



Annual Review 2018/2019

Ernst & Young Nederland LLP

Together we achieve more

EY Nederland operates in a rapidly changing, complex environment. This requires a broad knowledge and expertise, agility and the ability to look beyond the horizons of our own profession. We believe in pooling expertise and in multidisciplinary collaboration. We are thus able to provide added value for our clients and society. In this annual review, various EY colleagues were given the opportunity to share how they experience working together both within and outside the organization.

We have opted for a concise integral annual review, based on seven material themes. Reference is made to relevant reports (or explanatory information) on our corporate website for more detailed information about various topics. This information can be viewed and downloaded directly via links in the annual review.

Contents

Report of the Board of Directors	4	Client acceptance	66
		Quality management	66
		In control statement	67
1. EY Nederland at a glance	8	Report of the Supervisory Board	68
Profile	12	Introduction	69
Our people, our values	12	Meetings and assessments	72
Our services	13	Duties and powers	72
Key figures	14	Composition Supervisory Board and Committees	73
Year Overview	17	Independence and training	74
		Annual reports	75
2. Strategy	18	Outlook	76
How do we create value?	18	Members of the Supervisory Board	77
Our environment	20		
Vision 2020+	22	Financial statements	81
Our ambition	23		
Risks	23	Other information	87
Materiality	25		
		Annexes	89
3. Our results in the market	27	1 About this report	89
Investments in innovation	27	2 Stakeholder engagement	93
The quality of our work	30	3 External initiatives and stakeholder engagement	95
Results of our service lines	33	4 Workforce data	96
Market segments	38		
Investing in the EY brand	41		
4. Our performance as an employer	43		
Challenges and priorities	43		
5. EY in society	50		
Corporate responsibility	50		
Our contribution to the Sustainable Development Goals	55		
6. Financial result	56		
7. Governance	58		
Supervisory Board	59		
Board of Directors	60		
Performance and remuneration of partners	62		
8. Internal control	63		
Risk management	63		
Independence	66		

Report of the Board of Directors

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Teamwork is embedded
in our culture



Nico Pul

Jeroen Davidson

Mirjam Sijmons

Coen Boogaart

Stephan Lauers

Rob Lelieveld

Interview

Coen Boogaart, Chair of the Board of Directors of EY Nederland is pleased. In general, the past fiscal year can be qualified as positive. After a period of organizational review, he now sees growing cohesion within the organization. 'Our strength lies in teamwork.'

As the Chair of EY Nederland are you satisfied?

'We have every reason to look back on the past year with satisfaction, and to also look ahead to the coming year with plenty of confidence. We have put in a good performance, certainly when you take into account the dynamic environment in which we operate. Together, and as an organization, we have taken major steps. We have made progress with the implementation of our quality program, employee satisfaction is higher in a number of areas, and our clients provide positive feedback in the surveys that we conduct. We are happy with this; however, this does not mean that we are now going to just sit back. The playing field is changing constantly, with many technological innovations and geopolitical developments with far-reaching consequences. In order to contend with this, you must have the best people and remain successful in the market. Moreover, there has to be confidence in the leadership of the partners. I believe that we have demonstrated in the past year that we perform strongly in these three important areas and we will all continue to work hard on this.'

And is that reflected in the results?

'Revenue rose by 5%, so yes, but you also have to look behind the figures. We have to adapt to changes and invest significantly. One of our greatest achievements in recent years, in my opinion, is how we have developed in digitalization and innovation. The acquisition of the consultancy firm VODW has contributed significantly to this: our service line Advisory now has a large group of specialists in digital transformation.'

“

I see a growing and strong internal cohesion

This has enabled us to enter new markets and attract new clients. In addition, in our innovation center EY wavespace™, our specialists work on innovative solutions together with clients. We will continue to invest in innovative solutions. We have taken important steps. We have also become more visible in this area; our employees blog and vlog about this.'

Are the advisory branches of the firm doing well?

'The growth trend in the service lines Tax, Advisory and Transaction Advisory Services is continuing unabated, with Advisory in the lead. The tax advisers support our clients in dealing with extensive new legislation in various countries; many companies are struggling with this and urgently require sound advice and technological solutions. In our Transaction Advisory Services, we see a strong growth in the demand for strategic and financial advice to owners and shareholders. Assurance also developed positively again in the past year. Our assurance services remain very relevant and continue to grow.'

