldoende collectieve kennis en kunde. Teams, die waar en wanneer nodig gebruik maken van effectieve ondersteunende functies.'

**Coen:** 'Ik sluit me helemaal aan bij wat Nico zegt en zou nog toevoegen dat we adequaat invulling geven aan onze maatschappelijke signaleringsfunctie. Om dat te bereiken is het nodig dat de hele organisatie kwaliteit ademt. Het is heel simpel: alleen topkwaliteit is goed genoeg. Ik hoop dat we over een paar jaar weer nummer één zijn in Nederland qua kwaliteit. Dat hangt natuurlijk niet alleen van ons af, maar ook van de concurrentie. Ik wil in ieder geval bereiken dat er bij onze stakeholders geen greintje twijfel meer bestaat over de kwaliteit van ons werk, omdat die consistent op het vereiste hoge niveau ligt of dat overstijgt. Dat zijn we aan onszelf en aan onze stakeholders verplicht.'

# Verslag van de beleidsbepalers

## Belangrijkste ontwikkelingen en acties in 2016/2017

Het beeld van het boekjaar 2016/2017 wordt bepaald door de uitkomsten van de AFM-onderzoeken en de voorbereiding en lancering van 'Step Change to Quality', ons programma om onze kwaliteit versneld op een hoger niveau te brengen. Interne en externe signalen, waaronder het voor ons teleurstellende rapport van de AFM van juni 2017, maakten in de eerste helft van het boekjaar duidelijk dat een verdieping, verbreding en versnelling van onze kwaliteitsinspanning noodzakelijk zijn. Step Change to Quality ging in april 2017 van start en richt zich op vier gebieden waar verbetering moet plaatsvinden:

- ▶ Onze bedrijfscultuur
- ▶ Onze interne beheersorganisatie
- ▶ Ons primaire proces: het uitvoeren en documenteren van controles
- ▶ Onze dialoog met onze stakeholders

Step Change to Quality is een programma voor de hele EY-organisatie in Nederland, waarbij de focus in eerste instantie ligt op de controlepraktijk (audits), die valt onder onze service line 'Assurance'.

In het hoofdstuk Step Change to Quality (pagina 4 t/m 11) geven wij meer uitleg over de achtergrond, doelstellingen en actiepunten van dit programma; in dit verslag beperken wij ons tot de belangrijkste feitelijke gebeurtenissen rond het versnellingsprogramma.

Een andere belangrijke ontwikkeling in boekjaar 2016/2017 was de afronding van het proces van wisseling van externe accountants door Organisaties van Openbaar Belang (OOB's). Deze rotatie betekende onder meer dat wij over het boekjaar 2016 veel 'eerstejaarscontroles' bij nieuwe controlecliënten hebben verricht. Dit proces begon enkele jaren geleden als gevolg van nieuwe nationale en Europese regelgeving omtrent verplichte periodieke rotatie van externe accountant door OOB's. Wij moesten afscheid nemen van diverse controlecliënten en verwelkomden nieuwe. Onze portefeuille van controlecliënten is nu evenwichtiger dan enkele jaren geleden, met een betere verdeling tussen OOB-cliënten in en buiten de financiële sector. Bij veel cliënten waar EY vroeger advies verleende, zijn wij nu extern accountant, en omgekeerd. Deze zogenaamde 'channel shift' heeft veel van onze cliënten en al onze collega's gevergd. Tegenover de veelbesproken

frisse blik, stond ook veel kennisverlies. Inwerken in elke rol, advies of controle, kostte onvermijdelijk veel tijd en energie.

Verder voltrok zich in het boekjaar 2016/2017 een verandering in de internationale structuur van EY. Binnen EMEIA zijn twee regio's samengevoegd. Onze BeNe (België-Nederland) regio ging samen met FraMaLux (Algerije, Frankrijk, Luxemburg, Marokko, Monaco, Tunesië) tot WEM (Western Europe & Maghreb). De samengevoegde regio geeft ons een betere schaal om de vele en snelle ontwikkelingen waarmee wij te maken hebben effectief tegemoet te treden.

In samenhang met Step Change to Quality is ook de governance met betrekking tot Ernst & Young Accountants LLP en de service line Assurance veranderd. De raad van bestuur van Ernst & Young Nederland LLP heeft nu een directere invloed op de strategie en belangrijke beleidsbeslissingen binnen Ernst & Young Accountants LLP en binnen de service lines van EY in Nederland, waaronder Assurance. Deze nieuwe situatie weerspiegelt zich ook in de rol van '(mede)beleidsbepalers' van de leden van de rvb van Ernst & Young Nederland LLP zoals geformuleerd in de nieuwe tekst van de Wet toezicht accountantsorganisaties. Ten slotte viel de lancering van Step Change to Quality ook samen met een wisseling van de wacht aan de top binnen de service line Assurance. Met de succesvolle afronding van de periode van channel shift en het startschot voor Step Change to Quality begon een nieuwe fase in onze ontwikkeling. Een grotendeels vernieuwd bestuur geeft in deze fase leiding aan de service line Assurance. Michèle Hagers maakte als Assurance-Leider per 2 mei 2017 plaats voor Rob Lelieveld. Rob is ook lid geworden van de raad van

**'Onze portefeuille van controlecliënten is nu evenwichtiger dan enkele jaren geleden, met betere verdeling tussen OOB-cliënten in en buiten de financiële sector.'**

bestuur van EY Nederland. Ook Joep Heijster en Jeroen Kamphuis namen afscheid van het MT Assurance, terwijl Nico Pul als Kwaliteitsleider voor EY in Nederland (een nieuwe functie) per 11 mei 2017 lid is geworden van het MT Assurance en daarnaast niet statutair lid van de raad van bestuur van EY Nederland. Nico geeft leiding aan Step Change to Quality. Jules Verhagen blijft lid van het MT Assurance, waarmee de continuïteit gewaarborgd is; Jules is verantwoordelijk voor Markten en de Stakeholder Dialoog. Per 1 september 2017 is ook Patrick Gabriëls lid geworden van het MT Assurance - Patrick krijgt de verantwoordelijkheid voor Operations en Innovatie. De vacature voor Talent & Transformation binnen het MT Assurance moet nog vervuld worden. Wij danken Michèle Hagers, Joep Heijster en Jeroen Kamphuis hartelijk voor hun inzet gedurende hun tijd in het bestuur.

### Onderzoeken door de AFM

In juni 2017 publiceerde de AFM de resultaten van twee onderzoeken: de reguliere inspectie in 2016 van controle-dossiers van de Big 4 over de boekjaren 2014 en 2015, en een onderzoek naar de voortgang van de accountantskantoren met een OOB-vergunning bij de doorvoering en borging van veranderingen om te komen tot een kwaliteitsgerichte cultuur en een effectieve governance en organisatie. Bij beide onderzoeken kwam de sector niet goed uit de bus en scoorde EY minder goed dan anderen van de Big 4. De AFM beoordeelde 6 van de 8 onderzochte EY-dossiers als onvoldoende. Ook had de AFM kritiek op de voortgang bij het doorvoeren van veranderingen in onze interne cultuur, beheersorganisatie en governance.

Deze kritiek kwam heel hard aan, omdat wij consistent hoge kwaliteit nastreven, het is een essentieel onderdeel van onze merkelofte, van wie wij willen zijn. Hoewel het rapport van de AFM pas in juni 2017 uitkwam, was ons in de maanden daarvoor al duidelijk dat de uitkomsten van de twee onderzoeken voor ons niet positief zouden zijn. De conclusies van de AFM waren voor ons een niet te missen extern signaal dat het nodig was onze kwaliteitsinspanningen te versnellen en verdiepen. Daarnaast drongen ook andere stakeholders het afgelopen boekjaar aan op verdere kwaliteitsverbetering door de grote accountantskantoren, inclusief EY. Te denken valt bijvoorbeeld aan het rapport uit december 2016 van de Monitoring Commissie van de NBA, die opvolgt in

hoeverre de OOB-kantoren het actieplan van de NBA voor de sector uit 2014 - de '53 maatregelen' - hebben geïmplementeerd.

Net zo belangrijk waren de interne signalen die aangaven dat we onze zaken niet overal en altijd voldoende op orde hebben: te veel 'incidenten' - zoals gedefinieerd in de regulering van onze sector - ; capaciteitsproblemen bij ondersteunende functies; te trage vooruitgang bij het doordringen van de juiste kwaliteitscultuur in de hele organisatie; niet altijd de noodzakelijke, consistente discipline bij de uitvoering en documentatie van controles.

Wij accepteren de externe kritiek, we reageren op de interne signalen, we nemen de handschoenen op. Met Step Change to Quality gaan we de kwaliteitsuitdaging aan. We mobiliseren mensen, middelen en tijd om onze kwaliteit verder te verbeteren en snel op het niveau te brengen dat wijzelf en onze stakeholders nastreven, op het niveau dat bij ons past. Dit zal tijd vergen, maar de stip op de horizon is duidelijk en de weg ernaar toe is ingeslagen.

### Verbetermaatregelen in boekjaar 2016/2017

Step Change to Quality is een versnelling, verdieping en verbreding van onze activiteiten om onze kwaliteit consistent op een hoog niveau te brengen. Dit geeft aan dat we al voor de lancering van dit programma werkten aan kwaliteitsverbetering, maar dat we er harder aan moeten trekken en meer gestructureerd en gedisciplineerd te werk moeten gaan. Hieronder noemen wij een aantal initiatieven uit 2016/2017 die gericht zijn op kwaliteitsverbetering. Veel van deze initiatieven vormen waardevolle bouwstenen voor, en zijn geabsorbeerd in, Step Change to Quality. Door de initiatieven in één programma onder te brengen is een coherent geheel ontstaan dat onder verantwoordelijkheid van één stuurgroep wordt uitgevoerd en gemonitord.

### Oorzakenanalyse

Het afgelopen boekjaar definieerden we op basis van diepgaand onderzoek (bureau-analyse, interviews, workshops) een aantal kernoorzaken ('root causes') die verklaren waarom onze kwaliteit zich niet altijd op het gewenste niveau bevindt. Voorbeelden van deze kernoorzaken zijn dat in onze controleteams op bepaalde relevante gebieden kennis en kunde zich niet altijd en overal



op het gewenste niveau bevinden en dat niet altijd en overal gedisciplineerd gehandeld wordt volgens onze normen omtrent uitvoering en documentering van een controle. Op alle vastgestelde kernoorzaken wordt in Step Change to Quality actie ondernomen. Oorzakenanalyse is in een lerende organisatie een continu proces. Interne onderzoeken kunnen steeds tot nieuwe inzichten leiden.

### **Afscheid van cliënten die een hoog kwaliteitsrisico met zich brengen**

Wanneer bij een opdrachtgever de interne beheersing niet op orde is of wij twijfel hebben aan bijvoorbeeld de integriteit van belangrijke personen in de organisatie, resulteert dat voor ons in een verhoogd kwaliteitsrisico. Wij spreken de cliënt hierop aan en als de situatie niet verbetert, nemen wij afscheid van deze cliënten. Dit beleid hebben we het afgelopen jaar regelmatig toegepast en zetten we met Step Change to Quality nog strikter door.

### **Luisteren naar onze externe stakeholders, partners en medewerkers**

In het kader van onze dialoog met externe stakeholders hebben wij intensief contact onderhouden met de AFM en diverse bijeenkomsten georganiseerd voor andere belanghebbenden. Wij hielden in het boekjaar 2016/2017 bijvoorbeeld zes 'ronde tafel'-bijeenkomsten met commissarissen van OOB's en andere belangrijke Nederlandse bedrijven en instellingen. In het kader van Step Change to Quality intensiveren wij onze dialoog met externe stakeholders.

Van onze partners en medewerkers verwachten wij een inspanning om te veranderen en onze kwaliteit consistent op het vereiste niveau te brengen. Wij verwachten dat niet alleen; wij merken dat onze collega's dat zelf graag willen. Wij vinden het belangrijk om te weten wat er onder partners en medewerkers speelt en om hun ideeën hoe het beter kan op te pikken. Daarom voerde EY in Nederland in het boekjaar 2016/2017 een onderzoek uit onder alle medewerkers van de Service Line Assurance om hun meningen te peilen. Daarnaast stuurden we in april 2017 alle partners van EY in Nederland een enquête met 'Five Questions' om uit te vinden waar zij vinden dat het beter kan en moet, op welke gebieden EY goed presteert en waar kansen liggen

voor EY in Nederland om snel een inhaalslag te maken op het gebied van kwaliteit. Goede suggesties verwerken we in actiepunten van Step Change to Quality. Het benutten van ons collectief denkvermogen geeft een beter resultaat en leidt ook tot meer collectief engagement om de gestelde doelen te bereiken. Kwaliteitsverbetering wordt geïnitieerd door het bestuur, maar slaagt alleen als iedereen daaraan bijdraagt.

### **Beter leren en evalueren**

Continu leren, evalueren en monitoren zijn belangrijke aspecten van een effectieve, professionele organisatie. Het zijn daarom ook essentiële onderdelen van Step Change to Quality. In de aanloop naar de formele lancering van het programma in april 2017 hebben we op dit gebied al diverse stappen gezet. Binnen onze organisatie stimuleren we het geven van feed-back (bottom-up en top-down). Daartoe hebben we in het boekjaar 2016/2017 verschillende initiatieven gelanceerd dan wel voortgezet, zoals onze Feedback Fridays, waarop partners en medewerkers ervaringen digitaal uitwisselen, onze Counselling Families - informele bijeenkomsten van EY'ers, van partners tot junior medewerkers - en onze partner- en leiderschapsbijeenkomsten. Wij willen een lerende organisatie zijn, waarbij leren zowel in een formele setting (digitaal of live) als 'on the job' moet plaatsvinden. Om leren actief te bevorderen introduceerden we in het boekjaar 2016/2017 onder meer onze digitale Methodology Monday, met kennisoverdracht rondom uitvoering en documentering van controles, en het elektronische Quality Sharepoint, waarop onze Professional Practice Group (PPG, Vaktechniek) informatie deelt, cursussen geeft en case-studies uit de controle-praktijk uitlegt. Verder lanceerden we onze inflight reviews door teams die in een vroeg stadium van een controle bekijken hoe het controleteam de controle aanpakt, uitvoert en documenteert. Door deze vroege betrokkenheid kunnen de inflight review teams waar nodig verbeterpunten signaleren, zodat tijdig door het controleteam kan worden bijgestuurd en lessen kunnen worden geleerd en gedeeld. In het kader van Step Change to Quality zullen wij onze reviews, waaronder de inflight reviews, verder versterken, onder meer door de vorming van een review pool met ervaren professionals die zich concentreren op de reviewwerkzaamheden.

Wij willen dit verslag graag besluiten met een paar woorden van dank. Allereerst dank aan onze externe stakeholders, die ons met hun commentaren, kritiek en suggesties scherp houden. Ook dank aan onze cliënten. Uit onze onderzoeken blijkt dat wij ons ook in deze woelige tijden kunnen verheugen in een hoge mate van tevredenheid bij onze cliënten met betrekking tot onze dienstverlening. Dat geeft ons extra elan en energie bij onze kwaliteitsinspanning. De maatschappij en onze cliënten verdienen een consistent hoge kwaliteit van onze dienstverlening.

Een woord van dank, ten slotte, aan onze professionals. Ook dit jaar bevestigde de engagementindex van EY's 'Global People Survey' hoe loyaal onze mensen in Nederland zijn naar EY. Ook dit jaar hebben onze professionals zich met hart en ziel ingezet voor EY. De kwaliteitsinspanning die we nu gezamenlijk moeten leveren in Step Change to Quality betekent niet dat iedereen nog meer uren moet maken. Het betekent wel dat we altijd met de juiste instelling en discipline moeten werken.

In deze tijden van soms harde kritiek op het accountantsberoep zouden we het soms bijna zelf vergeten: we doen heel vaak heel veel dingen goed, op of boven het vereiste kwaliteitsniveau. 'Heel vaak' en 'heel veel' is echter niet genoeg. Niemand is perfect, dus 'altijd alles' goed doen is te veel gevraagd. Maar we moeten onszelf wel dwingen en inzetten om vrijwel altijd, vrijwel alles goed te doen. Dat zijn we aan onze stakeholders en aan onszelf verplicht. Met Step Change to Quality zullen we dat gezamenlijk bereiken.

Rotterdam, 31 oktober 2017

Rob Lelieveld  
Nico Pul  
Jules Verhagen  
Patrick Gabriëls

# Verslag van de raad van commissarissen

## Introductie

**De maatschappij eist kwaliteit, zekerheid en een naam waarop men kan vertrouwen – en om vertrouwd te worden moet je betrouwbaar zijn. Op 1 juli 2015 kreeg de raad van commissarissen de taak toegewezen om toe te zien op initiatieven van EY gericht op het, waar nodig, verbeteren van de kwaliteit van de geleverde diensten. De raad van commissarissen bewaakt de implementatie van deze initiatieven voortdurend. Het creëren van een solide basis, waarbij het publiek belang wordt gediend door de kwaliteit van accountantscontroles te verbeteren, versterkt het vertrouwen van stakeholders in de handtekening van de externe accountant.**

De raad van commissarissen heeft zich het afgelopen jaar veel inspanning getroost om ervoor te zorgen dat de structuur en uitvoering van ons toezicht voldoen aan de standaards die de maatschappij van ons mag verwachten. Naast algemene taken gericht op het toezicht op de gehele Nederlandse organisatie is er specifiek op toegezien dat het publiek belang wordt gediend door de controlepraktijken van de service line Assurance, waarbij de kwaliteit van controles de leidraad vormde. In het licht van deze doelstelling en rekening houdend met de vragen die in de maatschappij leven omtrent accountantscontroles, hebben wij voor de komende jaren de volgende thema's vastgesteld voor het door ons te houden toezicht: **kwaliteit, publiek belang, talent, cultuur en governance.**

Uitzonderlijke kwaliteit is een continu proces en het is van groot belang om te communiceren hoe waardevol het vertrouwen van de maatschappij in dit proces is. Daarom doet het de raad van commissarissen deugd het jaarverslag over 2016/2017 te presenteren. De belangrijkste onderwerpen en uitdagingen in dit verslag worden hieronder op hoofdlijnen toegelicht.

### **Publiek belang**

Ook het afgelopen jaar duurde het publieke debat over de rol en toekomst van de accountancysector voort. In het kielzog van de oorspronkelijke 53 maatregelen uit het rapport 'In het Publiek Belang' van de Nederlandse

Beroepsorganisatie van Accountants (NBA) publiceerde de Monitoring Commissie van deze organisatie in december 2016 een kritisch rapport over de sector. Deze commissie, die de implementatie en naleving van de maatregelen beoordeelt, vraagt zich onder meer af of uitvoering van de maatregelen op zichzelf voldoende is voor de gewenste kwaliteitsslag. Het in juni 2017 door de Autoriteit Financiële Markten (AFM) gepubliceerde onderzoeksrapport over kantoren die vergunning hebben om controles uit te voeren bij Organisaties van Openbaar Belang (OOB's), versterkte de wijdverbreide indruk dat de sector weliswaar werkt aan verbetering, maar dat dit proces te langzaam verloopt en niet diepgaand genoeg is.

### **Step Change to Quality**

Wij delen de mening dat de veranderingen niet snel genoeg plaatsvinden. In het rapport van de AFM over de implementatie en verankering van veranderprocessen ter verbetering van de cultuur en kwaliteit bij OOB-kantoren, kwam EY niet goed uit de bus. Daarnaast bleek uit de door de AFM uitgevoerde reguliere onderzoeken van wettelijke controles dat een aantal EY-controles uit 2014 en 2015 niet volledig voldeden aan de gestelde kwaliteitseisen. Naast deze externe signalen wezen ook interne onderzoeken, analyses en evaluaties gedurende het afgelopen boekjaar uit dat EY baat zal hebben bij het nemen van aanvullende stappen in haar veranderproces. De raad van commissarissen erkent dat de benodigde omvorming van een 'organisatie van professionals' naar een 'professionele organisatie' meer tijd en energie kost dan eerder ingeschat. De vele maatregelen en inspanningen van de afgelopen jaren in het kader van ons verandertraject zijn ontoereikend gebleken om het beoogde kwaliteitsniveau te bereiken. De conclusies van de AFM stimuleren ons dan ook om prioriteit te geven aan verandering door onze kwaliteitsinspanningen aanzienlijk te versnellen en intensiveren.

In nauw overleg hebben de raad van commissarissen en raad van bestuur van EY Nederland de conclusie getrokken dat het tijd is voor een Step Change to Quality. EY kondigde dit zorgvuldig voorbereide programma in april 2017 aan. Step Change to Quality heeft tot doel de kwaliteit van de uitvoering en vastlegging van de resultaten van controles door onze professionals volledig in overeenstemming te brengen met de verwachtingen van onze stakeholders.

Dit vereist een kwaliteitsgerichte cultuur, een lerende organisatie en een gedisciplineerde aanpak door audit-teams die beschikken over voldoende expertise, tijd en ondersteuning. Met het Step Change to Quality-programma kiest EY voor verdere professionalisering van de organisatie, extra investeringen in middelen en mensen, cultuurverandering en een open dialoog met de belangrijkste stakeholders. In het jaarverslag van Ernst & Young Nederland LLP en het Transparantieverslag van Ernst & Young Accountants LLP verschaffen de besturen van EY Nederland en van EY Accountants meer informatie over Step Change to Quality. In dit verslag verstrekken wij gedetailleerde informatie over de stappen die de raad van commissarissen zelf het afgelopen jaar heeft genomen in het kader van de planning en voorbereiding voor Step Change to Quality en hoe we onze toezichhoudende rol hebben versterkt.

### **Governance: veranderingen in de internationale EY organisatie**

Een andere belangrijke ontwikkeling in het afgelopen jaar was het samenvoegen van de regio's BeNe en FraMaLux tot de nieuwe regio WEM (West-Europa en Maghreb). De schaalgrootte van de WEM-regio stelt EY in staat investeringen te doen en expertise te benutten met het oog op verdere verbetering van de kwaliteit van de geleverde diensten. Daarnaast zijn we door de samenvoeging in staat onze cliënten nog beter te bedienen en onze medewerkers betere carrièreperspectieven te bieden.

Om te zorgen dat Nederlandse belangen binnen de grotere regio gewaarborgd blijven en EY in Nederland in overeenstemming met lokale wet- en regelgeving blijft opereren heeft de raad van commissarissen er mede voor gezorgd dat Nederlandse vereisten prevaleren boven ons wereldwijd bedrijfsmodel.

## **Belangrijkste acties van de raad van commissarissen in het boekjaar 2016/2017**

### **Versterking van de governance in Nederland**

De eerste belangrijke acties van Step Change to Quality betroffen de governance van EY in Nederland. Step Change to Quality is een integraal veranderprogramma voor de hele Nederlandse organisatie. Om deze verandering effectief aan te kunnen sturen, is het mandaat van de raad van bestuur van Ernst & Young Nederland LLP uitgebreid. Door de positie van de raad van bestuur van EY Nederland te versterken is deze volgens de raad van commissarissen beter in staat om organisatiebreed te sturen op kwaliteit, risicomanagement en compliance op een niveau dat de service lines overstijgt. Verder hebben de raad van commissarissen en raad van bestuur besloten tot het instellen van een Operating Committee die de raad van bestuur gaat ondersteunen bij het realiseren van de doelstellingen van Step Change to Quality. In deze commissie hebben zowel de service line leaders als de

hoofden van de stafafdelingen zitting. Door op deze manier de professionals die de cliënten bedienen en ondersteunende diensten samen te brengen is de operationele aansturing van EY in Nederland effectiever ingericht.

Bij de start van de nieuwe fase van versnelling en verdieping van onze kwaliteitsinspanning was ook een personele bestuurswisseling aan de top van Ernst & Young Accountants LLP logisch. Rob Lelieveld werd aangesteld als nieuwe voorzitter van Ernst & Young Accountants LLP. Gezien zijn senioriteit, bestuurlijke ervaring, staat van dienst en draagvlak binnen de organisatie, zijn wij ervan overtuigd dat Rob uitstekend gekwalificeerd is om het voortouw te nemen bij de versnelling van de kwaliteitsagenda. Hij volgt Michèle Hagers op die zich weer toelegt op het bedienen van cliënten. Wij willen Michèle hartelijk danken voor haar inzet en betrokkenheid in vaak uitdagende omstandigheden.

In april van dit jaar heeft de raad van bestuur in samenwerking met de raad van commissarissen een Quality Leader benoemd die verantwoordelijk is voor kwaliteit binnen EY Nederland. Deze persoon neemt deel aan alle vergaderingen van de raad van bestuur, inclusief de vergaderingen van de raad van bestuur met de raad van commissarissen. Op basis van zijn achtergrond en expertise, waaronder zijn rol als Professional Practice Director binnen EMEA FSO, is Nico Pul benoemd tot Quality Leader. Als Quality Leader zal hij leiding geven aan het Step Change to Quality-programma. Zo wordt kwaliteit niet alleen op het niveau van de raad van bestuur van EY Nederland geborgd, maar ook op het bestuursniveau van EY Accountants, omdat Nico Pul tevens is benoemd tot bestuurslid van Ernst & Young Accountants LLP.

Met het oog op de gewenste cultuur- en gedragsveranderingen heeft de raad van commissarissen de raad van bestuur tevens de opdracht gegeven de structuur aan de top te versterken door externe expertise binnen te brengen. Concreet betekent dit dat de vacature van HR Director bij Ernst & Young Accountants LLP zal worden vervuld door een externe kandidaat. Naast de Talent-portefeuille zal dit nieuwe bestuurslid ook verantwoordelijk zijn voor het transformatie-proces gericht op het bewerkstelligen van cultuur- en gedragsveranderingen binnen EY Nederland. Ook dit bestuurslid zal deelnemen aan de vergaderingen van de raad van bestuur, inclusief de vergaderingen van de raad van bestuur met de raad van commissarissen. De voorzitter van de raad van commissarissen is nauw betrokken bij het wervingstraject dat inmiddels is gestart.

De in het afgelopen boekjaar doorgevoerde veranderingen met betrekking tot de governance van EY Nederland hebben ook gevolgen voor de raad van commissarissen. De AFM wijst er in haar rapport van juni 2017 op dat sinds de instelling van de raad van commissarissen in 2015 deze nog te weinig impact heeft gehad op de organisatie van EY Nederland. We hebben deze conclusie van de AFM ter harte

genomen. Ten eerste hebben we de hierboven omschreven veranderingen in de governance en het bestuur van EY in Nederland doorgevoerd. Ten tweede hebben we ook onze eigen werkwijze aangescherpt. Zo heeft de raad van commissarissen haar interne toezicht beter gestructureerd door het instellen van een drietal commissies: de Public Interest Committee, de Audit Quality & Governance Committee en de Audit & Risk Committee. Verderop in dit verslag wordt meer informatie gegeven over deze commissies en hun samenstelling.

De recente uitbreiding van de raad van commissarissen met een vijfde lid zal de slagkracht verder vergroten. Met de benoeming van mevrouw Tanja Nagel per 1 september 2017 is de raad op de gewenste sterkte van vijf commissarissen gekomen. Haar ervaring en deskundigheid op het gebied van (cultuur)verandering, de financiële sector, extern toezicht, ICT en operations, en interne controle en risk management vormen een aanvulling op de binnen de raad van commissarissen reeds aanwezige expertise.

We vertrouwen erop dat de door de raad van commissarissen genomen stappen de effectiviteit van de organisatie in het algemeen en ons eigen interne toezicht in het bijzonder sterk zullen verbeteren. In navolging van de aanbevelingen van de AFM ligt de nadruk van het door de raad van commissarissen gehouden toezicht nu op de daadwerkelijke realisatie en duurzame verankering van de ingezette kwaliteitsmaatregelen. Daarbij monitoren we ook het tempo waarin veranderingen worden doorgevoerd. Het is de taak van de raad van bestuur van Ernst & Young Nederland LLP en het Management Team Assurance om de kwaliteitsinitiatieven binnen een periode van twee jaar te implementeren. Voor de zomer van 2018 vindt een eerste voortgangsevaluatie plaats, waarbij de raad van commissarissen de raad van bestuur zal beoordelen op de in het kader van het Step Change to Quality-programma concreet behaalde resultaten.



## Belangrijke aspecten 2016-2017

### Vergaderingen

In het verslagjaar vonden er zeven reguliere vergaderingen van de raad van commissarissen plaats en drie aanvullende vergaderingen in verband met specifieke ontwikkelingen; ze werden voor het merendeel bijgewoond door alle commissarissen. Geen van de commissarissen was frequent afwezig. In alle gevallen werden de vergaderingen van de commissies bijgewoond door alle commissieleden.

Tijdens deze vergaderingen stelde de raad van commissarissen een groot aantal onderwerpen ter discussie, waaronder:

### Raad van commissarissen

- ▶ Zelfevaluatie van de raad van commissarissen, inclusief het profiel, de samenstelling en de trainingsbehoefte.
- ▶ Werving van een vijfde lid van de raad van commissarissen en instelling van drie commissies.
- ▶ Evaluatie van de aan de raad van commissarissen geboden ondersteuning en benoeming van een secretaris van de vennootschap.

### Raad van bestuur

- ▶ Strategische uitdagingen op lange termijn.
- ▶ Herziening van de samenstelling van de raad van bestuur, inclusief de benoeming van Rob Lelieveld als opvolger van Michèle Hagers.
- ▶ Beoordeling en samenstelling van het Management Team Assurance, inclusief het toezicht over de benoemingen van Rob Lelieveld en Nico Pul.
- ▶ De kpi's, prestaties en het vaststellen van de beloning van de raad van bestuur.
- ▶ Het vaststellen van uitgangspunten voor de door bestuursleden aan opdrachten voor cliënten te besteden tijd.
- ▶ Business updates met betrekking tot de kerngebieden Kwaliteit, Talent, Markt en Organisatie.

### Publiek belang

- ▶ Stakeholder management, waaronder de AFM, accountantscontrolesector, media en politici.
- ▶ Rapport van de Monitoring Commissie Accountancy en andere NBA-publicaties.
- ▶ Voortgang ten aanzien van de (53) NBA-verbetermaatregelen.

### Kwaliteit

- ▶ Voortgang en status van interne en externe kwaliteitscontroles, waaronder de status en resultaten van de AFM dashboard beoordeling.
- ▶ Wijzigingen in regelgeving.
- ▶ Voortgang en status van kernprojecten (Step Change to Quality, Refi-Act, In Control).
- ▶ Dialoog over prestaties op het gebied van Assurance, financiële resultaten (werkelijk en gepland).
- ▶ Goedkeuring van procedure voor klachtenafhandeling en klokkenluiderprocedures.
- ▶ Update portfolioanalyse en tekenbevoegdheid.
- ▶ QRM-rapporten (updates met betrekking tot onafhankelijkheid, claims, risicobeheer, etc.).

### Cultuur

- ▶ Cultuurscan en opvolging daarvan.
- ▶ Uitkomst van Global People Survey en te ondernemen acties.

### Talent

- ▶ Goedkeuring van de voorgestelde promoties van audit partners.
- ▶ Toezicht op vertrek van partners en medewerkers op sleutelposities.
- ▶ Toezicht op de naleving van belangrijke beleidsmaatregelen en processen, waaronder partnerselectie.
- ▶ Beloningsbeleid van partners en medewerkers van EY Accountants.
- ▶ Beoordeling en beloning van partners EY Accountants.
- ▶ Beloningsproces nieuwe partners (EPRS).
- ▶ Beëindiging van het lidmaatschap van een aantal partnerschappen.

### Governance

- ▶ Voortgang en prestaties van eerder afgeronde overnames.
- ▶ Beoordeling en goedkeuring van de jaarrekening, het geïntegreerde jaarverslag en de GRI-bijlage alsmede het Transparantieverslag.
- ▶ Bedrijfs- en governancemodel in het kader van het dienen van het publiek belang en in internationale context.
- ▶ Aanpassing van Wta inclusief vereisten voor beoordeling van geschiktheid.
- ▶ Beoordeling Compliance Officer en jaarverslag van de Compliance Office.

### Overige activiteiten

In aanvulling op de bovengenoemde vergaderingen van de raad van commissarissen, wijzen wij ook op vijf diepgaande besprekingen van de raad van commissarissen: drie met het bestuur van EY Accountants, één met het bestuur van EY Belastingadviseurs en één met het management van FSO Nederland. Er hebben twee besprekingen met de externe accountant plaatsgevonden waarbij zowel de controleaanpak als de controleverklaring zijn besproken en er was een jaarlijkse bespreking met vertegenwoordigers van de ondernemingsraad. Daarnaast was er ook frequent informeel overleg tussen de raad van commissarissen en de leden van de raad van bestuur, zowel persoonlijk als per telefoon.

Voorts heeft de raad van commissarissen de dialoog opgezocht met partners en medewerkers in de vorm van

onder meer lunchsessies en deelname aan interne bijeenkomsten. Ook met stakeholders buiten EY, waaronder de AFM, politici en cliënten, is op regelmatige basis contact onderhouden.

### Beoordeling raad van commissarissen en raad van bestuur

Jaarlijks beoordeelt de raad van commissarissen zijn eigen functioneren en dat van de individuele leden. Daarbij is ook het profiel en samenstelling van de raad van commissarissen besproken alsmede de feedback van de AFM uit het eerder aangehaalde rapport. De belangrijkste conclusies die de raad van commissarissen heeft getrokken zijn de reeds genoemde noodzaak tot het instellen van commissies om zijn toezichthoudende taak te intensiveren alsmede de uitbreiding van de raad met een vijfde lid die in het bijzonder beschikt over expertise op het gebied van veranderprogramma's, de financiële sector en ICT en operations.

De raad van commissarissen heeft geconcludeerd dat het geboden onderwijsprogramma voldoende ondersteuning biedt voor de trainingsbehoefte van zijn leden.

De individuele beoordelingsgesprekken die in oktober zullen worden gehouden met de leden van de raad van bestuur zullen gebaseerd zijn op niet-omzet gerelateerde criteria op het gebied van kwaliteit (50% van de totaalscore), markt, talent en organisatie (samen ook 50%).

## Taken en bevoegdheden

De taken en bevoegdheden van de raad van commissarissen zijn vastgelegd in het Reglement Raad van Commissarissen dat is vastgesteld op 27 juni 2016 (<http://www.ey.com/nl/nl/about-us/ey-raad-van-commissarissen>).

Het mandaat, de samenstelling en de procedures van de raad van commissarissen zijn gebaseerd op de Nederlandse Corporate Governance Code (NCGC), met enkele verschillen tussen de door EY en de NCGC beoogde doelgroepen op grond van de specifieke juridische en organisatorische

aspecten van EY en, in de toekomst, op grond van de Wet toezicht accountantsorganisaties (Wta) en het Besluit toezicht accountantsorganisaties (Bta). Er is een programma geïnitieerd om het Reglement aan te passen, rekening houdend met deze veranderingen en de nieuw gevormde commissies.

In het boekjaar 2016/2017 is het Reglement niet aangepast.

## Samenstelling raad van commissarissen en commissies

### Samenstelling

Op 30 juni 2017 bestond de raad van commissarissen uit drie onafhankelijke leden en één niet-onafhankelijk lid (de heer Jégourel). Het rooster van aftreden kan leiden tot eerdere herbenoeming. Tijdens het boekjaar 2016/2017 is de heer Van Eijck herbenoemd voor zijn tweede en dus laatste termijn van vier jaar die eindigt op 31 januari 2021. Tanja Nagel is op 1 september benoemd als 5e lid van de raad van commissarissen.

De raad van commissarissen bestaat uit de volgende leden:

Naam	Datum benoeming	Termijn	Afloop huidige termijn	Public Interest Committee	Audit Quality & Governance Committee	Audit & Risk Committee
Pauline van der Meer Mohr, voorzitter	1-7-2015	1	30-6-2019	Lid	Voorzitter	-
Steven van Eijck, vice-voorzitter	1-2-2017	2	31-1-2021	Voorzitter	-	Lid
Monique Maarsen	1-7-2015	1	30-6-2019	Lid	-	Voorzitter
Jean-Yves Jégourel	1-7-2015	1	30-6-2018	-	Lid	-
Tanja Nagel	1-9-2017	1	31-8-2021	-	Lid	Lid

De huidige samenstelling van de raad van commissarissen is volledig in overeenstemming met het profiel van de raad van commissarissen (zie ook [www.ey.com/Publicatie](http://www.ey.com/Publicatie)). Van dit profiel wordt op geen enkel punt afgeweken.

### Commissies

#### Public Interest Committee

De Public Interest Committee ondersteunt de raad van commissarissen bij het houden van toezicht op de bescherming van het publiek belang en de naleving van de voorschriften betreffende onafhankelijkheid en andere gedragscodes (met inbegrip van, in het bijzonder, codes die betrekking hebben op integriteit).

Bij deze commissie ligt de nadruk derhalve op het afwegen van het publiek belang in de stakeholderdialoog, (potentiële)

reputatierisico's, risico's met betrekking tot het publiek belang, klachtenafhandeling en het nemen van beslissingen ten aanzien van onafhankelijkheid, risicobeheer, de procedure voor het afhandelen van klachten en meldingen.

In 2017 kwam de Public Interest Committee drie maal bijeen om de stakeholderdialoog en de agenda voor corporate communicatie te bespreken. De Public Interest Committee zal zich in het bijzonder richten op het stimuleren en voeren van de dialoog met stakeholders, die iedere vergadering op de agenda zal staan en waarvoor de leden van de werkgroep publiek belang zullen worden uitgenodigd om te rapporteren over de status en voortgang. De leden van de Public Interest Committee zullen ook de verschillende discussies die plaatvinden met betrekking tot het publieke debat over accountants en accountantskantoren in de gaten houden, alsmede discussies over onderwerpen zoals belastingbeleid.

### **Audit Quality & Governance Committee**

De Audit Quality & Governance Committee ondersteunt de raad van commissarissen bij het houden van toezicht op en het verstrekken van advies over de kwaliteit van controles en ziet tevens toe op het in acht nemen van EY's corporate governance structuur.

In 2017 vergaderde de Audit Quality & Governance Committee drie maal. In het kader van deze vergaderingen heeft afstemming plaatsgevonden met vertegenwoordigers van de afdelingen Risk Management en Quality Analysis & Regulatory Affairs. Verder heeft buiten de vergaderingen om ook afstemming plaatsgevonden met de Compliance Officer. In verband met de wijzigingen in de governance binnen EY Nederland en de vorming van de regio Western Europe & Maghreb, hebben de leden van deze commissie diverse gesprekken gevoerd met zowel de Europese Managing Partner als de Regional Managing Partners.

### **Audit & Risk Committee**

De Audit & Risk Committee ondersteunt de raad van commissarissen bij het houden van toezicht op de activiteiten voor externe en interne rapportage, het

opstellen van begrotingen, belangrijke investeringen, het ontwerp en de werking van de interne risicobeheersings- en controlesystemen en belastingzaken.

Andere taken zijn onder meer het houden van toezicht op de naleving van de relevante wetten en regels, het bespreken van de risicobereidheid van het partnerschap en de daaraan verbonden professionele praktijken, het houden van toezicht op de verstrekking van financiële informatie door het partnerschap en het onderhouden van regelmatig contact met de externe accountant en het houden van toezicht op de relatie met de accountant.

De Audit & Risk Committee vergaderde in 2017 drie maal in het bijzijn van de CFO waarbij de financiële prestaties ten opzichte van het financiële plan werden besproken alsmede de belangrijkste risico's. Daarnaast vond een bespreking met afgevaardigden van Risk Management plaats waarbij de risicobereidheid, risicobeheersmaatregelen en rapportage over risico's werden behandeld. Er was ook een bespreking met de externe accountant over de aanpak van de controle en het bestuursverslag.

## **Onafhankelijkheid en training**

### **Onafhankelijkheid**

De taken en bevoegdheden van de raad van commissarissen, zoals beschreven in haar Reglement, bepalen de positie van de leden van de raad gegeven de geldende voorschriften betreffende onafhankelijkheid. Leden van de raad van commissarissen moeten zowel in wezen als in schijn onafhankelijk zijn. De Independence Officer van EY Nederland ziet toe op de persoonlijke en financiële onafhankelijkheid van de leden van de raad van commissarissen.

Alle leden van de raad van commissarissen kwalificeren als zijnde onafhankelijk in overeenstemming met de hierboven genoemde voorschriften.

Er zijn door de raad van commissarissen geen beslissingen genomen waarbij sprake was van conflicterende belangen. Derhalve is voldaan aan de artikelen 9.1, 9.3 en 9.4 van het Reglement raad van commissarissen.

### Training

In overeenstemming met het voor 2016/2017 opgestelde trainingsplan hebben enkele 'deep-dive' sessies en maatwerktrainingen plaatsgevonden. Daarnaast hebben de leden van de raad van commissarissen deelgenomen aan rondetafelsessies.

In het trainingsplan voor 2017/2018 ligt de nadruk op de komende beoordeling van geschiktheid van de leden van de raad van commissarissen die naar verwachting in 2018 zal plaatsvinden.

Voor het nieuwe lid van de raad van commissarissen, mevrouw Nagel, wordt een uitgebreid introductieprogramma ontwikkeld zodat zij kennis kan maken met de EY-organisatie en medewerkers. Hierin zal in het bijzonder aandacht worden geschonken aan de kwaliteitsagenda en de status en voortgang van de maatregelen gericht op het borgen van het publiek belang.

## Jaarlijkse rapportages

### Jaarverslag en jaarrekening

Het jaarverslag en de jaarrekening van EY Nederland over het boekjaar 2016/2017 zijn opgesteld door de raad van bestuur. De jaarrekening van EY Nederland is gecontroleerd door de externe accountant BDO LLP. Hun controleverklaring is opgenomen op pagina 212 van het jaarverslag 2016/2017. Hun bevindingen zijn besproken met de raad van commissarissen in het bijzijn van de raad van bestuur. De raad van commissarissen heeft de jaarrekening van EY Nederland goedgekeurd.

### Transparantieverlag

De beleidsbepalers van Ernst & Young Accountants LLP hebben de inhoud van het Transparantieverlag 2016/2017 met ons besproken. Wij vinden dat het verslag en de toonzetting overeen komen met onze indruk van het afgelopen jaar. Het is een goede weergave van de wijze waarop de organisatie invulling geeft aan de borging van het kwaliteitssysteem en maatschappelijk relevante onderwerpen met kwaliteit als belangrijkste thema.

## Vooruitblik

De raad van commissarissen heeft er alle vertrouwen in dat de raad van bestuur bestaande uit Coen Boogaart, Jeroen Davidson en Rob Lelieveld, beschikt over de vaardigheden en toewijding die nodig zijn om de vereiste step change te realiseren, inclusief de cultuurverandering en kwaliteitsverbetering die de rol van EY in de samenleving, te weten het dienen van het publiek belang, ondersteunen. Onze cliënten zullen hiervan de vruchten plukken omdat het Step Change to Quality-programma garandeert dat zij kunnen blijven rekenen op uitstekende dienstverlening.

Gegeven de tevredenstellende financiële resultaten over 2016/2017, het Step Change to Quality-programma dat op koers ligt en de getalenteerde en toegewijde mensen die wij

aan boord hebben, hebben wij er alle vertrouwen in dat het vooruitzicht voor EY in het 135ste jaar van haar bestaan en daarna positief is. Wij danken de raad van bestuur, partners en medewerkers van EY in Nederland voor hun inzet en toewijding.

Rotterdam, 31 oktober 2017

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



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# **Transparency Report 2017 Volume 2**

Ernst & Young Accountants LLP



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More information about EY can be found at [ey.com](https://www.ey.com).



## About us

### Legal structure, ownership and governance

Ernst & Young Accountants LLP is an audit firm operating in the Netherlands and is organized as a UK Limited Liability Partnership. Ernst & Young Accountants LLP is a member firm of Ernst & Young Global Limited, a UK company limited by guarantee (EYG). In this report, we refer to ourselves as 'Ernst & Young Accountants LLP', 'we,' 'us', 'our' or 'our firm'. EY refers collectively to the global organization of the member firms of EYG.

Our firm engages in various professional activities through three service lines: Assurance, Advisory and TAS (Transaction Advisory Services).

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

Our activities in the Netherlands are part of the EMEIA Area, which comprises EYG member firms in 98 countries in Europe, the Middle East, India and Africa. Within the EMEIA Area, there were 12 Regions during fiscal year 2016/2017. Since 1 July 2017, the number of regions is 11. At the end of fiscal year 2016/2017, the BeNe (Belgium/Netherlands) region was dissolved and, as of 1 July 2017, the Netherlands forms part of the WEM Region (Western Europe & Maghreb). This Region does not include the financial sectors in the WEM countries, as these industry sectors are part of the EMEIA Financial Services Region. Although Financial Services constitutes a separate Region within EMEIA, in this Transparency Report, we report all activities of Ernst & Young Accountants LLP, including Financial Services in the Netherlands.

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

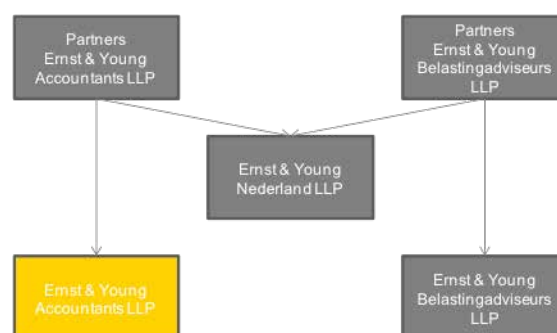
In Europe, a holding entity, Ernst & Young Europe LLP (EY Europe), was formed in conjunction with EMEIA Limited. EY Europe is a UK limited liability partnership, owned by

the partners of the EYG member firms operating in Europe. It is an audit firm registered with the Institute of Chartered Accountants in England and Wales (ICAEW), but it does not carry out audits or provide any professional services. To the extent permitted under local laws and regulations, EY Europe has acquired or will acquire voting control of the EYG member firms operating in Europe. EY Europe is a member firm of both EYG and EMEIA Limited.

#### Ownership

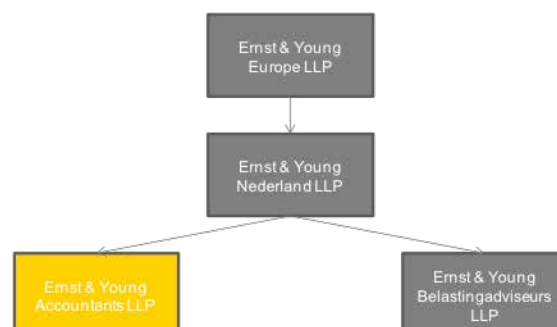
Our firm is owned by the private practice companies of our partners in the Netherlands ('members'). Apart from holding a stake in Ernst & Young Accountants LLP, our members also co-own Ernst & Young Nederland LLP, together with the members of Ernst & Young Belastingadviseurs LLP. The members of our firm and of Ernst & Young Belastingadviseurs LLP are also co-owners of EY Europe.

Our simplified ownership structure is illustrated below. No changes to this structure were made in fiscal year 2016/2017.



#### Control

EY Europe obtained voting control in Ernst & Young Nederland LLP on 31 March 2009 and therefore it has indirect control over our firm.



## Organization

The network of Ernst & Young Accountants LLP operates from 16 offices in the Netherlands and comprises:

- Ernst & Young Nederland LLP
- Ernst & Young Belastingadviseurs LLP - tax services
- Ernst & Young Actuarissen BV - actuarial services
- Ernst & Young CertifyPoint BV - independent and impartial certification
- Ernst & Young VAT Rep BV - VAT representation
- Ernst & Young Real Estate Advisory Services B.V. - real estate investment advice and valuations
- Stichting Ernst & Young Foundation - support for initiatives by not-for-profit organizations regarding sustainability and environmental issues
- Centre B.V. - EPM services, including financial consolidation, budgeting, planning and forecasting, to large international clients
- CFORS B.V. - development of software solutions for banks and insurers, enabling them to comply with new reporting standards, such as Solvency II, CRD IV and IFRS 4
- Integrc B.V. - advice regarding SAP systems, specifically SAP GRC
- EY Intelligence In Information B.V. - advice regarding data warehousing, business intelligence, data analytics and predictive analytics
- EY Montesquieu Finance B.V. - advice regarding finance
- EY Montesquieu Institutional Risk Management B.V. - advice regarding risk management
- Parthenon-EY B.V. - global strategy consulting

Ernst & Young Belastingadviseurs LLP has a strategic alliance with HVG Law LLP (formerly known as Holland Van Gijzen Advocaten en Notarissen). HVG Law is not part of the network of Ernst & Young Accountants LLP.

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

## Governance in the Netherlands

Ernst & Young Nederland LLP is governed by a Board of Directors elected by EY Europe. In fiscal year 2016/2017, Coen Boogaart (Chair, Country Managing Partner in the Netherlands) and Jeroen Davidson (Chair of Ernst & Young Belastingadviseurs LLP) were Board members for the full fiscal year. Michèle Hagers (Chair of Ernst & Young Accountants LLP until 2 May 2017) stepped down and was succeeded by Rob Lelieveld, who also succeeded her as Chair of Ernst & Young Accountants LLP.

The Board provides coordinating leadership in order to optimize the shared course of business and practices of Ernst & Young Accountants LLP and Ernst & Young Belastingadviseurs LLP, and to promote their joint strategy. The Board regularly discusses various topics with the Regional Partner Forum, whose members are partners elected by their peers to represent partners' interests and viewpoints.

## Governance of the Audit Firm

The Board of Directors of Ernst & Young Accountants LLP is responsible for the commercial, financial and reputational standing of our firm. Appointment procedures, time in office and other relevant personal details of members of the Board are published on our website.

The Board manages our firm's operational and financial effectiveness, its compliance with local and international professional standards and audit regulations, the implementation of our assurance strategy, methodology and tools, and the sufficiency of our resources.

The members of the Board of Directors of Ernst & Young Accountants LLP are elected by Ernst & Young Nederland LLP. There are currently four Board members: Rob Lelieveld (Chair, he succeeded Michèle Hagers on 2 May 2017), Jules Verhagen (Markets), Nico Pul (Quality, as of 11 May 2017) and Patrick Gabriëls (Operations & Innovation, as of 1 September 2017). Joep Heijster stepped down on 31 March 2017 and Jeroen Kamphuis on 11 May 2017. There is a Board vacancy for the Talent & Transformation portfolio.

## Policymakers and Co-Policymakers

On 31 October 2017, the following persons are the policymakers and co-policymakers (*beleidsbepalers* and *medebeleidsbepalers*) at Ernst & Young Accountants LLP.

Policymakers:

- The four members of the Board of Ernst & Young Accountants LLP mentioned above

Co-policymakers:

- Andy Baldwin, EY's Managing Partner Europe
- Coen Boogaart, Chair of the Board of Directors of Ernst & Young Nederland LLP
- Jeroen Davidson, member of the Board of Directors of Ernst & Young Nederland LLP
- Bernard Heller, EY's Professional Practice Director Europe
- Jean-Yves Jégourel, EY's Assurance Leader Europe
- Isabelle Santenac, EY's Assurance Leader Europe Financial Services

Under Dutch law, the members of the Supervisory Board mentioned below are also considered co-policymakers.

In connection with the dissolution of the BeNe region, Patrick Rottiers, Wouter Smit and Yves Tiberghien were deregistered as policymakers of our firm and Rudi Braes was deregistered as a co-policymaker.

## EY's Supervisory Board in the Netherlands

The Supervisory Board (*raad van commissarissen, rvc*) of Ernst & Young Nederland LLP started its activities in July 2015. The tasks of the former Public Interest Committee (*Commissie Publiek Belang, CPB*) of Ernst & Young Accountants LLP (amongst others to safeguard the public interest) were absorbed by the rvc and the Chair of the CPB, Steven van Eijck, joined the rvc. Other tasks of the rvc include safeguarding audit quality, supervising the internal risk management and (quality) control systems and monitoring the social responsibility issues of our professional practices.

The rvc consists of four external, independent members and one non-independent member. The four independent members are Pauline van der Meer Mohr (Chair), Steven van Eijck, Monique Maarsen and Tanja Nagel (as of 1 September 2017). The non-independent member is Jean-Yves Jégourel, EY's Assurance Leader Europe.

In Part One of this Transparency Report, the rvc reports on its activities during fiscal year 2016/2017.

EY Europe's principal governing bodies are:

### Europe Operating Executive

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

### Europe Governance Sub-Committee

EY Europe has the Europe Governance Sub-Committee, which includes one representative from each Region in Europe. It serves in an advisory role to the EOE on policies, strategies and other matters, and its approval is required for a number of significant matters, such as the appointment of the Europe Managing Partner, approval of the financial reports of EY Europe and material transactions.