So you can finally carefully hoist the flag again?

'I feel confident about the future. In recent years our assurance services - and thus, in fact, our whole organization - were under a magnifying glass. We came out of this positively, I see a growing and strong internal cohesion. We examined our organization closely, and we learned and have improved ourselves. We are a learning organization, it is a continuous process.'

Is there still room for improvement?

'Always. You also have to be honest about that. It is said occasionally that there is a 'family feeling' within EY. Which is fine, this is a sign of engagement and commitment, but we have to remain sharp. We always have to be able to call each other to account on mistakes

and responsibilities. And this does take place, we encourage this: we continue to tell employees that fair feedback is not an attack, it is constructive. It will make us even stronger. It is all about teamwork, which is part of our quality and change program Step Change to Quality: how do you structure your organization in such a manner that you get the best out of your teams? How do you perform optimally together? It is a main theme of our leadership training and of our Highest Performing Teams program.'

Teamwork can also be very complex - so many specializations, so many people.

'Society itself is complex and is becoming increasingly complex. Our clients are faced with new and complicated issues. The digitalization process is continuing, we are in the middle of the energy transition, and aging will have consequences. Companies will have to render account on a wide range of topics, such as the taxes that they pay. What do they contribute to value creation in the long term? It is also our task to help them with this, and we have multidisciplinary expertise in-house for this. Our work, our contribution to society, is also changing. Themes such as sustainability, corporate social responsibility and cybersecurity are high on the agenda of companies and thus have a central position within our services.'

Is EY completely ready for this?

'Multidisciplinary teamwork is embedded in our culture, this is where our strength lies. We work across disciplines and even across borders to provide optimal, reliable services to clients. You always need others. You can be a brilliant specialist; however, if you cannot work within a team, you will run into a problem at some point. This is also not something that has just popped up now. We see that auditing financial statements requires working with a large number of specialists who are not accountants. In general, in recent years, these specialists account for 10 to 30 percent of the total number of hours spent on the audit. Just look at the Tax Cuts and Jobs Act, President Trump's tax plan. This tax plan has huge consequences for multinationals everywhere in the world. You really need expertise in a wide range of areas in order to deal with

this. You have to be able to bring together all these specializations, all these people with their own personalities.'

All under one roof. The Committee for the Future of the Accountancy Sector, appointed by the Minister of Finance, might be a bit less enthusiastic about this?

'That is possible, that remains to be seen. The committee is examining the organizational structure and the working methods of firms in the Dutch accountancy sector. In a paper that we presented to the committee, we already emphasized that the multidisciplinary collaboration model is something that we believe in. We can serve the interests of society in the best possible manner with such an approach. The combination of expertise in various disciplines creates added value for our clients and society. Together, we can do more. It is actually that simple.'

How do you convince the outside world of this?

'By continuing to explain and continuing to discuss it. I like to explain what we do, what our responsibilities are and within which statutory framework we have to carry out our work. For instance, we regularly speak with members of parliament, journalists and representatives of investors, we have roundtable discussions with supervisory board members, and informal gatherings with policy officers about current tax topics. We do a lot in this area.'

'Open windows and doors' - you were already promoting this earlier. Have you succeeded?

'I am sure that we have. We have become quite a transparent organization. And why not? We have nothing to hide. Our new, open reception area in Amsterdam is a good symbol of this. Where possible we reach out to stakeholders. I truly mean it when I say that we really want to be part of society.'

What else can EY Nederland do to achieve this?

'I think that we could work even harder on being more representative of society as a whole. The male-female ratio in the total workforce is still not good, which also is the case for our board. We are going to make more of an effort here. We must demonstrate that we are open to a very diverse employee base, from all cultures and with

different backgrounds. For instance, we participated in Pride Amsterdam in August. That was great. For us, everyone is equal. This is incorporated in EY's values.'

The popularity as an employer is certainly not an obstacle?