## Network arrangements

EY is a global leader in assurance, tax, transaction and advisory services. Worldwide, 250,000 people in member firms in more than 150 countries share a commitment to building a better working world, united by shared values and an unwavering commitment to quality, integrity and professional skepticism. In today's global market, the integrated EY approach is particularly important in the delivery of high-quality multinational audits, which can span multiple jurisdictions.

This integrated approach enables EY to develop and draw upon the range and depth of expertise required to deliver such complex audits.

EYG coordinates the member firms and promotes cooperation among them. EYG does not provide services, but its objectives include the promotion of exceptional high-quality client service by member firms worldwide.

Each member firm is a legally distinct entity. Their obligations and responsibilities as members of EYG are governed by the regulations of EYG and various other agreements.

The structure and principal bodies of the global organization during the year ended 30 June 2017 are described below. They reflect the principle that EY, as a global organization, has a common shared strategy.

The Executive includes the Global Executive (GE), its committees and teams, and the leadership of the four Areas. This streamlined structure allows EY to enhance its global scale and the delivery of consistent exceptional client service worldwide, with the Executive responsible for coordinating a global approach to strategy, quality, risk management business planning and priorities.

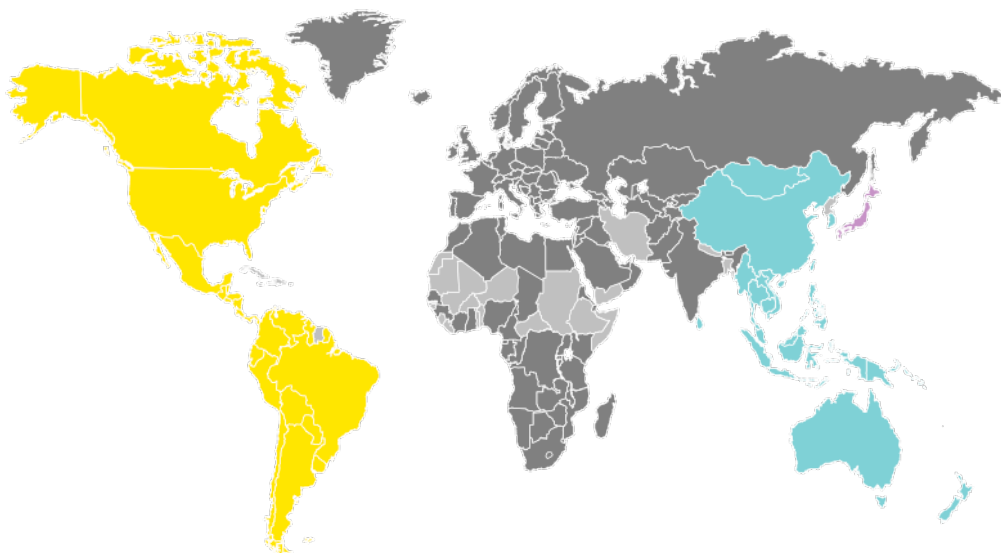
At the same time, the network also operates on a Regional level. This operating model allows for greater stakeholder focus in the 28 Regions, permitting member firms to build stronger relationships with clients and others in each country, and be more responsive to local needs.



## Global Governance Council

The Global Governance Council (GGC) is the main oversight body of EYG. 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 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 approval of the GGC is required for a number of significant matters that could affect EY.

Americas		EMEIA		Asia-Pacific		Japan	
Regions	10	Regions	12	Regions	5	Regions	1
Countries	31	Countries	98	Countries	22	Countries	1



## Independent Non-Executives

Up to six Independent Non-Executives (INEs) are appointed from outside EY. The INEs are senior leaders from both the public and private sectors, and reflect diverse geographic and professional backgrounds. They bring to the global organization, and the GGC, the significant benefit of their varied perspectives and depth of knowledge. The INEs also form a majority of the Public Interest Sub-Committee of the GGC, which addresses public interest matters, including stakeholder dialogue. The INEs are nominated by a dedicated committee.

## Global Executive

The Global Executive (GE) brings together EY's leadership functions, services and geographies. It is chaired by the Chairman and CEO of EYG, and includes its Global Managing Partners of Client Service and Business Enablement; the Area Managing Partners; the global functional leadership for Talent and Finance; the leaders of the global service lines – Assurance, Advisory, Tax and Transaction Advisory Services; the Global Leader for Public Policy; and one EYG member firm partner on rotation.

The GE also includes the Chair of the Global Accounts Committee and the Chair of the Emerging Markets Committee, as well as a representative from the Emerging Markets practices.

The GE and the GGC approve nominations for the Chairman and CEO of EYG, and ratify appointments of the Global Managing Partners. The GE also approves appointments of Global Vice Chairs. The GGC ratifies the appointments of any Global Vice Chair who serves as a member of the GE.

The GE's responsibilities include the promotion of global objectives and the development, approval, and, where relevant, implementation of:

- Global strategies and plans
- Common standards, methodologies and policies to be promoted within member firms
- People initiatives, including criteria and processes for admission, evaluation, development, reward and retirement of partners
- Quality improvement and protection programs
- Proposals regarding regulatory matters and public policy
- Policies and guidance relating to member firms' service of international clients, business development, markets and branding
- EY's development funds and investment priorities
- EYG's annual financial reports and budgets
- GGC recommendations

The GE also has the power to mediate and adjudicate disputes between member firms.

## GE committees

Established by the GE and bringing together representatives from the four Areas, the GE committees are responsible for making recommendations to the GE. In addition to the Global Audit Committee, there are committees for Global Markets and Investments, Global Accounts, Emerging Markets, Talent, Risk Management, Assurance, Advisory, Tax, and Transaction Advisory Services.

## Global Practice Group

This group brings together the members of the GE, GE committees and Regional leaders. The Global Practice Group seeks to promote a common understanding of EY's strategic objectives and consistency of execution across the organization.

## EYG member firms

Under the regulations of EYG, member firms commit themselves to pursue EY's objectives, such as the provision of high-quality service worldwide. To that end, the member firms undertake the implementation of global strategies and plans, and to maintain the prescribed scope of service capability. They are required to comply with common standards, methodologies and policies, including those regarding audit methodology, quality and risk management, independence, knowledge sharing, human resources, and technology.

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

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

Member firms are subject to reviews that evaluate their adherence to EYG requirements and policies governing issues such as independence, quality and risk management, audit methodology, and human resources. Member firms unable to meet the quality commitments and other EYG membership requirements may be subject to separation from the EY organization.



## Commitment to quality

### Infrastructure supporting quality

#### Quality in our service lines

Vision 2020+, which sets out EY's purpose, ambition and strategy, calls for EYG member firms to provide exceptional client service worldwide. This is supported by an unwavering commitment to quality and service that is professionally and globally consistent, and means service that is based on objectivity, professional skepticism, and adherence to EY and professional standards.

EYG member firms and their service lines are accountable for delivering quality engagements. EY service lines manage the overall process for quality reviews of completed engagements and input for the quality of in-process engagements, which helps achieve compliance with professional standards and EY policies.

Vision 2020+ has reinforced the ownership of quality by the service lines, including audit. It has also resulted in increased clarity around the role of risk management in policies and practices that support and improve quality audit.

The Global Vice Chair of Assurance coordinates member firms' compliance with EY policies and procedures for assurance services.

#### Professional Practice

The Global Vice Chair of Professional Practice, referred to as the Global Professional Practice Director (PPD), is overseen by the Global Vice Chair of Assurance and works to establish global audit quality control policies and procedures. Each of the Area PPDs is overseen by the Global PPD and the related Area Assurance Leader. This helps provide greater assurance as to the objectivity of audit quality and consultation processes.

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

The Global PPD oversees development of the EY Global Audit Methodology (EY GAM) and related technologies so that they are consistent with relevant professional

standards and regulatory requirements. The Global Professional Practice group also oversees the development of the guidance, training and monitoring programs and processes used by member firm professionals to execute audits consistently and effectively. The Global, Area and Region PPDs, together with other professionals who work with them in each member firm, are knowledgeable about EY people, clients and processes, and they are readily accessible for consultation with audit engagement teams.

Additional resources often augment the Global Professional Practice group, including networks of professionals focused on:

- Internal-control reporting and related aspects of the EY audit methodology
- Accounting, auditing and risk issues for specific industries and sectors
- Event-specific issues involving areas of civil and political unrest; or sovereign debt and related accounting, auditing, reporting and disclosure implications
- General engagement issues and how to work effectively with audit committees

#### Risk management

Responsibility for the delivery of high-quality service and ownership of the risks associated with quality is placed with the member firms. Among other things, the Global Risk Management Leader helps oversee the management of these risks by the member firms, as well as other risks across the organization as part of the broader Enterprise Risk Management framework.

Member firm partners are appointed to lead risk management initiatives in both the service lines and member firms, supported by other staff and professionals. The Global Risk Management Leader is responsible for establishing globally consistent risk management execution priorities and enterprise-wide risk management. These priorities cascade to member firms, and their execution is monitored through an Enterprise Risk Management program.

## Dutch quality and risk infrastructure

Within EY's Quality and Risk organization in the Netherlands, the following groups had direct responsibilities in the areas of quality and/or risk during fiscal year 2016/2017:

- The Professional Practice Group (PPG)
- Quality Enablement
- The Learning departments
- The Quality Analysis and Regulatory Affairs department (QARA)
- The Risk Management Assurance (RMA) function
- The Compliance Office (CO)

The professionals working for these groups dedicate all or a substantial part of their time to risk management, regulations, accounting support, assurance support, learning, enabling our audit practice, quality analysis and regulatory affairs. During fiscal year 2016/2017, they dedicated a total of approximately 103,000 hours to these tasks (approximately 96,000 hours in fiscal year 2015/2016).

These functions play a very important dual role: they support and monitor our audit professionals. Ultimately, their effectiveness has an impact on the quality of our audits and other services. During fiscal year 2016/2017, we decided that the current set up of our quality and risk infrastructure would benefit from a change. Under the structure that was in place during fiscal year 2016/2017, the division of responsibilities between the various functions dealing with quality and risk was not always clear, thereby diminishing the effectiveness of their operations and of their positive impact on our audit teams. Therefore, as part of our change program Step Change to Quality, we decided to restructure our Dutch quality and risk infrastructure and base it on the 'Three lines of defense' model. During fiscal year 2017/2018, the new structure will be disclosed and supported by an increase of investments in various quality and risk related functions. What follows is a brief description of the structure and activities during fiscal year 2016/2017.

### Professional Practice Group (PPG)

Our Professional Practice Group (PPG) is headed by the Dutch Professional Practice Director (PPD). The PPG's activities are performed through the following sub-functions:

#### *Accounting and Audit Support*

The Accounting and Audit Support department provides expert knowledge to our teams and individual professionals in the assurance practice. Its most important activities include the deployment and maintenance of our quality control system – including amendments to our local policies resulting from changes in external regulations, to the extent these changes are not addressed by EY Global or EY EMEA. In addition, Accounting and Audit Support deals regularly with formal and informal consultations put to the PPG by our audit professionals. It also plays an important role in accounting reviews and assurance quality reviews. The Capital Markets group advises and directs capital

market transactions engagements. It also forms part of Accounting and Audit Support.

#### *Methodology and enablement*

This department within PPG has in-depth knowledge of our EY Global Audit Methodology (EY GAM), which is based on the International Standards on Auditing (ISAs). Methodology and Enablement supports the audit teams in their day-to-day business with the practical application of our methodology by issuing enablers, forms and templates, and guidance. In fiscal year 2016/2017, a network of GAM experts was established to provide hands-on support to audit teams. Furthermore, we implemented the initiatives NL Quality SharePoint and Methodology Monday in order to provide on-demand GAM refreshers and suggestions for good practice. Methodology and Enablement is also responsible for the implementation of new features and functionalities of our audit documentation tool EY Canvas. The broader deployment of data analytics was accelerated with the release of new work programs and guidance. EY Atlas, our new Global knowledge database, was implemented, replacing GAAIT.

### Quality Enablement

The Quality Enablement Leader (QEL) is responsible for implementing the quality initiatives and actions and fosters audit quality. As part of a global implementation network, the QEL coordinates the overall processes that aim to understand and evaluate quality matters, monitors quality initiatives, highlights emerging quality matters, monitors the implementation and effectiveness of the components of the SAQ program, assists with the development of action plans from internal and external inspections, and collaborates with Assurance leadership and the Professional Practice Director (PPD).

### Learning

The technical Learning department develops, organizes and monitors our learning activities and processes. We further expanded our learning function and developed a new learning program for our executives. This five-day learning program focuses on the fundamentals of our Audit Methodology and includes knowledge tests and personal learning plans for each executive. The program was already used during the 2017 Summer Courses and is an example of how we are increasing our learning effort as part of our Step Change to Quality change program.

### Quality Analysis and Regulatory Affairs

Quality Analysis and Regulatory Affairs (QARA) is responsible for internal and external inspections of assurance quality, for the follow-up of signals and incidents, and for performing investigations and root cause analyses as part of our ambition to be a learning organization. QARA also has a corporate support role for regulatory affairs. As part of our Step Change to Quality change program, certain regulatory affairs tasks will be transferred to the newly established Stakeholder Office.

## Assurance Risk Management

Apart from maintaining an overarching risk management function covering all EYG member firms in the Netherlands, EY invests in a dedicated risk management function for the Assurance service line, as part of EY's total risk management effort. The Dutch Assurance Risk Management department is responsible for:

- Defining and implementing risk management policies
- Facilitating risk management activities and providing risk advice to the practice practitioners
- Designing and implementing various risk toolings
- Monitoring of, and reporting on, risk management activities in the first line of defense
- Providing a diverse range of risk awareness activities (including training) targeted at policy makers, partners and staff.

## The Compliance Office

Our Dutch firm has a Compliance Officer who heads the Compliance Office. The principal task of our Compliance Officer is to monitor that we maintain high standards of integrity and comply with the rules laid down by or pursuant to Sections 13 through 24b of the Dutch Audit Firms Supervision Act (*Wet toezicht accountantsorganisaties, Wta*) and the EU Audit Regulation (No 537/2014, effective 17 June 2016). This includes monitoring our internal policies and procedures established to safeguard compliance with these external rules. The Compliance Officer reports to the policymakers in the Assurance Management Team and to the Board of Directors of Ernst & Young Nederland LLP ('EY Nederland'). The most important outcomes of the Compliance Officer's monitoring activities are communicated to the Supervisory Board of EY Nederland. As at June 30, 2017, the Compliance Office consists of three full-time employees, including the Compliance Officer, and one part-time employee. Apart from the post of Compliance Officer, the post of Deputy Compliance Officer is also manned.

Based on an integrated Compliance Risk Analysis, the Compliance Office supervises our firm's quality control system and related efforts in the area of quality management. The Compliance Office inspects the design, implementation and operating effectiveness of the quality processes and controls. This enables the Compliance Office to assess and monitor the safeguards for high standards of integrity, independence and quality within our organization. Findings and recommendations are reported to the firm's policymakers. The policymakers decide on necessary actions and the Compliance Office monitors the follow-up. Furthermore, the Compliance Office offers advice to the policymakers on compliance-related matters. Both compliance inspections and compliance advice contribute to our goal of being a 'learning organization'.

During regular meetings, upcoming issues and associated risks are discussed with our firm's policymaker responsible for quality, the General Counsel, the QARA leader, Risk Management Assurance and the Netherlands PPD. As a result of these discussions, if and when necessary action is taken.

## Monitoring effectiveness

During fiscal year 2016/2017, we continued to insist on strict compliance with our internal quality control system, including our Global Code of Conduct, by our partners and other professionals. We expect them to live up to high standards of integrity and professionalism and we take action when they fail to do so. Monitoring is a key element of this pursuit of compliance and of our Internal quality control system. The proper functioning of risk mitigating controls regarding audit quality and compliance are checked throughout the year. Our firm's monitoring controls, panels, consultations, Engagement Quality Review (EQR, *opdrachtgerichte kwaliteitsbeoordeling*) and Audit Quality Review (AQR) are described elsewhere in this Transparency Report. These procedures and activities generate valuable information and insights regarding quality control management and are supervised by the CO.

Despite our efforts, we sometimes note deficiencies in both controls and audit files that are reviewed internally. We believe each deficiency is one too many, as it can potentially harm the trust and confidence that is placed in our audits or auditors. Deficiencies identified are classified as infringements.

## Global confidentiality policy

Protecting confidential information is ingrained in the everyday activities of EYG member firms. Respect for intellectual capital and all other sensitive and restricted information is required by the Global Code of Conduct, which provides a clear set of principles to guide the behaviors expected of all EY people. The Global Confidentiality Policy further details this approach to protecting information and reflects the ever-increasing use of restricted data. This policy provides added clarity for EY people and forms the fundamental element of broader guidance that includes key policies on conflicts of interest, personal data privacy and records retention. Other guidance includes:

- Social media guidance
- Information-handling requirements
- Knowledge-sharing protocols

## Components of the audit quality control program

In the following sections, we describe the principal components of our audit quality control program:

- Instilled professional values
- Internal quality control system
- Client acceptance and continuance
- Performance of audits
- Review and consultation
- Audit partner rotation
- Audit quality reviews
- External quality-assurance reviews
- Compliance with legal requirements
- Stakeholder Dialogue
- NAB measures 'In the public interest'

## Instilled professional values

### Sustainable Audit Quality

Quality is the foundation for exceptional client service. It is what we pride ourselves on. It is integral to our work and central to our responsibility to provide confidence to the capital markets. Delivering quality is at the heart of all we do and supports our purpose of building a better working world for our people, our clients and our communities. This is reflected in the Sustainable Audit Quality (SAQ) program, which is the highest priority for our Assurance practice.

Each member firm that makes up our global structure is committed to providing high-quality audits. In 2015, we launched the SAQ initiative throughout our Assurance practices. SAQ establishes a governance structure and is focused on continuously improving our audit process.

We use the word 'sustainable' in SAQ to demonstrate that this is not a one-off short-term initiative, but an ongoing process of improvement. EY has had a common audit methodology for some time; now we have a common language and processes regarding audit quality.

There are six components to SAQ: Tone at the Top, strengthening people capabilities, simplification, audit technology and digital, enablement and quality support, and accountability. SAQ is implemented by each member firm, and is coordinated and overseen globally.

We constantly reinforce the importance of the six components, and discuss them with every Regional Assurance leader and every partner. Audit quality and the key elements of SAQ are something every senior manager, manager and team member must understand and be committed to implementing locally. SAQ is essential to all our goals and ambitions.

We have made significant progress through SAQ. EY's internal and external inspection findings globally are showing improvement, and we are producing greater consistency in execution.

We have deployed world-class tools that enhance the quality and value of our audits. Our ability to deliver consistency is based in part on the use of EY Canvas, our online audit platform. EY Canvas was broadly deployed beginning in 2015 and is now used globally. It better supports audit execution, streamlines communications and enables us to provide a seamless audit.

We recently launched the EY Canvas Client Portal, which adds to the leading-edge tools already offered to our auditors. In addition, we have deployed the 2017 Audit Milestones Program globally, which establishes the use of Milestones on selected PIE audits as one important step to improving results and sustaining quality across engagements.

In 2016, EY developed a network of Quality Enablement Leaders (QELs) and created a Global Audit Quality Committee.

These and other SAQ initiatives have helped us to continue to drive quality improvements. They demonstrate that audit quality is the single most important factor in our decision-making and the key measure on which our professional reputation stands.

### Tone at the Top

Senior EY leadership are responsible for setting the right Tone at the Top and demonstrating EY's commitment to building a better working world through behavior and actions. While the Tone at the Top is vital, our people also understand that quality and professional responsibility start with them. Our shared values, which inspire our people and guide them to do the right thing, and our commitment to quality are embedded in who we are and in everything we do.

The EY approach to business ethics and integrity is contained in the EY Global Code of Conduct and other policies, and is embedded in the EY culture of consultation, training programs and internal communications. Senior management regularly reinforces the importance of performing quality work, complying with professional standards, adhering to our policies, leading by example and through various communications. Also, EY's quality review programs assess professional service as a key metric in evaluating and rewarding all professionals.

The EY culture strongly supports collaboration and places special emphasis on the importance of consultation in dealing with complex or subjective accounting, auditing, reporting, regulatory and independence matters. We believe it is important to determine that engagement teams and clients correctly follow consultation advice, and we emphasize this when necessary.

**The consistent stance has been that no client is more important than our professional reputation – the reputation of our firm and the reputation of each of our professionals.**

### Code of Conduct

We promote a culture of integrity among our professionals. The EY Global Code of Conduct provides a clear set of principles that guide our actions and our business conduct, and are to be followed by all EY personnel. The Code of Conduct is divided into five categories:

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

Through our procedures to monitor compliance with the EY Global Code of Conduct, and through frequent communications, we strive to create an environment that encourages all personnel to act responsibly, including reporting misconduct without fear of retaliation.



The Global Code of Conduct is disclosed on our website and is evaluated periodically. The most recent evaluation took place in June 2017.

**In accordance with the Code for Audit Firms, we assessed the whistleblower and complaints procedures, as described in this section. In our opinion, these procedures operated effectively during fiscal year 2016/2017 and reports were followed up appropriately.**

The EY Ethics Hotline provides our people, clients and others outside of the organization with a means confidentially to report activity that may involve unethical or improper behavior and that may be in violation of professional standards or otherwise inconsistent with the EY Global Code of Conduct. The hotline is operated by an external organization that provides confidential and, if desired, anonymous hotline reporting services for companies worldwide.

When a report comes into the EY Ethics Hotline, either by phone or internet, it receives prompt attention. Depending on the content of the report, appropriate individuals from Risk Management, Talent, Legal or other functions are involved to address the report. The same procedures are followed for matters that are reported outside of the EY Ethics Hotline.

During this fiscal year 2016/2017, one internal report was filed through the EY/Ethics Hotline (2015/2016: no reports). The Hotline is also open for external reports. In fiscal year 2016/2017, no external reports relating to Ernst & Young Accountants LLP were filed (2015/2016: one report).

The internal report was filed by an employee who claimed that EY's leadership acted against EY's own values by only organizing Dutch-language internal road shows. As a result of the report, an additional English-language roadshow was held.

In addition to the EY Ethics Hotline, our firm has a Whistleblowers' Regulation and a Complaints Regulation in place. During this fiscal year, no whistleblowers' notifications were filed. Through the Complaints Regulation, our firm received two complaints relating to Ernst & Young Accountants LLP. One of these complaints concerns a specific audit engagement, the moment of finalization of the audit and the invoices sent with respect to that audit. The second complaint relates to the role of an EY associate in the Netherlands in a forensic investigation by a foreign EY member firm. In July 2017, the Complaints Committee declared the first complaint unfounded. The second complaint is still being investigated.

Through other channels, our firm occasionally receives comments, questions or complaints from clients, liquidators or other stakeholders. Issues raised include different expectations regarding the assurance or services delivered, our invoices or timeliness in the delivery of our services. Most issues are dealt with satisfactorily at the operational level, i.e. by the teams involved. More substantial comments, questions and complaints are always dealt with at a higher level in the organization and are assessed and

discussed on a case-by-case basis. In fiscal year 2016/2017, we received ten new complaints through other channels than the Complaints Regulation. This number does not include demand letters, which are covered in the 'Litigation' paragraph of this Transparency Report.

### **Reports to the Dutch 'Financial Intelligence Unit' (FIU)**

In accordance with the Dutch 'Prevention of money laundering and financing of terrorism Act' (*Wet ter voorkoming van witwassen en financieren van terrorisme, Wwft*), specific institutions have a legal duty to report unusual transactions to the Dutch Financial Intelligence Unit (FIU). The Act aims to prevent unacceptable financial practices such as money laundering. During fiscal year 2016/2017, Ernst & Young Accountants LLP reported 91 unusual transactions to the FIU (compared with 38 in fiscal year 2015/2016).

### **Our values: who we are**

People who demonstrate integrity, respect and teaming

People with energy, enthusiasm and the courage to lead

People who build relationships based on doing the right thing

## **Internal quality control system**

Ernst & Young Accountants LLP's reputation for providing high-quality professional audit services independently, objectively and ethically is fundamental to our success as independent auditors. We continue to invest in initiatives to promote enhanced objectivity, independence and professional skepticism. These are fundamental attributes of a high-quality audit.

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

We recognize that in today's environment – characterized by continuing globalization and the rapid movement of capital – the quality of our audit services has never been more important. As part of EY Vision 2020+, we continue to invest heavily in developing and maintaining our audit methodology, tools and other resources needed to support quality service delivery.

While the market and stakeholders continue to demand high-quality audits, they also demand increasingly efficient and effective delivery of audit services. In addition to the investment mentioned, EY continues to seek ways to improve the effectiveness and efficiency of its audit methodology and processes, while improving audit quality.

We work to understand where our audit quality may not be up to our own expectations and those of stakeholders, including external audit firm regulators. We seek to learn from external and internal inspection activities and to identify root causes of adverse quality occurrences to enable us continually to improve audit quality, and we believe that taking effective and appropriate actions to improve quality is important.

### **Effectiveness of the quality control system**

EY has designed and implemented a comprehensive set of global audit quality control policies and practices. These policies and practices meet the requirements of the International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB). Ernst & Young Accountants LLP has adopted these global policies and procedures, and has supplemented them as necessary to comply with local laws and professional guidelines, and to address specific business needs.

We also execute the EY Audit Quality Review (AQR) program to evaluate whether our system of audit quality control has operated effectively so as to provide reasonable assurance that Ernst & Young Accountants LLP and our people comply with applicable professional and internal standards and with regulatory requirements.

The results of the AQR program and external inspections are evaluated and communicated within Ernst & Young Accountants LLP to provide the basis for continual improvement in audit quality, consistent with the highest standards in the profession.

The GE is responsible for implementing quality improvement and protection programs across EY. As such, it reviews the results of our internal AQR program and external regulatory reviews, as well as any key actions designed to address areas for improvement.

As set out in this Report, during fiscal year 2016/2017 EY has evaluated and further improved its internal quality control system. In the course of this evaluation we have identified actions which we believe will further strengthen controls to mitigate material risks. These actions have been or will be included in our change program Step Change to Quality, initiated in April 2017.

### **Infringements**

An infringement (*schending*) is recorded in case of a breach of certain formal internal or external rules and regulations. We keep a detailed register of all infringements by our partners and employees. These infringements vary widely as to their nature, seriousness and impact. Infringements are reported to our firm's policymakers and an evaluation takes place as to whether procedures within the organization must be adapted and/or what measures should be taken regarding the infringing partner or employee.

The two most important categories of infringements are those of independence rules and those of rules and regulations regarding audits of financial statements. We provide information on independence-related infringements during fiscal year 2016/2017 in the 'Independence practices' section of this Transparency Report.

The table below shows the number of infringements related to the quality or quality control of audits of financial statements during fiscal year 2016/2017. The breakdown by type of client is according to their definition under Dutch law - they are either Public Interest Entities according to Dutch Law (*Organisaties van Openbaar Belang*, OOBs; these include, among others, financial institutions and listed clients), other statutory audits (*wettelijke controles* or WeCos, i.e. audits of financial statements required by law) or other audits of statutory financial statements (indicated below as non-WeCo). In fiscal year 2016/2017, we performed approximately 4,400 audits (2015/2016: 4,900), of which approximately 2,700 were WeCos (2015/2016: 2,700). The figures reported here for the number of audits performed in fiscal year 2015/2016 are significantly lower than the figures reported in our 2016 Transparency Report, especially for non-WeCo audits. This is due to the fact that we are now using a more strict definition of 'audit' than last year, a definition we consider more appropriate.



Type of infringement 2016/2017	WeCo/ OOB	WeCo/ non-OOB	non- WeCo	Total
1. Commencement of engagement before completion of engagement acceptance	1	1	-	2
2. Engagement Quality Review not applied	-	1	-	1
3. Engagement Quality Review concurrence notice sent to CO after release of auditor's opinion	-	-	1	1
4. Infringements resulting from Audit Quality Review 2015/2016 test cycle	-	1	-	1
5. Insufficient audit evidence in specific areas	2	6	-	8
6. Infringements of duty to maintain secrecy (of which infringements of the Dutch data protection act)		2 (1)	7 (4)	9 (5)
7. Mandatory consultation not applied / No concurrence on (mandatory) consultation before release of auditor's opinion	-	1	-	1
8. Incompleteness in audit opinion		2		2
9. Violation of Code of Conduct	-	1	-	1
<b>Total (engagement level)</b>	<b>3</b>	<b>15</b>	<b>8</b>	<b>26</b>
10. Improvements to the Audit Quality Framework necessary				3
<b>Total</b>				<b>29</b>

Type of infringement 2015/2016	WeCo/ OOB	WeCo/ non-OOB	non- WeCo	Total
1. Commencement of engagement before completion of engagement acceptance	-	-	-	-
2. Engagement Quality Review not applied	-	1	-	1
3. Engagement Quality Review concurrence notice sent to CO after release of auditor's opinion	-	-	1	1
4. Infringements resulting from Audit Quality Review 2014/2015 test cycle	1	2	-	3
5. Insufficient audit evidence in specific areas	-	2	-	2
6. Infringements of duty to maintain secrecy (of which infringements of the Dutch data protection act)	1 (1)	5 (4)	1 (1)	7
7. Mandatory consultation not applied / No concurrence on (mandatory) consultation before release of auditor's opinion	-	7	1	8
8. Other	2	1	-	3
<b>Total</b>	<b>4</b>	<b>18</b>	<b>3</b>	<b>25</b>

As we are a learning organization, we critically examine the number of infringements and their year-on-year development. The firm as a whole benefits from our annual summary of our follow-up on infringements.

The infringements mentioned in the table above can be classified as follows:	Our follow-up consisted of:
1. Commencement of engagement before completion engagement acceptance	In one case, the infringement was only a formal infringement. The necessary approval had been given by email but had not been formally introduced into our engagement acceptance system. Given these circumstances, no remedial actions were taken. In the other case, the infringing executive had received approval from the Global Client Service Partner, but had not yet received formal Dutch approval before commencement of engagement services. To gather more insight into possible non-compliance with our internal norms, further investigation will take place in fiscal year 2017/2018.
2. Engagement Quality Review not applied	The infringing executive was mistakenly of the opinion that the client was no longer a PIE and, therefore, an EQR was no longer required. Since the client is not an OOB according to Dutch law, but is still a PIE according to our international definition, we decided to have this file reviewed.
3. Engagement Quality Review concurrence notice sent to CO after release of auditor's opinion	The engagement team and engagement quality reviewer were mistakenly of the opinion that no EQR concurrence notice had to be sent to the CO. After the team was asked for the concurrence notice, it was sent to the CO.
4. Infringements resulting from Audit Quality Review 2015/2016 test cycle	The executive involved prepared a mandatory Remedial Action Plan. We refer to the section on AQR results of this Transparency Report.
5. Insufficient audit evidence in specific areas	<p>Starting late 2015, the AFM inspected eight of our audit files of the years 2014 and 2015. In fiscal year 2016/2017, the AFM informed us that in six of these audit files the audit opinion was insufficiently substantiated by audit evidence (COS 200.17). Remediation has already taken place in four of these files. In the next audit of these clients, special attention will be given to the findings. In two other files, remediation is planned and will be carried out shortly. We refer to the section on external quality assurance review in this Transparency Report.</p> <p>For all six files, root cause analyses are warranted. Four root cause analyses have already been completed. Based on the outcome of one root cause analysis, the executive wrote a personal development plan. Our policymakers will shortly decide on possible actions as a result of the other three root cause analyses. Two root cause analyses are still in progress.</p> <p>In 2016, the PCAOB reviewed three of our audit files from 2014 and 2015. During fiscal year 2016/2017, the PCAOB informed us that in all three files, execution and documentation of the audit did not fully comply with PCAOB Standards. Remediation took place and special attention will be given to compliance with these standards in next year's audit. A root cause analysis was performed. The policymakers will shortly decide on possible actions based on the outcome of this root cause analysis.</p> <p>For one audit file of the year 2014, we concluded that 'going concern' was insufficiently substantiated by audit evidence (COS 200.17). The root cause analysis is in progress. The policymakers will shortly decide on possible actions based on the outcome of the root cause analysis.</p>
6. Infringements of duty to maintain secrecy (of which infringements of the Dutch data protection act)	<p>Five data breaches were reported to the Dutch Data Protection Authority. We refer to the section on Data breaches in this Transparency Report.</p> <p>In March 2017, a campaign was launched in our firm regarding the importance of privacy and secrecy. In the instances where infringements took place, we mitigated the consequences for our clients. Specific employees involved received extra training on secrecy. In one case, the Professional Accountant was asked to stress to his team the importance of the internal regulation regarding office equipment.</p>
7. No concurrence on (mandatory) consultation before release of auditor's opinion	The root cause of this infringement was discussed. The impact of this infringement was minor as the team analyzed the error in the financial statements thoroughly before consultation, the consulted error was not material to the financial statements and there is no reason to assume that the team will be non-compliant in future audits. The policymakers will decide shortly if further actions are needed.
8. Incompleteness in audit opinion	In two audit opinions, no reference was made to the responsibilities of the Supervisory Board. Because of these infringements, an alert was communicated to all audit teams.
9. Violation of Code of Conduct	In one case, our Global Code of Conduct was violated by members of an audit team. The employees in question received a formal warning and the violation was taken into account in their performance review.
10. Improvements to the Audit Quality Framework necessary	Measures were taken to improve both the design and the operating effectiveness of the Audit Quality Framework.

## Late archiving

Not included in the tables above are infringements regarding the archiving of audit files, as these concern the timeliness of archiving of the audit file after sign-off only. Archiving means that an electronic copy of the audit file is stored in our archive system, after which it is no longer editable. For OOBs and other WeCo's, external regulations set the maximum period for archiving audit files after signing the auditor's opinion: 60 days, 45 days for PCAOB files. For quality and efficiency reasons, we set an internal filing deadline of ten business days after signing the auditor's opinion for all financial statements audits. When justified and subject to approval by the PPG, a longer period (up to 60 days) may apply.

During fiscal year 2016/2017, we met the external rule of 60 days for 99.5% of all archived files (2015/2016: 99.7%). The deadline was not met for 37 files (2015/2016: 22 files). Ten of these were WeCo files (including two OOB files); 27 were non-WeCo files. These files were reported to our Compliance Office and taken into account for the quality rating of the external auditors.

We met the internal ten business days archiving rule (including permitted extensions) for 98.8% of the archived files (2015/2016: 97.9%).

## Data breach notification

Effective 1 January 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 notify the Dutch Data Protection Authority as soon as they experience a serious data breach. A data breach must be reported to the Dutch Data Protection Authority if such a breach has serious adverse effects on the protection of personal data, or if it leads to a considerable likelihood thereof.

Data breaches relate to those instances in which an actual security breach has occurred. Examples of security breaches are the loss of a USB-key, the theft of a laptop or intrusion by a hacker. However, every security breach does not necessarily qualify 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 data cannot reasonably be excluded.

We keep a register of all security breaches to assess whether a breach must be reported to the Dutch Data Protection Authority as a data breach. This register includes incidents like lost or stolen laptops, smart devices, secure ID cards, hard copy files, emails sent to the wrong person etc. In fiscal year 2016/2017, Ernst & Young Accountants LLP reported two data breaches to the Dutch Data Protection Authority (2015/2016: one). In one case, salary information was inadvertently sent to a controller of a client who should have seen only the information of the entity for which he was responsible and not the information for other legal entities linked to this entity. The other breach that was reported to the Dutch Data Protection Authority concerned the loss of a USB stick with confidential client information containing sensitive personal data. Some security breaches also qualify as

an infringement of certain formal internal or external rules and regulations (such as the duty to keep audit information confidential). During fiscal year 2016/2017, we registered five such breaches as infringements (2015/2016: six), including the two data breaches that were reported to the Dutch Data Protection Authority.

## Incidents

Under Dutch law, we are obliged to inform the Dutch Authority for the Financial Markets (AFM) immediately of any incident that might have serious consequences for the integrity of our operations. We apply AFM's guidance on the interpretation of an 'incident'. This interpretation is broad in scope and includes examples of risks that are not necessarily related to infringements nor to deficiencies in the quality of an auditor's work. For example, potential reputational damage to the firm can also qualify as an 'incident', even when it is linked to non-audit partners of, or non-audit services provided by, the Dutch EY network.

During fiscal year 2016/2017 we reported 5 (2015/2016: 9) incidents to the AFM.

Incidents	2016/ 2017	2015/ 2016
(Potential) criminal offence and violations of the law at client		2
(Potential) violation Wwft	1	
Reputation risk	2	4
Correction of error(s) in financial statements	1	1
Threat to independence	1	
Improper use of opinion issued by EY		1
Anonymous signals		
Bankruptcy		1
<b>Total</b>	<b>5</b>	<b>9</b>

- One case relates to an investigation by the public prosecutor against Ernst & Young Accountants LLP relating to compliance with the Dutch 'Prevention of money laundering and financing of terrorism Act' (Wwft).
- One case relates to prohibited concurrence of services at an audit client.
- One case relates to a potential fraud at a client impacting the annual accounts of previous years audited by EY.
- Two cases relate to bad publicity concerning EY.

# Client acceptance and continuance

## EY policy

The EY Global Client Acceptance and Continuance Policy sets out principles for member firms to determine whether to accept a new client or a new engagement, or to continue with an existing client or engagement. These principles are fundamental to maintaining quality, managing risk, protecting our people and meeting regulatory requirements. The objectives of the policy are to:

- Establish a rigorous process for evaluating risk and making decisions to accept or continue clients or engagements
- Meet applicable independence requirements
- Identify and deal appropriately with any conflicts of interest
- Identify and decline clients or engagements that pose excessive risk
- Require consultation with designated professionals to identify additional risk management procedures for specific high-risk factors
- Comply with legal, regulatory and professional requirements

In addition, the EY Global Conflicts of Interest Policy defines global standards for addressing categories of potential conflicts of interest and a process for identifying them. It also includes provisions for managing potential conflicts of interest as quickly and efficiently as possible through the use of appropriate safeguards. Such safeguards range from obtaining a client's consent for EYG member firms to act for two or more clients to declining an engagement to avoid an identified conflict.

The EY Global Conflicts of Interest Policy and associated guidance were updated in early 2015. The updates take into account the increasing complexity of engagements and client relationships, and the need for speed and accuracy in responding to clients. They also align with the latest International Ethics Standards Board for Accountants (IESBA) standards.

## Putting policy into practice

We use the EY Process for Acceptance of Clients and Engagements (PACE), a new intranet-based system, for efficiently coordinating client and engagement acceptance and continuance activities in line with global, service line and member firm policies. PACE takes users through the acceptance and continuance requirements, and identifies the policies and references to professional standards needed to assess both business opportunities and associated risks.

As part of this process, we carefully consider the risk characteristics of a prospective client or engagement and several due diligence procedures. Before we take on a new engagement or client, we determine whether we can commit sufficient resources to deliver quality service, especially in highly technical areas, and if the services the

client wants are appropriate for us to provide. The approval process is rigorous, and no new audit engagement may be accepted without the approval of our PPD.

In our annual client continuance process, we review our service delivery and ability to continue to provide quality service, and confirm that clients share our commitment to quality and transparency in financial reporting. The partner in charge of each audit, together with our Assurance leadership, annually reviews our relationship with the audit client to determine whether continuance is appropriate.

As a result of this review, certain audit engagements are identified as requiring and are then subjected to additional oversight procedures during the audit (close monitoring), and some audit clients are discontinued. As with the client acceptance process, our PPD is involved in the client continuance process and must agree with the continuance decisions.

Both client acceptance and client continuance decisions consider the engagement team's assessment of whether the company's management could pressure us to accept inappropriate accounting, auditing and reporting conclusions to undermine quality. Considerations and conclusions on the integrity of management are essential to acceptance and continuance decisions.

We dedicate significant time and resources to the strict implementation of our client acceptance and continuance policies. Of all audit engagements accepted and continued during fiscal year 2016/2017, we classified 23 engagements or 1% as 'Close Monitoring' (2015/2016: 57; 1%), 32% as 'Moderate Risk' (2015/2016: 33%) and 67% as 'Low Risk' (2015/2016: 66%). For our audit engagements at Public Interest Entities as defined by Dutch law (*Organisaties van Openbaar Belang*, OOBs), these figures for fiscal year 2016/2017 are 2%, 62% and 36%, respectively (2015/2016: 3%, 72%, 25%). The main reason for the decrease in close monitoring engagements is the discontinuance of high risk engagements.

The policymakers decide on the external auditor and EQR reviewer of all listed entities, i.e. entities with officially listed shares and/or bonds, and of all close monitoring audit engagements.

In fiscal year 2016/2017, we notified the AFM twelve times of the early termination of a statutory audit engagement. One of these notifications relates to two legal entities within the same group. Four engagements were terminated by the client, three engagements were terminated by EY and five engagements were terminated jointly by the client and EY.

Two of the four engagements that were terminated by the client were triggered by the bankruptcy of the client (including one for an OOB audit client). The other two engagements were terminated because of different views regarding the costs and timing of the work to be performed.

One of the three engagements that were terminated by EY was triggered by the bankruptcy of the client. One engagement was terminated because the client did not provide the documentation required to perform an audit. The third engagement terminated by EY concerned a client

who did not meet the requirements under our continuous client due diligence monitoring obligations pursuant to the 'Dutch Prevention of Money Laundering and Financing of Terrorism' Act (*Wet ter voorkoming van witwassen en financiering van terrorisme*, Wwft).

Two engagements were terminated jointly by the client and EY because of a pending disciplinary proceeding against the auditor. One engagement was terminated jointly by the client and EY because of a threat to EY's independence because of unpaid invoices. Another engagement was terminated because the client no longer wanted to finalize a previous year's audit. A fifth engagement was terminated jointly because the client was no longer required to conduct a statutory audit.

## Performance of audits

As part of EY Vision 2020, EY has invested significantly in improving audit methodologies and tools, with the goal of performing the highest-quality audits in the profession. This investment is consistent with EY's goal to have the leading audit practices in the profession by 2020 and reflects the commitment to building trust and confidence in the capital markets and in economies the world over.

### Audit methodology

EY GAM provides a global framework for delivering high-quality audit services through the consistent application of thought processes, judgments and procedures in all audit engagements.

Making risk assessments, reconsidering and modifying them as appropriate, and using these assessments to determine the nature, timing and extent of audit procedures are fundamental to EY GAM. The methodology also emphasizes applying appropriate professional skepticism in the execution of audit procedures. EY GAM is based on International Standards on Auditing (ISAs) and is supplemented in the Netherlands to comply with the local Dutch auditing standards and regulatory or statutory requirements.

An EY auditor is presented with a version of EY GAM organized by topic and designed to focus the audit strategy on the financial statement risks, and the design and execution of the appropriate audit response to those risks. EY GAM consists of two key components: requirements and guidance, and supporting forms and examples. The requirements and guidance reflect both audit standards and EY policies. The forms and examples include leading practice illustrations, and assist in performing and documenting audit procedures.

Using technology, EY GAM can be 'profiled' or tailored to present the relevant requirements and guidance, depending on the nature of the entity being audited. For example, there are profiles for listed entities and for those considered non-complex entities.

Enhancements to the audit methodology are made regularly to address new standards, emerging auditing issues and matters, implementation experiences, and external and internal inspection results. In 2016, EY GAM was updated to include the new and revised ISAs dealing with auditor reporting, other information included in an annual report and financial statement disclosures. EY GAM was also enhanced by adding guidance to address common questions from audit teams and issues arising from inspections.

In addition, we monitor current and emerging developments continually, and issue timely audit planning and other reminders. These reminders emphasize areas noted during inspections as well as other key topics of interest to our regulators, including the International Forum of Independent Audit Regulators (IFIAR). These topics include professional skepticism, group audits, revenue recognition and engagement quality reviews.

EY GAM requires compliance with relevant ethical requirements, including independence from the company we audit.

### Technology

Our audit engagement teams use technology to assist in executing and documenting the work performed in accordance with EY GAM.

Beginning in late fiscal year 2015, we launched EY Canvas, our global audit platform that lies at the heart of the audit and enables us to provide a high-quality audit. This was launched on a phased basis across EYG member firms globally, with deployment completed in 2017. EY Canvas is built using HTML5, state-of-the-art technology for web applications. This allows us to provide heightened data security and to evolve our software to respond to changes in the accounting profession and regulatory environment.

Through the use of profile questions, audit engagements in EY Canvas are automatically configured with information relevant to the company's listing requirements and industry. This helps to keep our audit plans customized and up-to-date, and provides direct linkage to our audit guidance, professional standards and documentation templates. EY Canvas is built with a fresh, clear design and user interface that allows users to visualize risks and their relationship to our planned response and work performed in key areas. It also enables a linkage for our group audit teams to communicate inter-office risks and instructions so that the primary audit team can direct execution and monitor performance of the group audit. The predecessor audit support tool, GAMx, will be decommissioned in our 2018 fiscal year.

EY Canvas includes a Client Portal, released in April 2017, to assist teams in communicating with clients and streamline their client requests. Mobile applications, integrated with EY Canvas, were released in fiscal year 2017 that assist our people in their audit work; for example, in monitoring the status of the audit, capturing audit evidence securely and performing inventory observations.

Audit engagement teams use other software applications, forms and templates during various phases of an audit to assist in executing procedures, making and documenting audit conclusions, and performing analysis.

EY Helix is our suite of data analytic tools for use in audits. Analytics is transforming the audit by analyzing larger populations of audit-relevant data, identifying unseen patterns and trends in that data, and helping to direct our audit efforts. The use of analytics also allows us to obtain better perspectives, richer insights and a deeper understanding of transactions and areas of risk.

We have developed analytics that cover our clients' end-to-end business operating cycles, supported by analytics-based audit programs to aid their application.

Using our analytics, our engagement teams can enhance their audit risk assessment, enabling the audit of higher-risk transactions, and assisting our people in asking better questions about audit findings and evaluating the outcomes.

### Formation of audit engagement teams

Ernst & Young Accountants LLP policies require an annual review of partner assignments by our Assurance leadership and PPD to make sure that the professionals leading listed-company audits possess the appropriate competencies (i.e., the knowledge, skills and abilities) to fulfill their engagement responsibilities, and are in compliance with applicable auditor rotation regulations.

The assignment of professionals to an audit engagement is also made under the direction of our Assurance leadership. Factors considered when assigning people to audit teams include engagement size and complexity, specialized industry knowledge and experience, timing of work, continuity, and opportunities for on-the-job training. For more complex engagements, consideration is given to whether specialized or additional expertise is needed to supplement or enhance the audit engagement team.

In many situations, internal specialists are assigned as part of the audit engagement team to assist in performing audit procedures and obtaining appropriate audit evidence. These professionals are used in situations requiring special skills or knowledge, such as information systems, asset valuation and actuarial analysis.

In fiscal year 2016/2017, IT professionals and other specialists spent 240,000 hours supporting audit teams of our firm (FY 2015/2016: 195,000 hours). The increase of hours corresponds to an investment in quality. These 195,000 hours amount to 9.7% of total hours spent on audits by our firm. This percentage varies for different economic sectors.

The international exchange of EY audit professionals is considered essential for high-quality services to international clients, especially clients that report under foreign accounting standards and/or clients whose audit requires knowledge of foreign auditing standards. Professionals in exchange programs make a very valuable contribution to our expertise. During fiscal year 2016/2017, 20 (fiscal year 2015/2016: 16) Dutch

Assurance professionals were employed at other EY locations abroad. 47 (fiscal year 2015/2016: 45) non-Dutch professionals were employed in our Assurance Service Line. The ranks of these professionals ranged from senior staff to partner.

The number of hours dedicated to an engagement is monitored and assessed for appropriateness, both the number of hours planned and the actual number of hours spent. The relative number of hours spent on audits by each rank of staff can be summarized as follows:

<b>FY 2016/2017</b> Relative number of hours spent on financial statement audits	<b>WeCo/OOB</b>	<b>WeCo/non-OOB</b>	<b>Non-WeCo</b>
Partners & Executive Directors	10%	5%	5%
Senior Managers & Managers	29%	19%	17%
(Senior) Staff	61%	76%	78%
<b>Totals</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<b>FY 2015/2016</b> Relative number of hours spent on financial statement audits	<b>WeCo/OOB</b>	<b>WeCo/non-OOB</b>	<b>Non-WeCo</b>
Partners & Executive Directors	11%	6%	6%
Senior Managers & Managers	30%	20%	21%
(Senior) Staff	59%	74%	73%
<b>Totals</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Itemized by engagement risk, the figures are as follows:

<b>FY 2016/2017</b> Relative number of hours spent on financial statement audits	<b>Close monitoring</b>	<b>Moderate risk</b>	<b>Low Risk</b>
Partners & Executive Directors	10%	7%	5%
Senior Manager & Manager	29%	24%	17%
(Senior) Staff	61%	69%	78%
<b>Totals</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<b>FY 2015/2016</b> Relative number of hours spent on financial statement audits	<b>Close monitoring</b>	<b>Moderate risk</b>	<b>Low Risk</b>
Partners & Executive Directors	10%	8%	5%
Senior Manager & Manager	29%	24%	17%
(Senior) Staff	61%	68%	78%
<b>Totals</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



Of course, regular team members must possess the industry knowledge required. Over the past decades, our auditors have increasingly focused on just one or a limited number of industries to be able to perform better audits and thus provide better quality to our stakeholders. Industry groups have developed specialized learning programs and technical updates. Audit quality is supported by industry and topic-specific guidance and checklists.

## Review and consultation

### Reviews of audit work

EY policies describe the requirements for timely and direct senior professional participation, as well as the level of review required for the work performed. Supervisory members of an audit engagement team perform a detailed review of the audit documentation for accuracy and completeness. Senior audit executives and engagement partners perform a second-level review to determine adequacy of the audit work as a whole, and the related accounting and financial statement presentation. A tax professional reviews the significant tax and other relevant working papers. For listed and certain other companies, an engagement quality reviewer (described below) reviews important areas of accounting, financial reporting and audit execution, as well as the financial statements of the company we audit and our audit report.

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

- The risk, materiality, subjectivity and complexity of the subject matter
- The ability and experience of the audit team members preparing the audit documentation
- The level of the reviewer's direct participation in the audit work
- The extent of consultation employed

Our policies also describe the roles and responsibilities of each audit engagement team member for managing, directing and supervising the audit, as well as the requirements for documenting their work and conclusions.

### Consultation requirements

Our consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues. Consultation requirements and related policies are designed to involve the right resources so that audit teams reach appropriate conclusions.

**Consultation is built into the decision-making process; it is not just a process to provide advice.**

For complex and sensitive matters, we have a formal process requiring consultation outside of the audit engagement team with other personnel who have more experience or specialized knowledge, primarily Professional Practice and Independence personnel. In the interests of objectivity and professional skepticism, our policies require

members of Professional Practice, Independence and certain others to withdraw from a consultation if they currently serve, or have recently served, the client to which the consultation relates.

Our policies also require that we document all consultations, including written concurrence from the person or persons consulted, in order to demonstrate their understanding of the matter and its resolution.

During fiscal year 2016/2017, the number of technical consultations with our PPG decreased by 9%, mainly due to two factors. We loosened the internal obligation to consult on the extended auditor's report, as our professionals are now more familiar with the relevant rules. In addition, the number of (consultations on) going concern issues decreased, as a result of an improvement in the general economic situation.

As a result the total number of consultations on auditing standards, accounting, fraud and capital markets decreased from 1,081 in fiscal year 2015/2016 to 985 in fiscal year 2016/2017. 22% of these consultations related to 'going concern' issues (2015/2016: 25%); 25% dealt with topics related to modified audit opinions (2015/2016: 19%). These numbers do not include consultations with our Independence Desk nor informal consultations and inquiries; they do include the consultations with our various panels (last year, we erroneously reported that these consultations with the panels were not included).

In fiscal year 2016/2017, audit teams reported 132 instances of potential fraud to the Fraud Panel (2015/2016: 151). Based on an initial risk assessment, 78 cases were deemed 'clearly inconsequential' and 54 as 'more than inconsequential'. During fiscal year 2016/2017, the panel dealt with 52 of these 54 consultations. In eight cases, the panel defined the fraud as material. In two cases, the panel concluded non-compliance with laws and regulations. In all cases, our clients acted appropriately, taking the necessary steps to assess and resolve the issue.

The Error Evaluation Panel was consulted in 86 cases (2015/2016: 96), including 25 errors detected during initial audits (2015/2016: 28). The panel concluded in eight cases (all non-OOB clients) that a fundamental error had occurred in the audited financial statements of the previous year. In 70 cases (13 OOBs, 57 non-OOBs), the panel concluded that a material error had occurred (2015/2016: 75). In eight cases, the panel concluded that the error was not material or that no error had occurred. When the panels identify lessons to be learned, they communicate these lessons to our audit professionals.