'No, we are very popular among the newcomers to the employment market. EY Nederland also scores well in the digital field. We still have a way to go in the accountancy sector, the attractiveness of the profession is a problem there. The sector has received negative publicity and that also plays a role. We see a decrease in the number of people who are signing up for accountancy degree programs and too many external auditors are leaving. This really is related to the uncertainty regarding the developments within the profession. In view of this, many prefer a different career. As a result, our capacity is decreasing. And not only us, but the whole sector. We have to protect the image and the attractiveness of the profession together.'

Does the work pressure also play a role in a general sense?

'We cannot deny that, in particular, the new generation experiences the work pressure as a problem. However, work pressure is a multifaceted problem. We demand a lot from our people, that is true. People work hard at EY. But it is also about self-realization and personal development outside EY and not wanting to miss anything in life. Social media play an important role in this. Leading a busy, exciting and intense private life and at the same time working at an organization like EY creates that pressure. Nevertheless, we are seriously working on this. We aim to help our people deal with this pressure. The wellbeing of our employees is always first and foremost.'

Quality of service is leading..

'Absolutely. Always. We are making good progress with the implementation of our quality program within our organization. This is the basis for our processes and services; we are constantly monitoring the impact and taking action where necessary. A strong focus on quality, in everything that we do.'

“

For us, everyone is equal,
this is incorporated in
EY's values

1. EY Nederland at a glance*

Financial

Total revenue

(in millions of euros)

877 5%▲
2018-2019

837
2017-2018

Profit for the fiscal year

(in millions of euros)

161 155
2018-2019 2017-2018

Operating profit margin

(% of total revenue)

19% 19%
2018-2019 2017-2018

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We have every reason
to look back on the past year
with satisfaction

* For EY Nederland at a glance - reporting standards and data compilation, see page 91.

Ernst & Young Belastingadviseurs LLP ('EY Tax') has a strategic alliance with HVG Law LLP. In connection with this strategic alliance, the key figures of HVG Law LLP have been incorporated in the key figures of EY Tax. However, as no 'control' can be exercised over the activities of HVG Law LLP, the figures of HVG Law LLP have not been included in the (consolidated) financial statements.

Financial

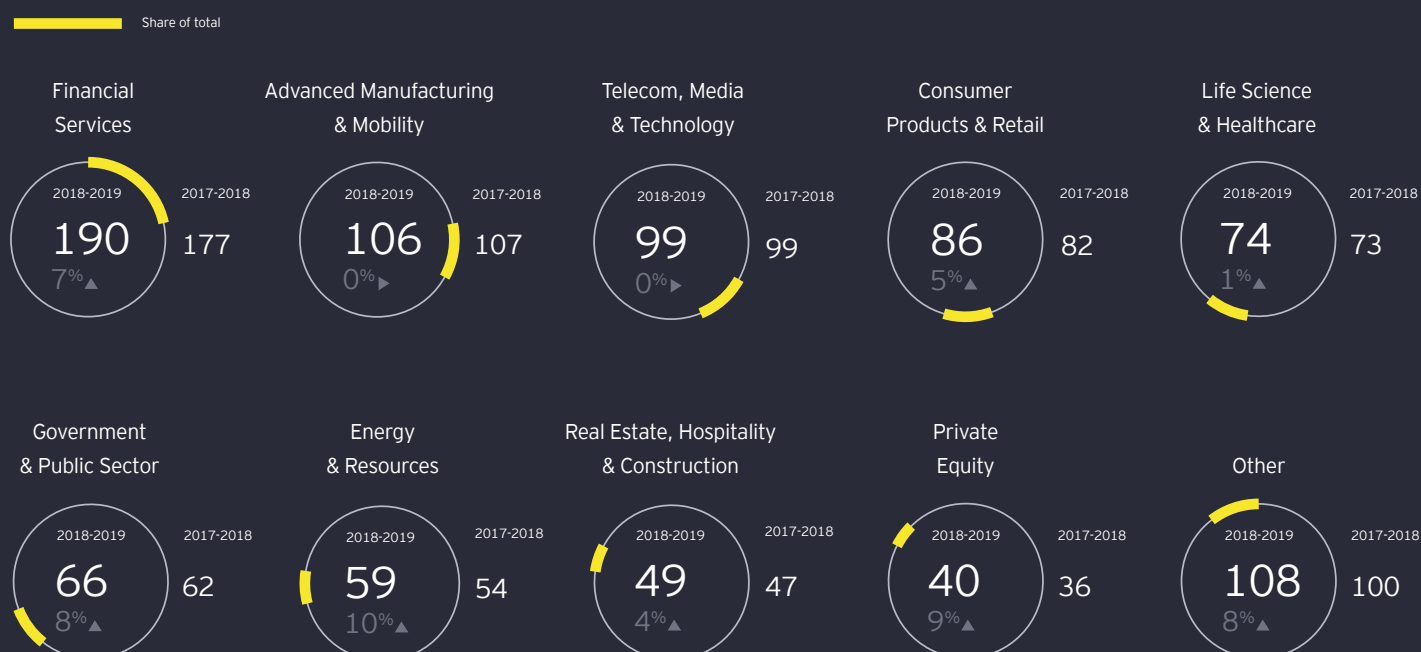
Revenue by service line

(in millions of euros)



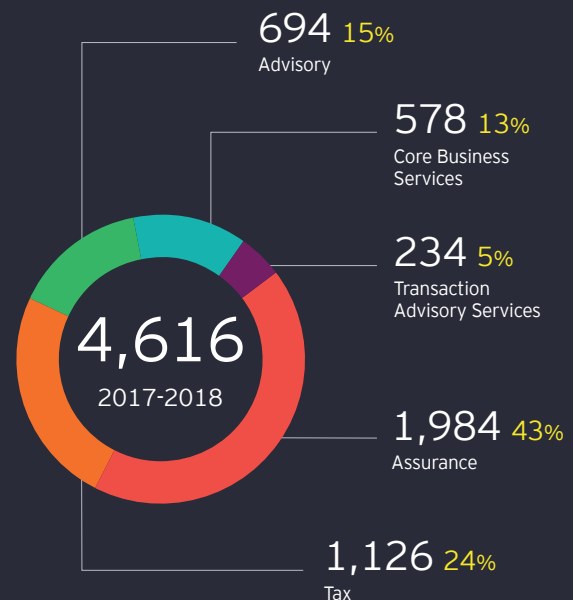
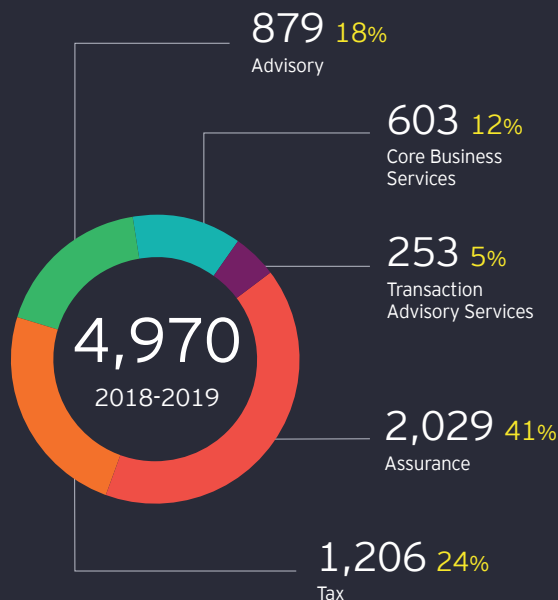
Revenue by market segment

(in millions of euros)



Talent

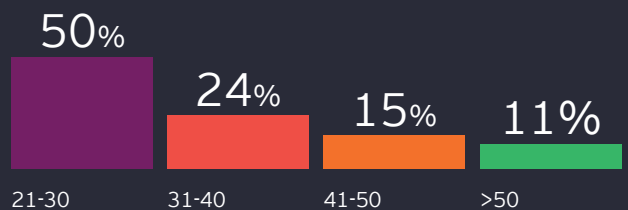
Headcount staff and partners by service line



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We are very popular among the newcomers to the employment market

Age category



35

Average age

Retention rate top talent

91%

2018-2019

90%

2017-2018

Quality

Quality review engagements

Rating 1

There were no or minor findings

64 80%

2018-2019

178 89%

2017-2018

Rating 2

The findings were more than minor, but less than material

13 16%

2018-2019

17 8%

2017-2018

Rating 3

There were material findings

3 4%

2018-2019

6 3%

2017-2018

Independence review partners

Independence violations

0 0%

2018-2019

0 0%

2017-2018

Global leader

Assurance, Tax, Advisory and
Transaction Advisory Services

284,000

Staff and partners

150+

Countries

36.4 billion

Total revenue (in USD)