### Engagement quality reviews

The Engagement Quality Review (EQR, *opdrachtgerichte kwaliteitsbeoordeling*) is an important part of our quality control system. At our firm, EQRs are performed by audit professionals in compliance with professional standards for all audits of Dutch *Organisaties van Openbaar Belang* (OOB, public interest entities) and those considered higher risk. Engagement quality reviewers are experienced professionals with significant subject matter knowledge.



They are independent of the engagement team and able to provide objective evaluations of significant accounting, auditing and reporting matters. Under no circumstances may the responsibility of the engagement quality reviewer be delegated to another individual.

The EQR spans the entire engagement cycle, including planning, risk assessment, audit strategy and execution. Policies and procedures for the performance and documentation of engagement quality reviews provide specific guidelines on the nature, timing and extent of the procedures to be performed and the required documentation evidencing their completion. Our PPD approves all engagement quality review assignments for OOBs and those considered higher risk.

In fiscal year 2016/2017, we continued to use the 'deep-dive' approach, going one step further and deeper in our reviews. We gave detailed instructions for executing EQRs and we communicated the importance of timely involvement and the expected number of hours for an EQR. All executives and reviewers were informed and trained.

With respect to the staffing of the EQR teams, we continue to transition to a model where EQRs are primarily performed by reviewers who spend a substantial part of their time on EQRs. The principle underlying the learning organization is that the EQR not only serves as an extra pair of eyes to ensure that formal rules are complied with, it also plays the role, as far as possible, of a colleague with widespread practical experience in conducting and documenting audit assignments of a similar nature to the assignment they are assessing. The intention is that the team being assessed learns from the reviewer's knowledge and experience gained in other reviews. We believe that learning from each other contributes to the desired quality culture. Additionally, limiting the number of EQR reviewers enables us to identify potential common themes which require attention as part of our learning organization.

In the Netherlands, EQRs are mandatory for OOBs. EY's global definition of a public interest entity (PIE) is similar to, but not exactly the same as the Dutch definition of an OOB. Of the EQRs performed in 2016/2017, 52% (2015/2016: 46%) concerned OOB or PIEs according to EY's global definition of a PIE. 48% (2015/2016: 54%) of the EQRs were held at specific groups of non-OOB clients, including non-OOB high risk clients, large municipalities, large pension funds and various state-owned entities.

During fiscal year 2016/2017, we performed 434 engagements (2015/2016: 423). One client may have multiple EQR references, for example due to the review of interim financial statements and/or prudential reports.

Engagement auditors are not allowed to issue the auditor's opinion until the Engagement Quality Reviewer has informed the Compliance Officer that he agrees with the engagement auditor's conclusions.

## **Inflight Review & Coaching**

The Inflight Review and Coaching initiative enables us to learn more about the status of engagements in progress and possible issues. Those insights help the teams to answer complex audit questions and allow us to improve documentation by means of coaching. We also obtained insights into good practices, which we shared with all audit professionals. Participants in this project included professionals from the Professional Practice Group and managers and senior managers from our audit practice.

During fiscal year 2016/2017, we performed a general review in connection with the application of Significant Risks and SCOTS (all external auditors were selected) and topic reviews in connection with Initial Audits, Corruption, Estimates, EQR and follow up on external inspection findings. We have reported the lessons learned to the individual engagement teams and - if more general items were identified - to all Assurance executives.

The overall feedback from the selected engagements on both review and coaching continues to be that it has helped the teams to further improve the quality of the audit engagement reviewed and use the lessons learned in their other engagements. The Audit practice as a whole also indicates that they appreciate the guidance that they received.

## **Dedicated Review Pool**

In order to further improve the different quality reviews performed by our firm, we have decided to form a dedicated 'review pool' of experienced reviewers as part of our Step Change to Quality program. We will start the implementation of this initiative in fiscal year 2017/2018. The dedicated reviewers from the pool will engage in four types of reviews:

- Our EQRs
- Our Inflight Reviews & Coaching
- Our Audit Quality Reviews (AQRs) of individual files after the engagement has been completed (see the dedicated section in this Transparency Report for more information on AQRs)
- Our 'Pre-issuance' AQR which - as opposed to the normal AQR - allows for the correction of any deficiencies discovered in the audit before the audit has been completed.

For each review, the scope and intensity may vary. A review may focus on a particular area, e.g. various files of one particular partner or the way a specific audit theme is treated in five audits of five different partners. Apart from these 'focus area reviews', the reviewers may engage in a 'classic' comprehensive review of an audit file, or they may engage in a 'deep dive', a very detailed review of a specific part of an audit based on a risk analysis.

The objective of the review pool is to further improve the quality of the reviews and to increase the communication between the reviewers themselves and between the reviewers and the rest of our firm as part of our 'learning organization' effort.

## **Audit engagement team resolution process for differences of professional opinion**

EY has a collaborative culture that encourages and expects people to speak up, without fear of reprisal, if a difference of professional opinion arises or if they are uncomfortable about a matter relating to a client engagement. Policies and procedures are designed to empower members of an audit engagement team to raise any disagreements relating to significant accounting, auditing or reporting matters.

These policies are made clear to people as they join EY, and we continue to promote a culture that reinforces a person's responsibility and authority to make their own views heard, and seek out the views of others.

Differences of professional opinion that arise during an audit are generally resolved at the audit engagement team level. However, if any person involved in the discussion of an issue is not satisfied with the decision, they refer it to the next level of authority until agreement is reached or a final decision is made.

Furthermore, if the engagement quality reviewer makes recommendations that the engagement partner does not accept or the matter is not resolved to the reviewer's satisfaction, the audit report is not issued until the matter is resolved. EY policies require documentation of disagreements and their resolution.

## **Audit partner rotation**

EY supports mandatory audit partner rotation to help strengthen auditor independence. We comply with the audit partner rotation requirements of the code of the IESBA, the Dutch *Wet Toezicht Accountantsorganisaties*, the Dutch *Besluit Toezicht Accountantsorganisaties*, the Dutch *Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)*, as well as the U.S. Securities and Exchange Commission (SEC), where required. Our firm supports audit partner rotation because it provides a fresh perspective and promotes independence from company management while retaining expertise and knowledge of the business. Audit partner rotation, combined with independence requirements, enhanced systems of internal quality controls and independent audit oversight, helps strengthen independence and objectivity, and are important safeguards of audit quality.

For PIEs where rotation of the audit partner is not mandated by local independence regulation or is less restrictive than the IESBA requirements, the EY Global Independence Policy requires the lead engagement partner and the engagement quality reviewer to be rotated after seven years. For a new PIE (including a newly listed company) client, the lead engagement partner and the engagement quality reviewer may remain in place for an additional two years before rotating off the team, if they have served the client for six or more years prior to the listing. Following rotation, the partner may not resume the lead or engagement quality review role until at least two years have elapsed.

We employ tools to track partner rotation that enable effective monitoring of compliance with requirements.

We have also implemented a process for partner rotation planning and decision-making that involves consultation with, and approvals by, our Professional Practice and Independence professionals.

### **ViO partner rotation requirements**

The Dutch Regulation regarding the Independence of Auditors in the case of Assurance engagements (*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*, ViO) stipulates that a long-term association of senior audit team members with a particular engagement - seven years or more - may pose a threat to independence.

We employ tools that track partner rotation and enable effective monitoring of compliance with the ViO requirements. We continuously monitor and assess situations with a potential impact on independence resulting from long-term association of our senior professionals with our individual audit clients - WeCo and non-WeCo - and other assurance engagements. We have also implemented a process for partner rotation planning and decision-making. This process includes consultation with, and approvals by, our Professional Practice Group.

None of our partners and other senior team members will be involved in an audit engagement for a continuous period of more than seven years. Because of the implementation of the EU Audit Reform (2016) rules, we have further amended our policies and processes for engagements dealing with financial years starting after 17 June 2016. The signing partner for an OOB audit is allowed to serve a maximum of five years as signing partner and then has to distance himself from the account for a minimum of three years.

### **Other ViO requirements**

Both ViO and EU regulations prohibit auditors of an OOB/PIE client to provide non-assurance services to this client. In the Netherlands, a more stringent regime is applicable in comparison to other EU countries and we continuously monitor our non-assurance services. During fiscal year 2016/2017, three breaches of relevant regulations were identified. Two of these breaches related to audits of 2015 year-end accounts and one breach related to an audit of 2016 year-end accounts. This resulted in strict measures to prevent any future occurrence of providing the proscribed non-assurance services. These measures include various system improvements in client processes and client acceptance processes and more thorough screening before approval by the responsible audit partner. We also enhanced our procedures for monitoring non-assurance services.

The text of the ViO is available on the NBA (Netherlands Institute of Chartered Accountants) website ([www.nba.nl](http://www.nba.nl)).

## Audit quality reviews

The EY Global AQR program is the cornerstone of the EY process to monitor audit quality. Ernst & Young Accountants LLP executes the Global AQR program, reports results and develops responsive actions plans. The primary goal of the program is to determine whether systems of quality controls, including those of Ernst & Young Accountants LLP, are appropriately designed and followed in the execution of audit engagements to provide reasonable assurance of compliance with policies and procedures, professional standards, and regulatory requirements. The Global AQR program complies with guidelines in the International Standard on Quality Control No. 1 (ISQC No. 1), as amended, and is supplemented where necessary to comply with Dutch professional standards and regulatory requirements. It also aids Ernst & Young Accountants LLP's continual efforts to identify areas where we can improve our performance or enhance our policies and procedures.

Implemented annually, the program is coordinated and monitored by representatives of the Global PPD network, with oversight by Global Assurance leadership.

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

The review team in the Netherlands is headed by international team leaders; the teams executing the Audit Quality Reviews (AQRs) also normally include a considerable number of international reviewers, ensuring that the AQR performed is in accordance with our international quality standards and allows for a comparison of results over time and between countries.

AQR reviewers and team leaders are selected for their skills and professional competence in accounting and auditing, as well as their industry specialization; they often work in the Global AQR program for a number of years and are highly skilled in the execution of the program. Team leaders and reviewers are assigned to inspections outside of their home location and are independent of the audit teams reviewed.

The results of the Global AQR program, external practice-monitoring and inspection activities are evaluated and communicated to improve quality. Any quality improvement plans describe the follow-up actions to be taken, the people

responsible, the timetable and deadlines, and sign-off on completed actions. Measures to resolve audit quality matters noted from the Global AQR program, regulatory inspections and peer reviews are addressed by Assurance leadership and our PPD. The actions are monitored by our PPD and Assurance leadership. These programs provide important practice monitoring feedback for our continuing quality improvement efforts.

### 2016/2017 AQR results

In summary, the 2016/2017 results are as follows:

	2016/2017		2015/2016		2014/2015	
Rating 1	40	83%	34	89%	38	91%
Rating 2	7	15%	4	11%	3	7%
Rating 3	1	2%	0	0%	1	2%
<b>Totals</b>	<b>48</b>	<b>100%</b>	<b>38</b>	<b>100%</b>	<b>42</b>	<b>100%</b>

- 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

During fiscal year 2016/2017, the number of reviews increased to 48 engagements (2015/2016: 38 engagements). In fiscal year 2016/2017, we applied more strict review standards and our Rating 1 score decreased to 83% from 89% in 2015/2016. This shows there is a strong need for further improvement, especially in the areas of audit planning, journal entry testing and substantive procedures. In our Step Change to Quality program, we will intensify our efforts to ensure compliance with statutory rules and with our high quality standards in all aspects of the audit, e.g. through more training and learning. The message our leadership is continually sending to our partners and staff regarding the importance of quality and discipline, our 'Tone at the Top', is also part of this effort. In addition, we will raise the bar of our own AQRs, in order to bring them more in line with the quality criteria applied by our external supervisor the Dutch Authority for the Financial Markets (AFM) during their reviews of the quality of our audits. Since the AFM started its regular reviews of our audit files, there has been a gap between the scores of our own AQRs and the results of these external reviews. We want to close that gap by raising the bar internally.

**It is disappointing to see that our quality improvement measures have not resulted in an improvement in AQR results during fiscal year 2016/2017. With Step Change to Quality, we will significantly increase our efforts to consistently execute all aspects of our audits at the high quality level required.**

In fiscal year 2016/2017, we improved the required training for amongst others 'audit conclusions' and 'supervision and review' and 'quality of our audit documentation'.

During fiscal year 2016/2017, 20 out of 48 engagements selected for an AQR had also been subject to an Engagement Quality Review (EQR) (2015/2016: 21 out of 34). Out of these 20 reviews, 18 (90%) were rated '1' in their AQR (2015/2016: 86%); two were rated '2' (10%, 2015/2016: 14%).

When partners are given a '3' rating on a file, it will negatively impact their quality rating with a downward impact on their overall performance rating. A '2' rating may also have such an impact, since the goal and expectation for any engagement reviewed is a '1' rating.

Our QARA department analyzes what remedial action is needed for engagements rated '2' and '3'. Furthermore, the audit partners involved are required to prepare a Remedial Action Plan (RAP) in which relevant actions aimed at improving their performance are to be included. A RAP is required for all '2' and '3' ratings and submitted to our firm's Professional Practice Director for approval. The 2016/2017 AQR resulted in eight RAPs (2015/2016: four).

Each partner is subject to a regular AQR at least once every three years. In addition to the audits inspected in the regular AQR, partners are also selected for an AQR inspection based on a risk analysis. This risk analysis takes into account any signals that might indicate potential quality issues.

As in previous years, the analysis of the overall outcome of the 2016/2017 AQRs will result in a Quality Improvement Plan (QUIP). A QUIP-based checklist provides all audit teams with reminders of focus areas, as well as best audit practices. The items of the checklist must be implemented in all engagements and their implementation must be documented.

The root cause analysis of the overall outcome of the AQRs from 2016/2017 will be finalized in due course and will be included in the QUIP mentioned above and serve as input to Step Change to Quality. Common improvement areas will be discussed in internal technical update meetings and will be included as areas of attention during interim reviews at office level. In addition, where appropriate, the PPG or our industry groups will develop specific guidance and templates for improvement.

## External quality assurance review

Our audit practice and its registered external auditors are subject to various inspections, including those by the AFM (*Autoriteit Financiële Markten*, the national regulator responsible for the Dutch audit sector), the PCAOB (the US Public Company Accounting Oversight Board) and our Dutch professional association NBA (*Nederlandse Beroepsorganisatie van Accountants*).

### AFM and PCAOB

As part of its inspections, the AFM evaluates the progress of improvements in the quality control systems of audit firms and reviews selected engagements on focus areas of their choice.

The AFM also performs topic-related inspections (*thema-onderzoeken*) and case-specific inspections following incidents, e.g. the bankruptcy of an audit client less than 12 months after issuance of the latest auditor's opinion.

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

Information on the PCAOB and the AFM can be found on their respective websites [www.pcaobus.org](http://www.pcaobus.org) and [www.afm.nl](http://www.afm.nl).

### Inspections by the AFM and the PCAOB

We respect and benefit from the inspections by the PCAOB and the AFM. We thoroughly evaluate points raised during the inspections in order to identify areas where we can improve audit quality and/or our control systems. Together with our own AQR process and other quality efforts, external inspections aid us in making our audits and related control processes of the highest quality in the interests of investors and other stakeholders.

During the first half of 2016, the PCAOB and the AFM performed their second joint inspection at our firm. The PCAOB inspected three files, two of which were inspected jointly with the AFM (both these files were 2014 files). The third file, inspected solely by the PCAOB, was a 2015 audit file.

During the second half of 2016, the AFM completed its own inspection cycle at our firm. During the calendar year 2016, a total of eight files were inspected by the AFM: four 2014 audit files and four 2015 audit files. These inspections by the AFM focused mainly on the question whether the auditor obtained sufficient and appropriate audit evidence in the areas inspected to support his auditor's opinion.

In addition to this inspection of eight audit files during 2016, in the period May 2016 - May 2017, the AFM carried out an inspection at the Dutch audit firms with a license to audit OOBs (*Organisaties van Openbaar Belang*, Public Interest Entities or PIEs), including our firm. The AFM assessed whether, according to its criteria, these audit firms had made enough progress regarding the implementation and embedding of improvements necessary to increase audit quality. The main focus areas of this inspection were 'in control' mechanisms, behavior and culture, and internal supervision.

## **The June 2017 AFM Report**

In June 2017, the AFM published a report with the results of both the inspection mentioned above of 2014 and 2015 audit files at Big 4 audit firms, including our firm, and the inspection into the progress of the change process at eight Dutch audit firms with an OOB-license, including all Big 4 firms. As we reported in our public response at the end of June 2017, the findings were disappointing.

As for the audit file inspection, the AFM classified six of the eight audit files inspected at our firm as 'insufficient' (previous file inspection three out of ten). Regarding the inspection of the progress of the improvement process, the AFM was not satisfied with the progress made at any firm inspected, noting three did better than the rest; we were not among these three firms.

We accept the conclusions by the AFM and we are giving the highest priority to accelerating, intensifying and expanding our improvement initiatives. Public trust is vital for the audit profession; the confidence of stakeholders in the quality of audits is an essential cornerstone of this trust. At our firm, we want to live up to our own quality expectations as well as those of our supervisor, our stakeholders and our clients.

Although disappointing, the June 2017 AFM report did not come as a surprise. We had discussed its provisional findings with the AFM in the months before publication of its report and we had also received other external signals regarding insufficient progress in quality improvement in the Dutch audit sector (e.g. the December 2016 report by the Monitoring Commission for the implementation of the improvement measures adopted by the NBA in 2014), including our firm.

In addition, during 2016 our internal analyses made increasingly clear that we needed to accelerate and intensify our quality improvement initiatives. We realized that our efforts to improve further had not been sufficient, that we had underestimated the effort needed to achieve the goals we had defined.

Therefore, we reacted to these internal and external signals before the AFM published its findings in June 2017. In April 2017, we launched our change program 'Step Change to Quality'. The program's goal is to lift the quality of both our audits and our internal culture, processes and systems to the top level we ourselves and our stakeholders, including our supervisor, expect from us. Step Change to Quality means we are accelerating, expanding and deepening our quality efforts. As an integrated program, Step Change to Quality focuses on four areas: our culture, the primary process of executing and documenting audits, our internal control systems and functions, and the dialogue with our stakeholders. The background, content and ambitions of Step Change to Quality are described in detail in Part 1 of this Transparency Report.

## **The PCAOB report of September 2017**

In June 2017, the PCAOB provided us with a draft report regarding the files inspected during the first half of 2016 and our system of quality control. On 28 September 2017, we received the final report. The findings of the PCAOB were similar to those of the AFM. We have provided our responses to this report, including the (remedial) actions we have taken and will take, and we are determined to learn from the findings and to enhance the quality of our work. We will integrate the improvement initiatives relating to the PCAOB findings in our Step Change to Quality change program. We will also reassess the number of US-professionals necessary to support Dutch audit teams as well as the US-GAAS training requirements for Dutch professionals.

### **The March 2016 enforcement action by the AFM and our reaction**

In March 2016, the AFM imposed a fine of €2.2 million on our firm, because it had concluded that we had violated our duty of care. The AFM drew this conclusion after its finding - during its 2013/2014 inspection round - that three out of ten 2012 audit files of auditors of our firm were insufficient in the areas inspected. The AFM based this conclusion on the fact that the auditor had not obtained sufficient and appropriate audit evidence in areas inspected.

We agree with the findings as such and have taken improvement actions. However, we question the link established by the AFM between these findings in individual audit files and the duty of care of our firm. In our view, the Dutch audit profession in general, including our firm, needs more guidance regarding how exactly the laws and regulations governing the duty of care of an audit firm vis-à-vis its professionals should be interpreted. Clarity is needed, for example, regarding the relation between findings regarding the execution of audit procedures at audit file level by individual professionals, and the duty of care of the firm. Therefore, we decided to pursue this matter further and in July 2016, we filed a written objection against the AFM's decision. The AFM rejected our objection in September 2016. In November 2016, we filed an appeal against this rejection at the Rotterdam district court (*Rechtbank Rotterdam*). We expect the decision from the court mid-November 2017.

### **Follow-up of 'corruption' topic-related inspection**

During fiscal year 2016/2017, the AFM continued its topic-related inspection into the audit risks at clients who face a relatively high risk of corruption and into the audit approach with regard to this risk taken at such clients.

More specifically, the AFM started a focused review of the internal consultation process established in audit firms with respect to (the risk of) corruption at a client. At our firm, the AFM inspected two consultations related to corruption. In June 2017, the AFM provided us with a written letter with its findings. We will use these findings to further improve our quality control systems.



## The AFM's reaction to incidents reported

Certain events within, or with an impact on, our firm qualify as an 'incident' under Dutch regulation of the audit sector. We must report these incidents to the AFM. In those cases where we file an incident report with the AFM, we investigate the relevant facts and circumstances and the root causes of the incident. We regularly inform the AFM on the progress and outcome of such internal inspections. The AFM shares its observations on these internal inspections and our related improvement initiatives with us.

By the end of April 2017, the AFM issued a formal warning to EY about the nature and number of signals and incidents. Currently, and in close communication with the AFM, we are actively addressing the issues mentioned in the AFM warning. This follow-up includes a thorough analysis of the risk of the occurrence of other, not yet identified, incidents; an analysis of the underlying themes and root causes; field work to assess the intensity and frequency of these themes and causes at our firm; and the definition of remedial action. This follow-up will be completed in the last quarter of 2017 and will be followed by the execution of the remedial action as part of the Step Change to Quality program.

## SISA and WNT inspections by the Dutch National Government Audit Service (*Auditdienst Rijk*, ADR)

Dutch municipalities and provinces are subject to SISA (Single Information, Single Audit) reporting requirements to the Dutch Ministry of the Interior and Kingdom Relations regarding specific contributions they receive from central government.

SISA includes the attachment of a detailed annex to municipalities' financial statements. This annex is subject to external audit. In September 2016, the ADR inspected the 2015 Financial Statements SISA annexes of a number of municipalities and provinces, including three audited by our firm. The inspection concluded that for all these three files, the audit had been performed in an adequate way regarding both the financial statements and the funding information.

The ADR also performed an inspection of audits regarding their compliance with the relevant articles of the Dutch Executives Pay (Standards) Act (*Wet Normering Topinkomens*, WNT). The inspection of two of our audit files concluded that both audits had been performed in accordance with the audit protocol.

## Quality Review by the Dutch Educational Inspectorate (*Onderwijsinspectie*)

The financial information of Dutch publicly-funded educational institutions – both financial and funding information – is subject to audits. The audit work required is described in detail in the 'Education Audit Protocol'. The Dutch Educational Inspectorate performs annual reviews of some of our audit files in order to determine if we performed our audits adequately and in compliance with the Education Audit Protocol. In September 2016, the Educational Inspectorate performed seven reviews of audits by our firm on the year 2015 of educational institutions. It qualified six of these audits as sufficient and one as

insufficient. We take the ADR's findings into account, we shared the findings within the Education sector team and will incorporate the lessons learned in future audits.

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

The NZa performs yearly reviews of the implementation of the Healthcare Insurance Act (*Zorgverzekeringswet*, ZVW) and the Long-Term Care Act (*Wet Langdurige Zorg*). In 2016/2017, the NZa reviewed two of our firm's audit files of health insurance companies and an audit file of our firm of a Health Office (*zorgkantoor*). There were no findings in any of these three files.

## Compliance with legal requirements

The EY Global Code of Conduct provides a clear set of standards that guide our actions and business conduct.

Ernst & Young Accountants LLP complies with applicable laws and regulations, and EY's values underpin our commitment to doing the right thing. This important commitment is supported by a number of policies and procedures, explained in the paragraphs below.

### Anti-bribery

The EY Global Anti-bribery Policy provides EY people with direction around certain unethical and illegal activities. It emphasizes the obligation to comply with anti-bribery laws and provides greater definition of what constitutes bribery. It also identifies reporting responsibilities when bribery is discovered. In recognition of the growing global impact of bribery and corruption, efforts have been increased to embed anti-bribery measures across EY.

### Anti Money Laundering

Our risk policy in the context of the Dutch 'Prevention of money laundering and financing of terrorism Act' (*Wwft*) sets out the principles to be applied by our staff to counteract money laundering and financing of terrorism. The two major issues with regard to the *Wwft* are client examination and the reporting of unusual transactions; both subjects are addressed in this policy. We are currently adjusting our risk policies in order to ensure compliance with the EU's fourth Anti-Money Laundering Directive. In one specific matter, the Dutch public prosecutor is currently investigating whether we complied with our reporting obligations pursuant to the *Wwft*.

### Insider trading

The EY Global Insider Trading Policy reaffirms the obligation of our people not to trade in securities with insider information, provides detail on what constitutes insider information and identifies with whom our people should consult if they have questions regarding their responsibilities.

## Trade sanctions

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

## Data privacy

The EY Global Personal Data Privacy Policy sets out the principles to be applied to the use and protection of personal data, including that relating to current, past and prospective personnel, clients, suppliers, and business associates. This policy is consistent with applicable laws and regulations concerning data protection and privacy for maintaining and processing personal data. Furthermore, we have a policy to address our specific Dutch data privacy requirements and business needs.

## Document retention

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

## Litigation

### Transparency in the Public Interest

When performing their work, individual external auditors and their firms must put the public interest first. Therefore, when our firm needs to decide what information to provide to society at large, the main question we ask ourselves is: what degree of transparency will best serve the public interest?

In the world of auditing, the public interest is served by a high quality of audits and audit opinions, also in terms of reliability and relevance. That is why we focus on quality issues in our communications with the outside world. This quality-focused transparency also includes being open about what we learn from internal and external reviews, and from instances in which the quality of the work of our firm or one of its auditors is questioned. For us, transparency in these cases is about communicating what lessons we have learned and what we are doing to further improve the quality of our audits.

We fully acknowledge that such quality-focused information may at times be more technical and tedious than other information related to these inspections or instances of controversy.

We believe that from the perspective of the public interest, it is more important for us to be transparent about the lessons learned from recent or current inspections and controversies rather than to provide information regarding, for example, the amount for which we have settled a civil case related to an audit performed many years ago.

In our litigious society, there will always be tension between the duty (and indeed the desire) to be transparent, in the public interest, about lessons learned, on the one hand, and the need to be prudent from a legal point of view and not to undermine our position in existing litigation or induce new litigation, on the other. Indeed, in many cases there will be legal and contractual restrictions to our transparency as our external communications may be limited by our duty to respect the privacy of individual persons involved.

In a healthy society, the degree of transparency of private firms will always be a matter of debate. We accept that debate and will try to focus on the essential question: how can we align our transparency with the public interest?

### Disciplinary proceedings

During fiscal year 2016/2017, three new disciplinary proceedings were initiated against auditors of our firm, of which two do not relate to work performed on behalf of our firm. All three were still pending on 30 June 2017. The two proceedings initiated before and pending on 1 July 2016 were still pending on 30 June 2017. Therefore, as of 30 June 2017, five disciplinary proceedings in total were pending.

The first one relates to the 2013 financial statements of a private limited liability company, for which the auditor issued an unqualified opinion. Two minority shareholders of the company, who are required to offer their shares to the majority shareholder, claim that the financial statements contain material misstatements. In May 2016, the Disciplinary Council (*Accountantskamer*) decided that part of the complaint was well-founded and the auditor received a reprimand (*berisping*). The complainants and the auditor both filed an appeal with the Trade and Industry Appeals Tribunal (*College van Beroep voor het bedrijfsleven*). In September 2017, the Trade and Industry Appeals Tribunal decided that some parts of the appeal of the auditor were well-founded. The reprimand was changed into a warning (*waarschuwing*).

The second case involves two shareholders of a bankrupt public limited company who filed a complaint against the auditor of that company in May 2016. They claim that the 2012 and 2013 audits were not performed properly. The Disciplinary Council heard the case on 12 December 2016 and again on 22 May 2017. In September 2017 the Disciplinary Council decided that part of the complaint was well-founded and the auditor received a reprimand (*berisping*).

In the third case, a disciplinary complaint was filed by Stichting SOBI against the auditor of Facultatieve Groep B.V. This case has attracted considerable attention in the media. The complainant claims that the 2012 audit was not performed correctly. In September 2017, the Disciplinary Council heard the case. A decision is expected in fiscal year 2017/2018.

In the fourth case, an audit firm unrelated to EY was dissatisfied with the decision taken by the NBA - the professional organization for auditors in the Netherlands - after a review by the NBA of the firm's quality control system. The firm filed disciplinary complaints against all



registered accountants involved in reaching that decision. One of our accountants was a member of the Governing Board of the NBA at the time and as such a disciplinary complaint was filed against him. The Disciplinary Council will hear the case in fiscal year 2017/2018.

The fifth case concerns a disciplinary complaint against an auditor relating to a forensic investigation performed between 2013 and 2016 by another audit firm. At the time, the auditor worked for that firm; he joined EY in 2015. A decision is expected in fiscal year 2017/2018.

#### **Claims under civil law relating to professional conduct**

##### *Demand letters*

A demand letter is a letter including a notice of liability (*aansprakelijkstelling*). Demand letters may lead to an acknowledgement or a refutation of liability. We received four demand letters in fiscal year 2016/2017.

##### *Civil law proceedings*

Four civil law proceedings were pending on 1 July 2016, and all of these were still pending on 30 June 2017. One of these cases, although formally still pending, is inactive. In the other three cases, the courts have not yet rendered their (final) decisions. These decisions may take several years. We refer to our Transparency Reports of recent fiscal years for further information.

##### *The Landis case*

Over the years, the Landis case - which concerns work we performed between 1999 and 2001 - has received considerable media attention. In fiscal year 2011/2012, we agreed a settlement with receivers and the banks. In fiscal year 2016/2017, we settled with Vereniging VEB-NCVB and Stichting VEB-Actie Landis. Stichting Landis leed II has since withdrawn its claim. We have now closed this file.

## **Stakeholder Dialogue**

At EY, we acknowledge the importance of open communication and transparency vis-à-vis our stakeholders. We practice this policy of transparency in the direct fulfilment of our professional duties, e.g. through meaningful audit reports and management letters, and through an active role of our auditors at the shareholders' meetings of our clients. In addition, beyond activities related to individual engagements, we regularly meet with external stakeholders such as shareholders, non-executives and executives of current or prospective clients, government and regulators. We also participate in various collective initiatives (e.g. those organized by our professional organization NBA) fostering the dialogue of auditors with society at large.

In fiscal year 2016/2017, we organized various meetings with external stakeholders, in addition to the many contacts with our external regulator, the AFM. In the last quarter of 2016, we held six round table meetings with non-executive directors of PIEs (*Organisaties van Openbaar Belang*, OOBs) and other large Dutch companies. Subjects discussed were

risk management, and culture and behavior in large organizations. We also organized a round table with shareholders and other representatives from the investment community. Furthermore, we had various meetings with different politicians. We participated in activities organized by the NBA, e.g. meetings on the role of internal auditors, the role of the external auditor as 'gatekeeper' etc. We noted that during the discussions a distinction was made between an expectation gap and a performance gap, each requiring a different approach.

We believe a constructive and regular dialogue with our main stakeholders about the role of the auditor and the content and relevance of our profession is a vital component of our purpose to serve the public interest and to further increase the quality of our audits and other services. Our stakeholders must be able to trust us, they need to be confident that we serve the public interest. In the case of auditors, trust and confidence are a combination of two factors: high quality of services and fluent communications with stakeholders. After all, in a society that changes ever more rapidly, the needs, interests and demands of our stakeholders change too. Therefore, defining 'the public interest' and 'quality' is a continuous exercise, which includes a dialogue with the stakeholders who make up the very 'public' we have a duty to serve. We learn from listening to our stakeholders and, at the same time, the dialogue gives us the opportunity to explain what we do to increase the quality of our audits and other services.

The value we attach to the stakeholder dialogue is reflected in our Step Change to Quality program. An important goal of this change-program of EY in the Netherlands is to organize the dialogue with our stakeholders in a more structured way and to intensify this dialogue at the same time. EY's stakeholder dialogue in the Netherlands is organized at the central level, across all service lines. After all, the reputation of one service line influences the trust the public places in other service lines. That said, the issues most important to our Assurance service line (e.g. audit quality) take center stage in EY's stakeholder dialogue in the Netherlands. At a time when we clearly see the need to bring the quality of our audits in line with the expectations of our important stakeholders, listening to their suggestions and explaining to them what we do to achieve our goals is more important than ever. It's clear that we want to do better. In addition, it is important to discuss the expectation gap. Is obtaining 'reasonable assurance' currently still considered sufficient by stakeholders? Are the current requirements for fraud procedures still in line with stakeholders' expectations?

## **NBA measures 'In the public interest'**

In September 2014, an NBA working group published the report 'In the Public Interest' (*'In het Publiek Belang'*). As a result of this report, the NBA adopted its '53 measures', intended to ensure the preeminence of the public interest in the audit profession and to foster audit quality. Many of the

measures require action on the part of audit firms, especially those with a PIE-license (*OOB-vergunning*) such as our firm.

What follows is a summary, per subject area, of the current status of the implementation by our firm of the actions required. We refer to the NBA monitor regarding implementation of the measures by different firms for more detailed information.

### **Culture**

The NBA urges audit firms to embed the right culture inside the firm and to measure this culture periodically. Based on our internal reflections and the outcome of the AFM inspection regarding the internal organization and culture at audit firms with a PIE-license (published June 2017), we decided to perform a culture measurement in October 2017. We will translate the results of this survey into initiatives that will be integrated into our Step Change to Quality program launched in April 2017. More in general, 'culture' is one of the four focus areas of Step Change to Quality.

### **Governance**

In the Netherlands, audit firms with a PIE-license are required to have a supervisory board at the holding level of their national organization. Several attributes and competencies of this board are specifically defined. The supervisory board of Ernst & Young Nederland LLP started its work on 1 July 2015. In its June 2017 report, the AFM mentioned various areas where the board should increase its effectiveness. The supervisory board has followed up on these suggestions. For more information, we refer to the Report by the supervisory board of Ernst & Young Nederland LLP in this Transparency Report.

### **Performance review and remuneration**

Measures in this area relate to the right conditions and incentives in policy areas such as performance review and promotion and remuneration of our partners and employees. We have implemented a claw-back regulation as per 1 July 2016. We have taken good notice of the outcome of the AFM inspection, published in June 2017, including the findings regarding partner remuneration. We are now in the process of converting these findings into actions within our Step Change to Quality program.

### **Communication**

The measures regarding communication relate mainly to the use of the new, more informative auditor's report and auditors' presentations at shareholders' meetings. We fully comply with these measures.

### **Quality**

Most measures in this area relate to the definition of, and reporting on, quality-indicators, as well as to Engagement Quality Reviews (EQRs) and to remedial actions as a follow-up to the outcome of Audit Quality Reviews (AQRs). We fully comply with these measures. Focus areas of Step Change to Quality include improvements to our audit quality framework and to our management information systems as well as investments in training and education of our professionals.

### **Report of the Monitoring Commission**

The NBA established a commission to monitor the implementation of the 53 measures. This monitoring commission published a report in December 2016. In this report, the commission discussed a number of important issues regarding the public interest and audit quality, issues that go beyond the mere implementation of the 53 measures. We participate actively in the discussions that followed this report, especially the discussions within the NBA.



## Independence practices

EY Global Independence policies require Ernst & Young Accountants LLP and our people to comply with the independence standards applicable to specific engagements, including, for example, the Code of Ethics of the IESBA and Dutch rules on auditor independence.

We consider and evaluate independence from several perspectives, including our financial relationships and those of our people; employment relationships; business relationships; the permissibility of non-audit services we provide to audit clients; applicable firm and partner rotation requirements; fee arrangements; audit committee pre-approval, where applicable; and partner remuneration and compensation.

**Failure to comply with applicable professional independence requirements will factor into decisions relating to a person's promotion and compensation, and may lead to other disciplinary measures, including separation from Ernst & Young Accountants LLP.**

We have implemented EY's global applications, tools and processes to support us, our professionals and other employees in complying with independence policies.

### EY Global Independence Policy

The EY Global Independence Policy contains the independence requirements for member firms, professionals and other personnel. It is a robust policy predicated on the IESBA Code of Ethics and supplemented by more stringent requirements where prescribed by a given regulator. The policy also contains guidance to help people apply the independence rules. The EY Global Independence Policy is readily accessible and easily searchable on the EY intranet.

The Dutch Independence Supplement to the EY Global Independence Policy explains the specific Dutch statutory requirements regarding independence to all EY professionals. Various communications occurred with independence leaders throughout the world in order to foster compliance with these far-reaching requirements. During fiscal year 2016/2017, our Independence Team again performed a number of Public Company Independence Procedures. In all cases, we checked whether EY would be in a position or not - from an independence point of view and under the applicable Dutch independence

regulations - to accept a future audit engagement at a Dutch OOB (PIE) that had issued a 'request for proposal'.

### Global Independence System (GIS)

The GIS is an intranet-based tool that helps EY professionals identify the listed entities from which independence is required and the independence restrictions that apply. Most often, these are listed audit clients and their affiliates, but they can be other types of attest or assurance clients too. The tool includes family-tree data relating to affiliates of listed audit clients and is updated by client-serving engagement teams. The entity data includes notations that indicate the independence rules that apply to each entity, helping our people determine the type of services that can be provided or other interests or relationships that can be entered into.

When an OOB (PIE) entity issues a 'request for proposal' for the audit engagement and our firm is interested, we perform an analysis of potential independence risks and determine the measures to be taken if we go ahead with a proposal and are selected by the prospective client. Once Ernst & Young Accountants LLP is appointed as the auditor, we keep tracking non-audit services on a regular basis, both in the Netherlands and abroad, to ensure timely termination of prohibited non-audit services. At the start of the actual audit engagement, we ascertain that all remaining non-audit services were finished.

### Global Monitoring System (GMS)

The GMS is another important global tool that assists in identifying proscribed securities and other impermissible financial interests. Professionals ranked as manager and above are required to enter details about all securities they hold, or those held by their immediate family, into the GMS. When a proscribed security is entered or if a security they hold becomes proscribed, professionals receive a notice, and are required to dispose of the security. Identified exceptions are reported through the Global Independence Incident Reporting System (GIIRS) for regulatory matters.

GMS also facilitates annual and quarterly confirmation of compliance with independence policies, as described below.

### Independence compliance

EY has established a number of processes and programs aimed at monitoring the compliance with independence requirements of EY member firms and their people. These include the following activities, programs and processes.

## Independence confirmations

Annually, Ernst & Young Accountants LLP is included in an Area-wide process to confirm compliance with the EY Global Independence Policy and process requirements, and to report identified exceptions, if any. All EY professionals, and certain others, based on their role or function, are required to confirm compliance with independence policies and procedures at least once a year. All partners are required to confirm compliance quarterly.

## Global independence compliance reviews

EY conducts internal procedures to assess member firm compliance with independence matters. These reviews include aspects of compliance related to non-audit services, business relationships with the companies we audit and financial relationships of member firms.

## Personal independence compliance testing

Each year, the EY Global Independence team establishes a program for testing compliance with personal independence confirmation requirements and with reporting of information into GMS. During the 2016/2017 testing cycle, Ernst & Young Accountants LLP tested approximately 34 partners and executive directors and 79 other professionals (2015/2016: approximately 100 partners, executive directors and other professionals in total). The outcome is discussed under 'Independence Monitoring'.

## Non-audit services

We monitor compliance with professional standards governing the provision of non-audit services to audit clients through a variety of mechanisms. These include the use of tools, e.g., PACE – for more information on PACE, see the section on client acceptance in this Transparency Report on page 40 – and our 'Service Offering Reference Tool' (SORT) – see below –, but also training and required procedures completed during the performance of audits as well as internal inspection processes. We have increased our monitoring of other services to Dutch OOBs (PIEs) under the Dutch independence rules. Various improved prevention controls embedded in PACE processes, combined with robust detection controls using queries and exceptions reports, allow us to comply with the new Dutch regulations. As a result of our monitoring processes, seven cases of non-compliance were noted during calendar year 2016 where proscribed non-audit services were provided to audit clients. These cases took place in different fiscal years. Four cases relate to two situations where the non-compliance took place in two consecutive fiscal years before being discovered and remedied. In addition, three cases of non-compliance related to one and the same audit client. Therefore, three clients in total were affected by these seven cases. All cases were reported to the AFM. In July 2016, the AFM had a disciplinary discussion (*normoverdragend gesprek*) with our firm regarding a case of non-compliance that had taken place during fiscal year 2015/2016. In all cases, we performed the necessary remediation and took corrective actions. In addition, we have implemented measures to enhance our engagement approval processes. At this moment, another AFM investigation regarding the delivery of non-audit services is in progress.

## Global independence learning

EY develops and deploys a variety of independence learning programs. All professionals and certain other personnel are required to participate in annual independence learning to help maintain our independence from the companies we audit.

**The goal is to help EY people understand their responsibility and to enable each of them, and their member firms, to be free from interests that might be regarded as incompatible with objectivity, integrity and impartiality in serving an audit client.**

The annual independence learning program covers independence requirements focusing on recent changes to policy, as well as recurring themes and topics of importance. Timely completion of annual independence learning is required and is monitored closely.

In addition to the annual learning program, independence awareness is promoted through a number of events and materials, including new-hire programs, milestone programs and core service line curricula.

## Service Offering Reference Tool (SORT)

We assess and monitor our portfolio of services on an ongoing basis to confirm that they are permitted by law and professional standards, and to make sure that we have the right methodologies, procedures and processes in place as new service offerings are developed. We restrict services from being provided that could present undue independence or other risks. SORT provides EY people with information about EY service offerings. It includes guidance around which services can be delivered to audit and non-audit clients, as well as independence and other risk management issues.

## Business Relationship Evaluation Tool (BRET)

The BRET process helps to support compliance with independence requirements. Our people are required to use BRET in many circumstances to identify, evaluate and obtain advance approval of a potential business relationship with an audit client.

## Audit committees and oversight of independence

We recognize the important role audit committees and similar corporate governance bodies undertake in the oversight of auditor independence. Empowered and independent audit committees perform a vital role on behalf of shareholders in protecting independence and preventing conflicts of interest. We are committed to robust and regular communication with audit committees or those charged with governance. Through EY quality review programs, we monitor and test compliance with EY standards for audit committee communications, as well as the pre-approval of non-audit services, where applicable.

For audits concerning financial years starting on or after June 17, 2016, EU regulations mandate EU-based PIEs (OOBs) to have a pre-approval policy in place. This policy requires approval in advance by the audit committee of any non-audit service to be delivered by the auditor.

Furthermore, this policy contains mandatory requirements regarding annual reporting by the audit firm to the audit client on services provided and fees charged. During fiscal year 2016/2017, we informed and prepared our assurance professionals with respect to the impact of these new regulations through various webcasts and other training programs.

### **Independence monitoring**

Our Independence Desk in the Netherlands deals with cross-service line compliance with all independence requirements. Among other tasks, it monitors compliance with relevant independence requirements. The Desk is managed under the responsibility of the Netherlands Independence Leader.

This group consists of approximately 11 FTEs who serve all professionals and service lines. In addition to its various key control functions, the Desk handles all independence-related consultations. On average, we receive around 1,500 independence-related email inquiries and about 1,000 independence confirmation requests annually in the Netherlands alone. The nature of the questions focuses on the independence rules applicable in the Netherlands, as well as the implications of recent additions to and changes in EU rules and regulations. Questions that require consultation with subject matter experts are discussed with Area and Global specialists.

The key controls and monitoring procedures cover the following areas: monitoring independence training and independence confirmations; recording personal financial interests in the Global Monitoring System (GMS) held by professionals at the level of manager and above; testing compliance with Independence policies; assessment of non-audit services; business relationships, gifts and hospitality; and data. Our GMS system, for example, currently monitors over 6,000 securities held by our Dutch professionals. Our independence monitoring activities enabled all of our partners and other professionals to complete mandatory training on the independence regulations and confirm their independence through our annual (for partners, quarterly) confirmation process.

Compliance with the GMS requirements is monitored through our Personal Independence Compliance Testing (PICT) program, which is designed to cover partners, directors and (senior) managers. Our sample sizes vary from year to year and we aim to ensure that all partners are tested at least once every five years, with certain partners in managerial roles selected more frequently. 34 partners and executive directors with signing authority were tested in the period covered (1 April 2016 to 31 March 2017). These tests discovered three independence breaches (previous period: 31 tests, one breach - in our 2016 Transparency Report, we erroneously reported zero breaches for this period). As opposed to this increase in the number of independence breaches, the number of administrative violations such as formal violations of internal policies relating to late entry in our monitoring system of non-prohibited listed investments and the use of incorrect ISIN codes, decreased during the period under review.

Our testing program for other senior professionals resulted in similar findings regarding administrative violations (a decrease) and in zero independence breaches. And 79 other professionals were tested. All instances of securities that had not been recorded in time concerned securities held by professionals who were not involved in audits for clients of which they held securities.

Our engagement acceptance processes have been further augmented this year to ensure no non-audit services are provided to OOB (PIE) clients. In addition, our Independence Desk conducted a detailed review of all clients for any prohibited services. Going forward, this monitoring will be continued on a quarterly basis.

The Independence Desk also reviews business relationships entered into by Ernst & Young Accountants LLP. We generally track, on average, around 300 active business relationships. All of them have been subject to a documented review by the Independence team. Directorships of all Dutch professionals are monitored through a dedicated database. All confirmations provided by Dutch professionals are reviewed and approved if authorized by our policies. Additional monitoring through public records exists for all partners and executive directors. Indeed, on a regular basis public records are searched to assess whether any partner or Assurance executive director holds a position that was potentially not disclosed.

Gifts and hospitality arrangements are reviewed by our Independence team. Following the rules under the ViO, we actively communicated the €100 limit for activities with Assurance clients. In accordance with the ViO, our policy in the Netherlands stipulates that Assurance clients' representatives cannot be invited to social events and entertainment representing a value over €100. Neither will our professionals accept such invitations from Assurance clients.

### **Implementation of EU Audit Reform**

New EU rules governing the audit profession entered into force on 17 June 2016. Those rules are the product of the ambition of the European Commission to reform the audit market ('the EU Audit Reform'). The rules are transposed into Dutch law by EU Regulation No 537/2014 and amended Directive 2006/43/EC and affect the 'Dutch Audit Firm Supervision Act' (*Wet toezicht accountantsorganisaties*, Wta), the 'Dutch Audit Firm Supervision Decree' (*Besluit toezicht accountantsorganisaties*, Bta) and the 'Regulation regarding the Independence of Accountants performing Assurance Engagements' (*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*, ViO).

During fiscal year 2016/2017, the required changes were implemented in systems, tools and procedures. For further details, we also refer to the section on audit partner rotation in this Transparency Report and to the paragraphs on audit committee and oversight of independence, and on non-audit services of this chapter on Independence Practices.





## Continuing education of audit professionals

### Staff turnover

In 2016/2017 our Assurance Service Line welcomed 400 new employees; 162 women and 238 men.

As of 30 June 2017, our firm employed 2,662 employees on a full-time basis (2,524 on 30 June 2016). Of these employees, 1,967 FTE (full-time equivalent) worked for our Assurance Service Line (1,903 FTE on 30 June 2016). We had 154 FTE partners (146 on 30 June 2016). Of these partners, 105 worked for our Assurance Service Line (103 on 30 June 2016). 62 executive directors worked for our Assurance Service Line (55 on 30 June 2016). The absenteeism rate was 3.0%. In addition, parental leave amounted to 6.7%. During fiscal year 2016/2017, staff turnover at our firm was 17% (2015/2016: 20%); staff turnover in the Assurance Service Line amounted to 15% (2015/2016: 19%).

Employees who left our Assurance Service Line in 2016/2017	Women	% of experience group	Men	% of experience group
0-3 years of experience	59	16.3%	112	17.1%
4-6 years of experience	34	29.6%	26	12.4%
≥ 6 years of experience	25	13.9%	41	9.6%
<b>Overall turnover</b>	<b>118</b>	<b>17.9%</b>	<b>179</b>	<b>13.9%</b>

Employees who left our Assurance Service Line in 2016/2017	% of rating group	Men	% of rating group	Women
Above average last rating	26	13.3%	46	10.1%
Average last rating	59	15.0%	75	11.3%
Below average last rating	33	47.8%	58	33.9%
<b>Overall turnover</b>	<b>118</b>	<b>17.9%</b>	<b>179</b>	<b>13.9%</b>

### Professional development

The EY career development framework, EYU, provides our people with opportunities for the right experiences, learning and coaching to help them grow and achieve their potential.

The learning component of EYU is based on an extensive and globally consistent learning curriculum that helps all our people develop the right technical and personal leadership skills, wherever they are located around the world. Core audit training courses are supplemented by learning programs that are developed in response to changes in accounting and reporting standards, independence and professional standards, and emerging practice issues.

We are in the last stage of redesigning our core audit training into 'The Audit Academy' – a curriculum for learning. This high-impact learning combines interactive classroom-based simulations, on-demand e-learning modules and relevant reinforcement and application support.

The last stage of the redesign of our Audit Academy is the executive learning program. One of the ambitions of our change program Step Change to Quality is to increase the education effort directed at our executives. In line with this goal, the executive learning program was intensified, from two to five days, including webcasts, a personal learning plan for all executives and several knowledge tests. The program was implemented in July 2017, in time for the Summer Courses.

If and when EY audits and reviews International Financial Reporting Standards (IFRS) financial statements, relevant team members receive training to become IFRS accredited.

We require our audit professionals to obtain at least 20 hours of continuing professional education each year and at least 120 hours over a three-year period. Of these hours, 40% (at least 8 hours each year and 48 hours over a three-year period) must cover technical subjects related to accounting and auditing.

In addition to formal learning, professional development takes place through coaching and new experiences by our professionals on the job. Coaching helps to convert new knowledge and experiences into good practice.

Since 2016, we use a special coaching program – developed in house – for new hires. New hires work in Development & Learning Teams (DLTs) with four to six members, under the

guidance of a coach. Coaches attend a special training program including coaching skills self-assessment, coach training and peer feedback. The DLTs are based on the premise that participants can learn from each other, i.e. engage in peer learning. The coach guides this mutual learning process. These programs will help strengthen the coaching culture at the levels of both new hires and experienced staff.

Experienced professionals are expected to coach and develop less experienced personnel to create a continual learning environment. We also manage the assignment of our people to particular engagements in a systematic way. Thus, we help to ensure they have exposure to a range of experiences as part of their own development.

During fiscal year 2016/2017, our firm's professionals spent 317,000 hours on learning as compared to 301,000 in fiscal year 2015/2016.

Those hours include staff and senior staff external training hours (150,000) to become an auditor, on average one day a week a year. All our professionals met the learning effort requirements regarding continuing professional education (*Permanente Educatie*, PE), professional skepticism and - where applicable - IFRS and/or US GAAP & US GAAS.

To serve the public interest, our professionals are not only continuously trained in their application of professional skepticism but also in skills that help them maintain high-quality relationships with stakeholders while meeting public interest expectations in communication regarding the audit. This requires multiple competencies that are part of our learning programs.

The EY University is part of our Personal Career Design campaign. This learning program is based on our World Class Learning principles. Our financial experts participate in the core curriculum which includes auditing, accounting, IT, sustainability and fraud investigations. The program started in 2016 and is now offered to two cohorts of participants annually.

We invest in data analytics learning as part of our investment in innovating our high-quality audits to increase client value. Data analytics is integrated into our Audit Academy curriculum. In addition to this curriculum, we have developed a specific traineeship for staff to further specialize in data analytics within EY University.

The main goal of Step Change to Quality in our audit practice is to further increase the quality of our audits. The efforts of the Audit Transformation program can make a valuable contribution, because its goal is to make the EY audit practice more quality-conscious, agile, efficient and relevant, so teams can deliver on their primary aim – to provide the highest-quality audits in the profession.

In addition, we train partners serving listed entities in their communication at the Annual Shareholders' Meetings of those entities.

We continue to train our graduates in the mandatory NBA topic of 'professional skepticism' and are convinced that our professionals will benefit from this training, and, most

importantly, that it will foster the application of professional skepticism during our audits.

The hours invested in learning can be summarized as follows. For more detailed information, please see further below.

Hours by rank (000)	2016/ 2017	%	2015/ 2016	%
Partners and executive directors	10	3%	10	3%
Senior managers and managers	43	14%	34	11%
Senior staff	58	19%	56	19%
Staff	205	65%	201	67%
<b>Totals</b>	<b>317</b>	<b>100%</b>	<b>301</b>	<b>100%</b>

Quality and relevance of our work, i.e. meeting internal and external quality standards when serving the public interest, are the cornerstones of mandatory learning. A high-level overview of mandatory training programs is provided below (for details see the table on the next page):

- Induction training for new hires, Audit Academy for staff, senior staff and managers, professional skepticism for graduates;
- Summer courses for our executives. During the 2016 edition of this executive event, all our professionals took the new professional oath, one of the quality improvement measures proposed by our professional association NBA;
- All managers, senior managers, directors and partners had to take the annual ISA test (*Kennistoets*) with numerous questions testing participants' knowledge of our audit methodology and audit standards;
- IFRS and PCAOB (role based).

The main goal of mandatory training is to enable our professionals to fully comply with accounting and reporting standards, independence and professional standards, and to appropriately address emerging practice issues within EY and the profession at large. The trainings are based on World Class Learning and include simulations and focus on the development of relevant competences for the audit profession.

In fiscal year 2016/2017, we implemented our local learning program. The objective of local learning is to improve the coaching culture, within established local learning teams, in order to facilitate experienced-based learning within dedicated small-sized learning teams in the regional offices. During fiscal year 2016/2017, the local learning modules focused on implementation of data analytics, our Global Audit Methodology and Standardization of the audit.

We train all our personnel to have adequate and sufficient knowledge of our methodology (topic-based GAM) and update each executive on the relevant changes in GAM and our electronic audit file.



## Accreditation

EY has a system of accreditation for specific procedures and clients. Executives who work for US SEC clients and / or IFRS audit clients must have a personal accreditation based on training and/or experience hours.

## Monitoring

At least once a year, we monitor executives' compliance with their mandatory training requirements. During fiscal year 2016/2017, all professionals complied with their Continuing Education (permanente educatie, PE) obligations. If partners and executive directors exceed this PE requirement, by attending additional training, this is taken into account when their quality ratings are established.

Core technical education - number of participants fiscal year 2016/2017	Induction	Summer courses, Executive Events	Dutch Accounting Standards Update	GAM Update for Executives	PACE WBL	Independence WBL	NBA knowledge test	IFRS	PCAOB (USFNUS and SOX Work-shops)	EQR	Local Learning Modules
Partners and executive directors	-	153	141	131	148	166	141	101	47	73	147
Senior managers and managers	-	337	338	280	415	491	207	193	105	97	356
Senior staff	-	344	71	2	461	515	6	19	52	-	4
Staff	273	428	4		769	777	-	-	6	-	-
Hours per training	80	4-28	4	4	1	1.5-2	2	8	1-6.5	2	2
Total hours	20,086	22,867	2,260	1,650	1,793	4,050	708	2,491	2,211	339	1,013

Core technical education - number of participants fiscal year 2015/2016	Induction	Summer courses, Executive Events	Canvas Launch Events	Engage-ment Economics & Pricing	Independence	Wwft	NBA knowledge test	IFRS	PCAOB
Partners and executive directors	-	151	119	74	153	159	139	75	42
Senior managers and managers	-	279	294	226	402	394	229	163	92
Senior staff	-	234	380	-	444	421	7	34	68
Staff	245	419	556	-	388	744	-	1	25
Hours per training	80	16-32	9	4	1.5	2	2	8-16	0.5-7
Total hours	19,904	24,456	10,792	1,200	2,081	3,434	748	2,536	3,119

## Knowledge and internal communications

In addition to professional development and performance management, we understand the importance of providing client engagement teams with up-to-date information to help them perform their professional responsibilities. EY makes significant investments in knowledge and communication networks to enable the rapid dissemination of information to help people collaborate and share best practices. Examples include:

- EY Atlas, which includes local and international accounting and auditing standards, as well as interpretive guidance; replacement for Global Accounting and Auditing Information Tool (GAAIT) since fiscal year 2017
- Publications such as *International GAAP*, *IFRS developments* and *illustrative financial statements*
- *Global Accounting and Auditing News*, a weekly update covering assurance and independence policies, developments from standard setters and regulators, as well as internal commentary thereon
- Practice alerts and webcasts covering a range of global and country-specific matters designed for continuous improvement in member firms' Assurance practices

## Performance management

A comprehensive performance management process requires our people to set goals, have clear work expectations, receive feedback and talk about their performance. The Performance Management and Development Process (PMDP) is designed to help our people grow and succeed in their careers.

Under the PMDP, periodic job performance reviews are combined with annual self-appraisal and reviews. As part of the annual review process, each professional, in conjunction with their counselor (an assigned, more experienced professional), identifies opportunities for further development. Professionals and their counselors are guided by a set of expectations that articulate the knowledge, skills and behaviors that should be maintained and developed for their respective ranks. These expectations are derived from, and align with, the EY Global strategy and values.

### Measuring the engagement of our professionals: the Global People Survey

The EY Global People Survey is a powerful strategic tool for assessing the effectiveness of our strategy and maximizing the potential of the organization through our people. It is used to (1) measure the engagement levels of our people, (2) identify potential problems within the business, (3) evaluate the effectiveness of high-priority programs and initiatives, (4) make appropriate adjustments to align operations with our mission, ambition and strategy, and (5) identify those elements that have an impact on critically important business outcomes.

The Global People Survey is conducted every two years. The Global People Pulse Survey is a shorter version of the Global People Survey, it includes only around 25% of the questions and is carried out in the years when no Global People Survey is conducted. The most recent Global People Survey took place during the first half of 2017. Approximately 2,100 people of the Assurance Service Line in the Netherlands were invited to participate and more than 1,700 responded. The 82% response rate was the highest in years for a Global People (Pulse) Survey (2016: 80%).

### Employee Engagement

In the Global People survey, 'engagement' is a combination of sentiments and attitudes that can have a positive impact on work behavior. These sentiments and attitudes include satisfaction with the organization, pride, commitment and a willingness to recommend the organization as a great place to work. When people are engaged, they assume more ownership of their work, make an extra effort when needed and strive for higher levels of performance.

Engagement tells us how our people feel about their experience at EY: the more positive their experience, the more engaged they are. When our people are more engaged, they put in more discretionary effort, which may have a significant positive impact on some of our key business outcomes.

Research that we carry out ourselves explores the relation between the survey results and various business metrics.

This research confirms the positive impact of employee engagement. Higher engagement levels at Ernst & Young Accountants LLP correlate significantly with, among other indicators, increased levels of retention and higher favorability ratings from clients. Groups within Ernst & Young Accountants LLP performing in the top quartile on engagement yield significantly more gains in these areas than those at average levels.

During the Global People Survey held in 2017, we received a high engagement score (80%) in the Netherlands. This score is 2 percentage points above the entry mark engagement score for the 'best-in-class' upper quartile among companies who carry out similar people surveys in our region. Over the last three years, the engagement of our people has remained at a consistently high level, an excellent accomplishment. 85% of our people said that they are very proud to work for Ernst & Young Accountants LLP (2016: 88%). 79% (2016: 78%) prefer to stay with us even if a comparable job were available at another company and 82% (2016: 79%) would recommend Ernst & Young Accountants LLP as a great place to work.

### Clients' assessment of our service quality

To create a consistent, positive client experience that differentiates us from the competition, we are eager to develop a deeper understanding of clients' expectations and we strive to deliver exceptional service in all our client interactions. To this end, we use our Assessment of Service Quality (ASQ) program, which is an integral part of our Account Management Framework and a powerful means of measuring clients' expectations and satisfaction. In addition, the ASQ is a strong relationship tool allowing us to gain a better understanding of our clients' sentiments towards us and to strengthen our relationships with them.

During fiscal year 2016/2017, we conducted more than 200 interviews with clients as part of our ASQ program. With 41% of the interviewed clients, we were able to improve our relationship compared to the previous year (2015/2016: 45%). With 53%, the relationship remained at the same level (2015/2016: 49%) and with 6%, the relationship lost some of its quality (2015/2016: 6%). Our most important strengths, according to the opinions expressed by our clients in the 2016/2017 interviews, are: understanding their business drivers, knowing what trends and regulations are impacting their industries, investing in relationships and a collaborative working style.



# Revenue and remuneration

## Financial information

Revenue represents combined, not consolidated, revenues and includes expenses billed to clients and revenues related to billings to other EYG member firms. Revenue amounts disclosed in this report include revenues from both audit and non-audit clients.

Revenue is presented and included for:

1. Revenues from the statutory audit of annual and consolidated financial statements of PIEs, and entities belonging to a group of undertakings whose parent undertaking is a PIE
2. Revenues from the statutory audit of annual and consolidated financial statements of other entities
3. Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm
4. Revenues from non-audit services to other entities

### Revenue and gross profit per partner

On 30 June 2017, Ernst & Young Accountants LLP had 154 partners (30 June 2016: 146). In fiscal year 2016/2017, the average revenue per partner was €3.0 million (2015/2016: €2.9 million).

Gross profit per partner is disclosed in the Integrated Annual Review of Ernst & Young Nederland LLP. The partners are entitled to their profit share through their private limited liability company (*besloten vennootschap*, BV). The gross profit share includes costs such as salary, pension contributions, business expenses, depreciation, insurance premiums, social security premiums and the BV's corporate income tax liability. Our financial statements are included in Ernst & Young Nederland LLP's Integrated Annual Review, which is published on our website.

## Revenue segments

2016/2017 (€000)	2016/2017	%	2015/2016	%
Statutory audits	236,612	32%	211,156	31%
Other assurance	68,422	9%	72,561	10%
<b>Audit/other assurance</b>	<b>305,034</b>	<b>41%</b>	<b>283,717</b>	<b>41%</b>
Compilation	24,112	3%	22,975	3%
FAAS	16,198	2%	11,609	2%
Fraud investigation and dispute services	6,030	1%	4,522	1%
Other assurance related	12,266	2%	5,746	1%
<b>Total assurance related</b>	<b>58,606</b>	<b>8%</b>	<b>44,851</b>	<b>7%</b>
<b>Assurance</b>	<b>363,640</b>	<b>49%</b>	<b>328,568</b>	<b>48%</b>
Other service lines	98,923	13%	91,569	13%
<b>Ernst &amp; Young Accountants LLP</b>	<b>462,563</b>	<b>62%</b>	<b>420,137</b>	<b>61%</b>
Ernst & Young Belastingadviseurs LLP	217,340	29%	208,137	31%
Ernst & Young Nederland LLP and subsidiaries	35,317	5%	20,684	3%
<b>Rendering services</b>	<b>715,220</b>	<b>96%</b>	<b>648,958</b>	<b>95%</b>
Other income	30,683	4%	32,204	5%
<b>Ernst &amp; Young Nederland LLP - consolidated</b>	<b>745,903</b>	<b>100%</b>	<b>681,162</b>	<b>100%</b>

Subsidiaries are: Ernst & Young Actuarissen BV, Ernst & Young VAT Rep BV, Ernst & Young CertifyPoint BV, Ernst & Young Real Estate Advisory Services B.V. en Centre 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 BV.

2016/2017 (€000)	Statutory audit services	Other assurance services	Assurance-related services	Sub Total	Other Services	Total
Statutory audit clients - WeCo/OOB	i) 56,413	iii) 4,185	iii) 863	61,461	iii) 11	61,472
	92%	7%	1%	100%	0%	100%
Statutory audit clients - WeCo/non-OOB	ii) 180,199	iii) 10,606	iii) 9,539	200,344	iii) 48,027	248,371
	73%	4%	4%	81%	19%	100%
Audit clients - non-WeCo	-	iv) 53,631	iv) 7,150	60,781	iv) 30,011	90,792
	53,631	59%	8%	67%	33%	100%
Assurance related clients	7,150	-	iv) 41,054	41,054	iv) 54,426	95,480
	0%	0%	43%	43%	57%	100%
Other clients	-	-	-	-	iv) 219,105	219,105
	0%	0%	0%	0%	100%	100%
<b>Rendering services</b>	<b>236,612</b>	<b>68,422</b>	<b>58,606</b>	<b>363,640</b>	<b>351,580</b>	<b>715,220</b>
Other Income						30,683
<b>Total</b>						<b>745,903</b>

2015/2016 (€000)	Statutory audit services	Other assurance services	Assurance-related services	Sub Total	Other Services	Total
Statutory audit clients - WeCo/OOB	i) 40,518	iii) 5,398	iii) 4,342	50,258	iii) 1,994	52,252
	78%	10%	8%	96%	4%	100%
Statutory audit clients - WeCo/non-OOB	ii) 170,638	iii) 15,229	iii) 6,164	192,031	iii) 54,875	246,906
	70%	6%	2%	78%	22%	100%
Audit clients - non-WeCo	-	iv) 51,934	iv) 4,065	55,999	iv) 17,467	73,466
	0%	70%	6%	76%	24%	100%
Assurance related clients	-	-	iv) 30,280	30,280	iv) 41,886	72,166
	0%	0%	42%	42%	58%	100%
Other clients	-	-	-	-	iv) 204,168	204,168
	0%	0%	0%	0%	100%	100%
<b>Rendering services</b>	<b>211,156</b>	<b>72,561</b>	<b>44,851</b>	<b>328,568</b>	<b>320,390</b>	<b>648,958</b>
Other Income						32,204
<b>Total</b>						<b>681,162</b>

In the tables above, revenues from statutory audit services are presented in line with the definition of a statutory audit in article 1, paragraph 1, paragraph p of the Audit Firms Supervision Act (*Wet toezicht accountantsorganisaties*), including attachments. This definition differs from the definition of a statutory audit in Article 13 (2) (k) of EU Regulation 537/2014.

The revenues reported include revenues from services to clients charged by entities that are part of the network of Ernst & Young Nederland LLP. Revenues from services to clients charged directly by other member companies of the global EY network - i.e. not through a firm of the network of Ernst & Young Nederland LLP - are not included in this table.

Various figures reported for 2015/2016 differ from figures reported in our 2016 Transparency Report. This is due to a change in the classification of services, as we have switched to a more granular allocation of services more consistent with the NV COS standards and to a more strict definition of WeCo clients. This has resulted, for example, in a shift from 'assurance related services' to 'statutory audit services' and 'other assurance services' and in a shift from 'the Statutory audit clients - WeCo/non-OOB' to the client groups 'Audit clients - non WeCo', 'Assurance related clients' and 'Other clients'.

The grouping of revenues in the tables above is in line with Article 13 (2) (k) (i) (iv) EU Regulation 537/2014:

#### Grouping of revenue in line with Article 13 (2) (k) (i) (iv) EU Regulation 537/2014

Service	2016/2017 (€000)	Percent	2015/2016 (€000)	Percent
Statutory audits and directly related services for PIEs, i)	56,413	8%	40,518	6%
Statutory audits and directly related services for non-PIEs, ii)	180,199	24%	170,638	25%
Non-audit services provided to audit clients, iii)	73,231	10%	88,002	13%
Non-audit services provided to other entities, iv)	436,060	58%	382,004	56%
<b>Total revenue</b>	<b>745,903</b>	<b>100%</b>	<b>681,162</b>	<b>100%</b>

## Partner remuneration

Quality is at the center of the EY strategy and is a key component of EY performance management systems. Our partners and other professionals are evaluated and compensated on the basis of criteria that include specific quality and risk management indicators, covering both actions and results. Our policy regarding appointment, evaluation and compensation of board members is disclosed in our financial statements.

Global performance management processes cover partners in EYG member firms around the world. They reinforce the global business agenda by linking performance to wider goals and values. These ongoing cyclical processes include goal setting, personal development planning and performance review, and are tied to partners' recognition and reward. Documenting partners' goals and performance is the cornerstone of the evaluation process. A partner's goals are required to reflect various global priorities, one of which is quality.

EY prohibits evaluating and compensating lead audit engagement partners and other key audit partners on an engagement based on the sale of non-Assurance services to their audit clients. This reinforces to our partners their professional obligation to maintain our independence and objectivity.

1. Revenues from the statutory audit of annual and consolidated financial statements of PIEs, and entities belonging to a group of undertakings whose parent undertaking is a PIE
2. Revenues from the statutory audit of annual and consolidated financial statements of other entities
3. Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm
4. Revenues from non-audit services to other entities

Specific quality and risk performance measures have been developed to account for:

- Providing technical excellence
- Living the EY values as demonstrated by behaviors and attitude
- Demonstrating knowledge of, and leadership in, quality and risk management
- Complying with policies and procedures
- Complying with laws, regulations and professional duties
- Contributing to protecting and enhancing the EY brand

The EY partner compensation philosophy calls for meaningfully differentiated rewards based on a partner's level of performance, as measured by the Global Partner Performance Management (GPPM) process, which is our global evaluation process for partners in EYG member firms around the world. Partners are assessed by their firms annually on their performance in delivering quality, exceptional client service and people engagement alongside financial and market metrics.

**We operate under a system that requires quality to be a significant consideration in a partner's overall year-end rating.**

To recognize different market values for different skills and roles, and to attract and retain high-performing individuals, the following factors are also considered when we determine our partners' total reward:

- Experience
- Role and responsibility
- Long-term potential

Instances of non-compliance with quality standards result in remedial actions, which may include compensation adjustment, additional training, additional supervision or reassignment. A pattern of non-compliance or particularly serious non-compliance may result in actions that include separation from Ernst & Young Accountants LLP.

The overall rating scale runs from 1 (lowest) to 5 (highest). There is a cap on the overall rating if the assessment of either the 'quality and effective risk management' metric or the 'people engagement and teaming' metric is 'did not meet expectations'.

Quality rating data is recorded in the EMEIA Quality Measurement Tool leading to a 3-point rating scale ('did not meet expectations', 'met expectations' and 'exceeded expectations'). During fiscal year 2016/2017, a partner could not receive an overall rating higher than 3 if the quality assessment was 'did not meet expectations' (and could be considered for a rating lower than 3, depending on the circumstances that determined the low quality assessment). As part of our Step Change to Quality change-program, quality will play an even more important role in the rating and remuneration of our partners going forward. For example, as from fiscal year 2017/2018, the cap on the overall rating will be further adjusted: a partner cannot receive an overall rating higher than 2 if the quality assessment is 'did not meet expectations' (and may be considered for a rating 1, depending on the circumstances that determined the low quality assessment).

The overall rating determines a partner's reward. The partner reward includes a base reward and potentially a performance award. The total base reward for all partners comprises 98% or more of the distributable income, while the total performance award pool consists of 2% or less of the distributable income. The number of partners receiving a performance award can never exceed 10% of the total partner population and each individual award itself cannot generally exceed 20% of the total reward of the partner concerned. To qualify for a performance award, the quality rating should at least be 'meets our expectations'.

During fiscal year 2016/2017, two partners were granted a performance award for their exceptional performance. One of them operates in the audit practice.

#### Quality ratings of external auditors

All professionals receive a quality rating annually and quality ratings impact promotions and other growth potential directly.

Regarding 'external auditors' - partners and executive directors registered with the AFM - rating inputs result from our Audit Quality Reviews (AQRs) and assessments

provided by the PPG, the CO, the Independence Desk and the General Counsel. Information on infringements and incidents is an important input as well. If and when files of the auditor are subject to an external inspection, the results of this inspection are taken into account, too.

The table below shows the outcome of the annual performance review process during fiscal year 2016/2017.

Quality rating of external auditors (partners and executive directors)	2016/2017	%	2015/2016	%
Quality did not meet our expectations	11	7%	19	13%
Quality met our expectations	83	56%	90	60%
Quality exceeded our expectations	55	37%	40	27%
<b>Totals</b>	<b>149</b>	<b>100%</b>	<b>149</b>	<b>100%</b>

For quality ratings, the following criteria are used:

- Tone at the Top;
- Involvement in quality initiatives;
- Participation in quality roles, such as PPG, Local Quality Partner, EQR;
- Being a facilitator at our technical trainings;
- Attitude towards and functioning in review of other persons' work, including training on the job;
- Permanent Education requirements;
- Attendance at mandatory training events;
- Timeliness and quality of compliance with requirements relating to consultation and EQR processes;
- AQR ratings;
- Involvement in, and responses to, the AQR process;
- Results from regulatory inspections;
- Archiving violations;
- Brand & reputation risk;
- Issues arising from client disputes, claims, ethics hotline and other sources;
- Timely compliance with independence and other mandatory confirmations;
- Quality of GTAC file submissions;
- Actions taken to address quality issues identified, including timely reporting of progress;
- Complexity of the client and engagement portfolio.

In the context of Step Change to Quality's goal of increasing our firm's capabilities as a learning organization, the extent to which partners and executive directors foster quality-focused behavior among their team members, for example through 'learning on the job' and stimulating feedback, will be given even more weight in their ratings as of fiscal year 2017/2018.

If in a certain year a partner or executive director receives an underperformance rating, improvement steps are agreed upon and monitored during the year. Reoccurrence of underperformance is not accepted and typically results in the executive director or partner leaving our firm or the Assurance Service Line.



When the quality of an auditor's work is not up to standard, we take action. The following measures can be deployed after sub-standard work: a disciplinary discussion (*normoverdragend gesprek*); setting up a remedial action plan to prevent sub-standard work in the future; the request to present the quality shortcomings and the 'lessons learned' during learning meetings; a financial penalty; deregistration with the AFM, which implies that the partner can no longer sign audit opinions; and in very serious cases, separation from the firm.

In order to foster quality and motivate our professionals, we also consider it very important to apply positive incentives, such as awards for excellent work. Provided they are communicated broadly, positive incentives often have a direct and significant beneficial impact on behavior and quality.



## Statement of the Policymakers

The policymakers confirm their responsibility for designing and maintaining the internal quality control system. This system as described in this Transparency Report aims to provide reasonable assurance that the legally mandatory audits are performed in accordance with applicable law and regulations. As set out in this Report, EY has evaluated and further improved the internal quality control system over the last year. In the course of this evaluation we have identified actions which we believe will further strengthen controls to mitigate material risks. These actions have been or will be included in our change program Step Change to Quality, initiated in April 2017. The aim of this program is to increase the speed, scope and depth of our efforts to improve our quality. It focuses on four areas: our culture, our primary process of delivering audits, our control organization and our stakeholder dialogue.

The Transparency Report was discussed and adopted in the meeting of the policymakers on 31 October 2017. That date is considered the date of the evaluation of the system of quality control.

Taking into account the actions mentioned above for further quality improvement, the policymakers confirm the following:

- The internal quality control system is operating effectively;
- An internal review of compliance with independence regulations has been conducted;
- An effective policy concerning the continuing education of our statutory auditors and other professional staff is in place.

Rotterdam, 31 October 2017

Rob Lelieveld (Chair)

Patrick Gabriëls

Nico Pul

Jules Verhagen



## Appendix 1

### Ernst & Young Accountants LLP Dutch law public interest entity audit clients (OOBs)

In fiscal year that ended on 30 June 2017, Ernst & Young Accountants LLP performed audits of the following OOBs:

ABN AMRO Bank N.V.	Basic-Fit N.V.
ABN AMRO Captive N.V.	BCRE-Brack Capital Real Estate Investments N.V.
ABN AMRO Clearing Bank N.V.	BNP Paribas OBAM N.V.
ABN AMRO Group N.V.	Boats Investments (Netherlands) B.V.
ABN AMRO Hypotheken Groep B.V.	Citycon Treasury B.V.
ABN AMRO Levensverzekering N.V.	CNH Industrial N.V.
ABN AMRO Schadeverzekering N.V.	Cnova N.V.
Actiam Beleggingsfondsen N.V.	de VolksBank N.V.
Actua Schadeverzekering N.V.	Delta Lloyd Azië Deelnemingen Fonds N.V.
Add Value Fund N.V.	Delta Lloyd Bank N.V.
Adecco International Financial Services B.V.	Delta Lloyd Deelnemingen Fonds N.V.
Airbus Finance B.V.	Delta Lloyd Dollar Fonds N.V.
Airbus SE	Delta Lloyd Euro Credit Fund N.V.
Amsterdam Trade Bank N.V.	Delta Lloyd Europees Deelnemingen Fonds N.V.
Arena 2011-II B.V.	Delta Lloyd Investment Fund N.V.
Arena 2012-I B.V.	Delta Lloyd Levensverzekering N.V.
Arena NHG 2014-I B.V.	Delta Lloyd Mix Fonds N.V.
Arena NHG 2014-II B.V.	Delta Lloyd N.V.
Ares Euro CLO I B.V.	Delta Lloyd Rente Fonds N.V.
Ares European CLO II B.V.	Delta Lloyd Schadeverzekering N.V.
ASN Beleggingsfondsen N.V.	Delta Lloyd Select Dividend Fonds N.V.
ASR Aanvullende Ziektekostenverzekeringen N.V.	Delta Lloyd Zorgverzekering N.V.
ASR Bank N.V.	Demir-Halk Bank (Nederland) N.V.
ASR Basis Ziektekostenverzekeringen N.V.	Dolphin Master Issuer B.V.
ASR Levensverzekering N.V.	ENEL Finance International N.V.
ASR Nederland N.V.	Enel Insurance N.V.
ASR Schadeverzekering N.V.	Esperite N.V.
Bank Mendes Gans N.V.	Exor N.V.

Fastned B.V.	ONVZ Aanvullende Verzekering N.V.
Ferrari N.V.	ONVZ Ziektekostenverzekeraar N.V.
Fiat Chrysler Automobiles N.V.	OOM Global Care N.V.
Flow Traders N.V.	OOM Schadeverzekering N.V.
Fortuna Entertainment Group N.V.	Optimix Investment Funds N.V.
Fugro N.V.	Orange Lion 2013-10 RMBS B.V.
Generali Finance B.V.	Orange Lion 2013-8 RMBS B.V.
GENERALI Levensverzekering maatschappij N.V.	Ordina N.V.
GENERALI Schadeverzekering maatschappij N.V.	Palmboomen Cultuur Maatschappij Mopoli (Palmeriaes De Mopoli) N.V.
Global Credit Return Fund N.V.	Philips Lighting N.V.
Goldfish Master Issuer B.V.	PostNL N.V.
Green Lion I B.V.	Proteq Levensverzekeringen N.V.
Heijmans N.V.	Reaal Schadeverzekeringen N.V.
Highlander Euro CDO B.V.	Refresco Group N.V.
Iberdrola International B.V.	RELX Finance B.V.
International Card Services B.V.	RELX N.V.
International Endesa B.V.	Ronson Europe N.V.
Klaverblad Levensverzekering N.V.	SCILDON N.V.
Klaverblad Schadeverzekeringsmaatschappij N.V.	Shell International Finance B.V.
Koninklijke BAM Groep N.V.	Siemens Financieringsmaatschappij N.V.
Koninklijke Boskalis Westminster N.V.	Sif Holding N.V.
Koninklijke KPN N.V.	Silver Birch CLO I B.V.
Koninklijke Philips N.V.	SNS Beleggingsfondsen N.V.
Lucas Bols N.V.	SRLEV N.V.
N.V. Schadeverzekering Metaal en Technische Bedrijfstacken	Stern Groep N.V.
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.	STMicroelectronics N.V.
Nederlandse Waterschapsbank N.V.	Südzucker International Finance B.V.
NIBC Bank N.V.	TD Bank N.V.
North Westerly CLO II B.V.	Telefonica Europe B.V.
North Westerly CLO III B.V.	TenneT Holding B.V.
North Westerly CLO IV 2013 B.V.	The Royal Bank of Scotland N.V.
Northern Lights B.V.	Theodoor Gilissen Bankiers N.V.
NS Insurance N.V.	TKH Group N.V.
Ochiba 2015 B.V.	TomTom N.V.
OHRA Ziektekostenverzekeringen N.V.	Univé Rivierenland Brandverzekeraar N.V.
OHRA Zorgverzekeringen N.V.	Univé Zuid-Holland Brandverzekeraar N.V.
Onderlinge Verzekeringsmaatschappij Univé Groningen U.A.	VastNed Retail N.V.
Onderlinge Waarborgmaatschappij Centrale Zorgverzekeraars groep, Aanvullende Verzekering Zorgverzekeraar u.a.	Veherex Schade N.V.
Onderlinge Waarborgmaatschappij Centrale Zorgverzekeraars groep, Zorgverzekeraar U.A.	Vimetco N.V.
	Würth Finance International B.V.
	X5 Retail Group N.V.
	Yapi Kredi Bank Nederland N.V.



## Appendix 2

As of 30 June 2017, the following EYG member firms are audit firms registered in an EU or EEA Member State

Member State	Statutory auditor or audit firm
Austria	Ernst & Young Wirtschaftsprüfungsgesellschaft mbH
Belgium	Ernst & Young Assurance Services BCVBA
	Ernst & Young Bedrijfsrevisoren B.C.V.B.A
Bulgaria	Ernst & Young Audit OOD
Croatia	Ernst & Young d.o.o.
Cyprus	Ernst & Young Cyprus Limited
Czech Republic	Ernst & Young Audit, s.r.o.
Denmark	Ernst & Young Godkendt Revisionspartnerselskab
	EY Grønland Statsautoriseret Revisionspartnerselskab
Estonia	Ernst & Young Baltic AS
Finland	Ernst & Young Oy Julkispalvelut EY Oy
France	Artois Audit
	Auditex
	Barbier Frinault & Associates
	Conseil Audit & Synthèse
	Ernst & Young Atlantique
	Ernst & Young Audit
	Ernst & Young et Autres
	Picarle et Associates
Germany	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
Gibraltar	EY Limited

Member State	Statutory auditor or audit firm
Greece	Ernst & Young (Hellas) Certified Auditors Accountants SA
Hungary	Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság
Iceland	Ernst & Young ehf
Ireland	Ernst & Young Chartered Accountants
Italy	Ernst & Young S.p.A
Latvia	SIA Ernst & Young Baltic
Liechtenstein	Ernst & Young AG
Lithuania	UAB Ernst & Young Baltic
Luxembourg	Compagnie de Revision S.A.
	Ernst & Young Luxembourg S.A.
	Ernst & Young S.A.
Malta	Ernst & Young Malta Limited
Netherlands	Ernst & Young Accountants LLP
Norway	Ernst & Young AS
Poland	Ernst & Young Audyt Polska sp. z o.o.
	Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Finance spółka komandytowa
	Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością JZP spółka komandytowa
	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
	Ernst & Young Usługi Finansowe Audyt sp. z o.o.
Portugal	Ernst & Young Audit & Associados - SROC, S.A.
Romania	Ernst & Young Assurance Services S.r.l.
	Ernst & Young Support Services SRL
Slovakia	Ernst & Young Slovakia, spol. s r.o.
Slovenia	Ernst & Young d.o.o.
Spain	ATD Auditores Sector Público, S.L.U
	Ernst & Young, S.L.
Sweden	Ernst & Young AB
United Kingdom	Ernst & Young LLP
	Ernst & Young Europe LLP

Total turnover of these EYG member firms resulting from statutory audits of annual and consolidated financial statements was approximately €2.6 billion.



## Appendix 3

### Biographies of policymakers of Ernst & Young Accountants LLP and members of the Supervisory Board of Ernst & Young Nederland LLP

#### Policymakers Ernst & Young Accountants LLP on 31 October 2017



#### **Rob (R.J.W.) Lelieveld CA (1962, Dutch)**

Policymaker of Ernst & Young Accountants LLP since 2 May 2017.

Rob joined EY in 1980 and was appointed partner in 1996. He has more than 35 years of experience as an auditor with clients in various sectors including many international organizations. During his career, he has gained extensive management experience. Rob is a chartered accountant and he followed executive programs at the Kellogg School of Management and at Harvard University. He also completed the INSEAD International Director Program in Fontainebleau.

Rob is the leader of our Management Team Assurance. In addition, he is a member of the board of Ernst & Young Nederland LLP. Rob is also a member of the NBA (Royal Netherlands Institute of Chartered Accountants) 'Steering Group Public Interest' (*Stuurgroep Publiek Belang*).

Former positions and activities:

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



#### **Patrick (P.J.A.) Gabriëls CA (1972, Dutch)**

Policymaker of Ernst & Young Accountants LLP since 1 September 2017.

Patrick joined EY in 2002 and became partner in 2006. During his career, he has served many large multinational enterprises and other listed companies as auditor or advisor. At EY, he has co-founded several initiatives to drive innovation, including EYnovation, HighTechXL and Innovate EY. As a member of the Management Team Assurance, Patrick is responsible for Operations & Innovation.

Former positions and activities:

- Sector leader of EY's industry group Technology Media and Telecom in the Netherlands





**Nico (N.M.) Pul CA, (1964, Dutch)**

Polymaker of Ernst & Young Accountants LLP since 24 May 2017.

Nico joined EY in 1988 and became partner in 2001. Over the last three decades, he has gradually specialized in the financial sector and has been the external auditor of a number of banks, pension funds and insurance companies. Within the Management Team Assurance, Nico holds the Quality portfolio. He is also responsible for Step Change to Quality, EY's cross-service line quality improvement program in the Netherlands. Nico is a member of the board of Ernst & Young Nederland LLP; however, he is not a director under the articles of association.

Former positions and activities:

- Contributions in various roles to quality innovation and improvement initiatives since the mid 1990s.
- Various internal and external quality related roles, including EY's Compliance Officer in the Netherlands, Professional Practice Director (PPD) of the EMEA FSO Assurance region and vice-chair of the NBA industry committee on Insurers and Pension Funds.
- Various leadership roles in our firm, including member of the Management Team FSO in the Netherlands.



**Jules (J.) Verhagen CA, (1963, Dutch)**

Polymaker of Ernst & Young Accountants LLP since 1 September 2010.

Jules joined EY in 1986 and became partner in 1997. He has extensive experience as external auditor of multinational companies as well as companies in the health care, health insurance and life sciences sectors. As a member of the Management Team Assurance, Jules is responsible for Markets and Talent.

Former positions and activities:

- Chair of EY's industry group Health Care and Life Sciences in the Netherlands
- Member of EY's Regional Partner Forum in the Netherlands

## Members of the Supervisory Board of Ernst & Young Nederland LLP on 31 October 2017



### 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.



### 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



**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 PNO Consultants, the Stichting Nederlands Scheepvaartmuseum, Veerstichting, and the Frans Hals Museum/De Hallen Haarlem as well as board member of the Universiteitsfonds Utrecht and member of the advisory board of Hermon Erfgoed. 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



## Appendix 4

### Overview of Key Performance Indicators

On 25 September 2014, the working group 'Toekomst accountantsberoep' of our professional association NBA published the report 'In het publiek belang' ('In the public interest'). Among other important proposals to increase the quality of services provided by Dutch audit firms, this report contained a set of key performance indicators (KPIs) which Dutch Audit firms with an OOB (PIE) license should report on regularly. This proposal by the working group was endorsed by the NBA. On 4 March 2016, the NBA published a guidance document on a standard set of KPIs to be published in the Transparency Report of OOB audit firms. In this Appendix 3, we provide the information regarding these KPI's for our firm. Where a KPI coincides with an internal EY KPI included in this Transparency Report, we provide reference. If we cannot give a score for a KPI, we indicate why.

During fiscal year 2016/2017, our firm and Ernst & Young Nederland LLP started a process of improving our internal reporting processes and the underlying information systems as part of our Step Change to Quality program. Among other improvements, changes were made to the classification system underlying the calculation of various KPIs. During this process, we found some errors in the KPIs reported in our 2016 Transparency Report. In this appendix, we have restated some of the comparative figures for fiscal year 2015/2016 to correct these errors and to bring figures in line with the new classification system used.

#### NBA KPIs

##### Teaming general

1. Number of partners / executive directors, (senior) managers and other team members (based on FTE). Total numbers per group and numbers as a percentage of total headcount. These figures include FTEs at supporting services within our Service Line Assurance.

	FY 2016-2017		FY 2015-2016	
Partners/executive directors	169	8.5%	162	8.7%
(Senior) managers	441	22.3%	402	21.6%
Other	1,372	69.2%	1,295	69.7%
<b>Total</b>	<b>1,982</b>	<b>100.0%</b>	<b>1,859</b>	<b>100.0%</b>

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

	FY 2016-2017	FY 2015-2016
Partners/executive directors	19.2	18.9
(Senior) Manager	10.3	10.7
Other	4.0	4.0
<b>Grand Total</b>	<b>6.5</b>	<b>6.6</b>

3. Employee turnover of partners / executive directors, (senior) managers and other team members, split between key talents / high potentials and others. Total numbers per group and numbers as a percentage of headcount per group.

Turnover FY 2016-2017	# Non High potentials / key talent	% Headcount of this group	# High potentials / key talent	% Headcount of this group
Partners/executive directors	4	3.3%	0	0.0%
(Senior) managers	45	23.7%	40	17.3%
Other	176	17.9%	32	8.3%
<b>Total</b>	<b>225</b>	<b>17.4%</b>	<b>72</b>	<b>11.0%</b>

Turnover FY 2015-2016	# Non High potentials / key talent	% Headcount of this group	# High potentials / key talent	% Headcount of this group
Partners/executive directors	12	9.9%	2	5.3%
(Senior) managers	51	31.7%	46	22.7%
Other	177	22.3%	23	6.5%
<b>Total</b>	<b>240</b>	<b>22.3%</b>	<b>71</b>	<b>11.9%</b>

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

FY 2016-2017	Partners/ directors	(senior) managers	Other	Total
Financial audit (OOB)	35,472	95,509	201,870	332,851
Percentage of total	9.3%	9.6%	6.2%	7.2%
Financial audit (Non-OOB)	90,890	316,642	1,292,921	1,700,453
Percentage of total	23.8%	32.0%	39.5%	36.6%
Other engagements	34,681	155,695	498,662	689,037
Percentage of total	9.1%	15.7%	15.2%	14.8%
Indirect hours	220,418	422,809	1,278,382	1,921,610
Percentage of total	57.8%	42.7%	39.1%	41.4%
<b>Total</b>	<b>381,461</b>	<b>990,655</b>	<b>3,271,835</b>	<b>4,643,951</b>

<b>FY 2015-2016</b>	<b>Partners/ directors</b>	<b>(senior) managers</b>	<b>Other</b>	<b>Total</b>
Financial audit (OOB)	25,187	70,642	167,402	263,231
Percentage of total	6.9%	7.8%	5.3%	6.0%
Financial audit (Non-OOB)	90,302	291,810	1,336,220	1,718,332
Percentage of total	24.8%	32.4%	42.3%	38.9%
Other engagements	37,951	144,647	471,927	654,525
Percentage of total	10.4%	16.0%	15.0%	14.8%
Indirect hours	210,328	394,131	1,179,818	1,784,277
Percentage of total	57.9%	43.8%	37.4%	40.3%
<b>Total</b>	<b>363,768</b>	<b>901,230</b>	<b>3,155,367</b>	<b>4,420,365</b>

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

	<b>% of total available contract hours</b>	
	<b>FY 2016-2017</b>	<b>FY 2015-2016</b>
Overtime hours	10.6%	9.2%

#### Training and coaching

6. Training hours of partners / employees per group (internal and external trainings). Total hours spent by each group and average number of hours spent per group member.

<b>Turnover FY 2016-2017</b>	<b>Total hours</b>		<b>Hours per group member</b>	
	<b>FY 2016-2017</b>	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>	<b>FY 2015-2016</b>
Partner	6,355	6,427	59	60
Executive director	4,096	3,598	66	67
Sr Manager	14,954	13,160	78	68
Manager	28,185	20,725	113	99
Sr Staff	57,748	55,558	113	114
Staff	205,328	201,362	238	250
<b>Total</b>	<b>316,666</b>	<b>300,830</b>	<b>160</b>	<b>162</b>

#### 7. Average investment (cash out in euros) in training and education per employee

In the absence of an unambiguous definition of this KPI, we cannot provide a score.

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

	Hours FY 2016-2017	Hours FY 2015-2016
Preparation	7,054	
Training/teaching	10,036	10,336
<b>Total</b>	<b>17,090</b>	

No data was available for fiscal year 2015/2016 regarding the number of internal hours spent on preparation.

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

	Partners/ directors		(senior) managers		Other		Total	
	FY 2016-2017	FY 2015-2016	FY 2016-2017	FY 2015-2016	FY 2016-2017	FY 2015-2016	FY 2016-2017	FY 2015-2016
Financial audit (OOB)	10.7%	9.6%	28.7%	26.8%	60.6%	63.6%	100.0%	100.0%
Financial audit (Non-OOB)	5.3%	5.3%	18.6%	17.0%	76.1%	77.7%	100.0%	100.0%

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

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

In fiscal year 2016/2017, a full EY Global People Survey took place; in fiscal year 2015-2016, we conducted a more limited EY Global People Pulse Survey.

Question	Assurance Netherlands FY 2016-2017	Assurance Netherlands FY 2015-2016
1. The partners or other leaders I work with are committed to providing high quality services to our clients.	82%	87%
2. I receive on-the-job coaching if I need to improve my performance.	63%	n/a
3. My counselor provides the support I need to help me succeed	68%	n/a
4. The actions of my manager(s) are consistent with the messages he/she delivers	73%	n/a
5. My manager(s) provide(s) me with timely feedback	54%	56%
6. The team(s) I am part of work(s) with other service lines to meet our clients' needs	81%	n/a
7. The people in my team(s) consistently deliver on their commitments to our internal and external clients	53%	n/a
8. We regularly use appropriate client feedback to improve our processes	54%	n/a
9. The people in my team(s) ask questions and provide insights that advance our clients' thinking	84%	n/a
10. The people I work with adhere to EY's Code of Conduct, even in situations when there is pressure not to follow it	56%	n/a
12. The people I work with invest the time to understand the issues and needs of our clients and other stakeholders.	75%	76%
14. I can report unethical practices without fear of reprisal	76%	n/a



N/A: question was not included in People Pulse

### Quality measures

#### 12. Audit hours spent per stage of the audit before and after financial year-end

We cannot provide a score for this KPI, as our current systems do not include the required information with this level of detail.

#### 13. Number of FTEs working for PPG (*Vaktechniek*), other quality-related support functions and the Independence Desk, split between partners / executive directors, (senior) managers and other team members.

	FTE PPG	
Rank	FY 2016-2017	FY 2015-2016
Partner/ executive director	13.0	15.7
(Senior) managers	24.7	28.3
Other	12.3	10.1
<b>Total</b>	<b>50.0</b>	<b>54.1</b>

	FTE other (Risk Assurance, CO and QARA)	
Rank	FY 2016-2017	FY 2015-2016
Partner/ executive director	7.0	6.1
(Senior) managers	6.1	8.4
Other	2.0	2.4
<b>Total</b>	<b>15.1</b>	<b>16.9</b>

	FTE Independence	
Rank	FY 2016-2017	FY 2015-2016
Partner/ executive director	1.5	1.5
(Senior) managers	5.7	4.0
Other	8.1	7.2
<b>Total</b>	<b>15.3</b>	<b>12.7</b>

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

	FY 2016-2017	FY 2015-2016
Accounting	59	66
Auditing	926	1,014
Independence	477	221
Other	-	1
	1,462	1,302

#### 15. Number of annual report reviews (*Accounting Review*, ARs) conducted by experts outside the audit team before issuance of the audit opinion (including annual report reviews as part of the OKB process)

	FY 2016-2017	FY 2015-2016
Number of annual report reviews (ARs) conducted by experts outside the audit team before issuance of the audit opinion	198	160

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

The total number of EQRs - the expression for OKBs used within EY - performed was 434 (in fiscal year 2015/2016: 423). Of these EQRs, 374 (in fiscal year 2015/2016: 340) were performed on statutory audits. We refer to the section on EQRs within this Transparency Report for more information.

	FY 2016-2017	FY 2015-2016
Number of OKBs performed on statutory audits (WeCos)	374	340
Percentage of statutory audits (WeCos) performed	12%	14%

#### 17. Number of hours spent on OKBs (total and average per OKB performed) split between partners / executive directors, (senior) managers and other team members

FY 2016-2017	partners/ executive directors	(senior) managers	Total
Number of hours spent on OKBs	6,438	6,079	12,517
Average number of hours per OKB performed	15.0	14.0	29.0

FY 2015-2016	partners/ executive directors	(senior) managers	Total
Number of hours spent on OKBs	4,516	4,651	9,167
Average number of hours per OKB performed	11.0	11.0	22.0

18. Hours spent on OKBs: total number of hours spent on audit engagements on which an OKB is performed (1), total number of hours spent on OKBs (2), and (2) as a percentage of (1).

	FY 2016-2017	FY 2015-2016
Number of hours spent on audit engagements on which an OKB is performed	807,301	531,791
Number of hours spent on OKBs	12,517	9,167
Hours spent on OKB as a percentage of the hours spent on the audit engagement	1.6%	1.7%

19. Hours spent by IT specialists as part of audit engagements (split between OOBs and non OOBs): total number of hours and number of hours spent by IT specialists on audits as a percentage of the total number of hours spent on audits.

	FY 2016-2017	FY 2015-2016
Financial audit (OOB)	49,155	31,621
% of total hours financial audit (OOB)	10.5%	8.9%
Financial audit (non-OOB)	102,700	77,747
% of total hours financial audit (non OOB)	5.1%	4.0%

20. Number and ratio of engagements for which the defined benchmark for KPI 19 is not met

The benchmark has not yet been defined.

21. Hours spent by other specialists as part of audit engagements (OOBs and non OOBs): total number of hours and number of hours as a percentage of all hours spent on all audits.

	FY 2016-2017	FY 2015-2016
Actuary	31,690	24,200
% of total hours financial audit	1.3%	1.0%
Real estate services	8,209	9,409
% of total hours financial audit	0.3%	0.4%
Tax	33,930	33,589
% of total hours financial audit	1.6%	1.5%
Transaction service/corporate finance	14,988	18,055
% of total hours financial audit	0.6%	0.8%

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

	FY 2016-2017	FY 2015-2016
Teaching at university	4,425	4,000

No data is available regarding the number of hours spent on NBA and publishing.

23. Number of issued audit opinions as part of statutory audits (WeCos, split between OOBs and Other)

	FY 2016-2017	FY 2015-2016
WeCos (OOB)	219	213
WeCos (non-OOB)	2,446	2,510
WeCo	2,665	2,723

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

	Independence		Administrative requirements		Total	
	FY 2016-2017	FY 2015-2016	FY 2016-2017	FY 2015-2016	FY 2016-2017	FY 2015-2016
Total Breaches/Violations	21	15	88	59	109	74
% of total number of employees	1.1%	0.8%	4.4%	3.2%	5.5%	4.0%

25. Number of internal warnings for independence violations - total and as a percentage of total headcount

We refer to KPI 24. EY does not differentiate between violations resulting or not resulting in warnings; all violations are followed up.

26. Number of audit files that have been subject to a quality review (other than OKB)

We refer to the section on AQRs and their results in this Transparency Report.

	FY 2016-2017	FY 2015-2016
Number of audit files that have been subject to a quality review (other than OKB)	48	38

27. Number of audit files that have been subject to a quality review performed by an external oversight institution.

We refer to the section on External Quality Assurance Review in this Transparency Report.

	FY 2016-2017	FY 2015-2016
Number of audit files that have been subject to a quality review performed by an external oversight institution	25	37

28. Conclusions of the accounting firm based on additional review and/or remediation procedures performed as a result of the findings reported by external regulators

We refer to the section on External Quality Assurance Review in this Transparency Report.

29. Number of fines (including amounts) imposed on the firm by external regulators

During fiscal year 2016/2017, no fine was imposed by external regulators (fiscal year 2015/2016: one fine, €2,230,000, imposed by the AFM).

We refer to the section on External Quality Assurance Review in this Transparency Report.

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

	FY 2016-2017	FY 2015-2016
Number of partners that have been eliminated from the audit register	6	11
As a percentage of the total number of partners	6%	10%

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

Type	FY 2016-2017	FY 2015-2016
Annual report adjustments	55	58
Percentage of total number of audit opinions	1.2%	1.2%

32. Number of adjustments made relating to material errors at audit clients based on the outcome of reviews performed by external regulators - total and as a percentage of total issued audit opinions

During fiscal years 2016/2017 and 2015/2016, no adjustments were made relating to material errors at audit clients based on the outcome of reviews performed by external regulators.

33. Number of audit engagements terminated early

	FY 2016-2017	FY 2015-2016
Number of early terminated audit engagements	12	7

We refer to the section on 'Putting policy into practice' of this Transparency Report, for more information on early terminations.

34. Number of claims received including status and expected outcome assessment

We refer to the paragraphs on Litigation in the section 'Compliance with legal requirements' of this Transparency Report.

35. Number of incidents reported to external oversight institutions

We refer to the paragraphs on incidents in the section 'Internal quality control system' of this Transparency Report.

In fiscal year 2016/2017, five incidents (2015/2016: nine) were reported to external regulators.

36. Number of proceedings with the Disciplinary Council (*Accountantskamer*) including outcome

We refer to the paragraphs on Litigation in the section on 'Compliance with legal requirements' of this Transparency Report.

37. Number of EY/Ethics Hotline complaints including outcome of complaint resolution process

We refer to the paragraphs on Code of Conduct within the section 'Instilling professional values' of this Transparency Report

	FY 2016-2017	FY 2015-2016
Number of internal reports	1	0
Number of external reports	0	1



## Appendix 5

### Glossary

AFM	Autoriteit Financiële Markten	Dutch public regulator of the audit profession and various financial industries
AQR	Audit Quality Review	Annual internal review of a number of completed audit files in accordance with EY's globally defined rules and procedures for AQRs
CO	Compliance Office	The department in our Dutch firm that monitors its compliance with applicable law and regulations and corresponding internal policies and procedures
EMEIA	Europe, Middle-East, India and Africa	One out of four areas of EY globally. WEM (Western Europe & Maghreb) is a region within EMEIA, The Netherlands is part of WEM
EYG	Ernst & Young Global Limited	EY's central entity
EY GAM	EY Global Audit Methodology	A generic set of rules that describe the way we perform our audits globally. Of course, in each audit other applicable regulations (if any) are taken into account as well
EQR (Dutch: OKB)	Engagement Quality Review / Opdrachtgerichte Kwaliteitsbeoordeling	Internal review of key audit areas and issues by another professional, independent from the audit team, before the audit is completed
FSO	Financial Services Organization	The only non-geographical Region within EY's EMEIA area
GIS	Global Independence System	Global tool to allow professionals to verify independence requirements for listed entities
GMS	Global Monitoring System	Global tool to register all listed securities held by every professional ranked manager to partner and to assess whether securities might be held
GPPM	Global Partner Performance Management	Performance measurement tool for partners
IFAC	International Federation of Accountants	Global organization for the accountancy profession
IFRS	International Financial Reporting Standards	International set of accounting principles
NBA	Nederlandse Beroepsorganisatie van Accountants	Dutch professional association of accountants, the professional body for Dutch auditors
NV/COS	Nadere Voorschriften Controle- en Overige Standaarden	Dutch set of auditing standards, with ISA as a basis and Dutch add-ons



OKB	Opdrachtgerichte Kwaliteitsbeoordeling	Dutch language equivalent of our Engagement Quality Review (EQR)
OOB	Organisatie van Openbaar Belang	Public interest entity (PIE) according to Dutch Law; non-OOB/non-PIE is an entity that does not qualify as public interest entity according to Dutch Law
PACE	Process for Acceptance of Clients and Engagements	EY's global tool for structuring the client acceptance and continuance process, resulting in a risk rating score
PCAOB	Public Company Accounting Oversight Board	USA public regulator of the audit profession
PIE	Public Interest Entity	Public interest entity according to international regulations
PPD	Professional Practice Director	The partner responsible for the Professional Practice Group
PPG	Professional Practice Group	The department in our firm that provides technical support to our audit and other assurance professionals both upfront as well as during the audit cycle
QARA	Quality analysis and regulatory affairs	The department that is responsible for internal and external inspections, signals and incident management and investigation and performing root cause analysis as part of being a learning organization
QEL	Quality Enablement Leader	A partner with specific responsibility for implementing the quality initiatives and actions and for supporting audit quality.
QUIP	Quality Improvement Plan	Action plan describing steps and plans to improve quality
RM	Risk Management	Department at the regional level performing risk management
SAQ	Sustainable Audit Quality	Globally consistent approach to implementing the highest level of audit quality across the organization
SEC	Securities and Exchange Commission	Agency of the United States federal government
US-GAAP	Generally Accepted Accounting Principles in the USA	USA set of accounting principles
US-GAAS	Generally Accepted Auditing Standards in the USA	USA set of auditing standards
ViO	Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten	Dutch independence rules issued by NBA, our professional body, regarding independence of auditors at both public interest entities and other entities
WeCo	Wettelijke controle	Financial statement audit required by Dutch law; a non-WeCo/non-statutory audit is a financial statement audit not required by law
WEM	Western Europe & Maghreb	One of the regions in EY's EMEIA area, The Netherlands belongs to WEM
Wta/Bta	Wet toezicht accountantsorganisaties and Besluit toezicht accountantsorganisaties	Dutch law and additional rules applicable to audit firms.

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