Hours spent on social activities

10,548

2018-2019

8,518

2017-2018

Assessment of service quality

Clients where relationship
was improved

48%

2018-2019

49%

2017-2018

Clients where relationship
remained the same

44%

2018-2019

45%

2017-2018

Client where relationship
deteriorated

8%

2018-2019

6%

2017-2018

The Netherlands

4,970

Staff and partners

16

Offices



Profile

EY is a globally operating advisory and assurance organization. EY's activities are divided into the service lines Assurance, Tax, Transaction Advisory Services (TAS) and Advisory. Around 284,000 EY professionals worldwide guarantee the provision of high-quality services.

EY Nederland supports and contributes to the global organization-wide vision and strategy. At the same time, we have our own responsibility on a local and national level. EY Nederland employs 4,707 people in 16 locations.

The partners of EY Nederland (at the end of the fiscal year 2018 in total) hold the ultimate responsibility for the quality of the services provided to clients. They each manage a section of the client portfolio.

Our people, our values

Our employees are our most important capital. Their professionalism, competencies, integrity and personalities are crucial for the functioning of our company. Their commitment, engagement and expertise are key to EY's success.

Integrity is the most important pillar of our culture. We expect each employee to demonstrate integrity, respect and team spirit. EY employees must be energetic and enthusiastic and have the courage to take the lead where necessary.

We ask all our partners and employees to endorse and promote the EY values as laid down in our Global Code of Conduct. This code contains clear guidelines, rules and social norms which everyone must adhere to at all times. Our objectivity and independence are also embedded in it.

Corporate Social Responsibility

We aim to deliver sustainable added value to our employees, our clients and society. We are a knowledge organization. We provide support to clients and other stakeholders with the realization of ecological, social and economic value - as an integrated part of their strategy. We also do this by sharing knowledge and through education. We thus stimulate sustainable economic growth.

Our services

The services that we provide cover multiple disciplines. Depending on our clients' needs and the complexity of the assignment, we form teams with specialists from the four service lines.

Assurance: transparency provides clarity

Our auditors serve the public interest by conducting reliable audits of financial statements. They play a role in building confidence in the quality of the financial and non-financial reporting of our clients. This is essential for the proper functioning of society and the financial markets. Our client base comprises listed and unlisted large companies and organizations in growth markets. In addition to preparing and auditing financial statements, the auditors also provide assurance with regard to the non-financial information included in annual reports. The aim of our services is to ensure that our clients can provide reliable and clear information to investors and other stakeholders.

Tax: local expertise, global insights

In our tax service line, we help our clients to control their tax position and satisfy obligations pursuant to laws and regulations and reporting. Our tax advisers have vast international experience and combine local knowledge and global insights and developments. Together with clients, they evaluate, assess and improve tax processes, internal and external controls, risk management and the computerization of these processes. They also help with the selection and implementation of technological innovations. Ernst & Young Belastingadviseurs LLP has a strategic alliance with HVG Law LLP, which offers legal and notarial services in company law, mergers and acquisitions, real estate, labor law, intellectual property and IT law.

Advisory: working on improving business performance

The advisory services focus on improvement in results at our clients, often in combination with large, complex strategic changes, growth and optimization. Themes include, for example, supply chain optimization, better customer management or IT transformation. That we apply the same methodology worldwide creates added value for our clients. The approach is sector-based. Our advisers provide services in fields such as cybersecurity, robotics and data analytics. Furthermore, advisory services continue to focus on 'traditional' areas such as risk management, financial management, supply chains, strategy and performance improvement.

Transaction Advisory Services: capital decisions

TAS helps companies create social and economic value with well-considered decisions about strategic capital management and transactions. The focus lies on the manner in which clients can invest, grow, optimize and protect their capital in a rapidly changing world in order to maintain or increase the confidence of investors and other stakeholders. Our teams bring together transaction specialists from various functional fields, sectors and regions; we evaluate the client's Capital Agenda together with the client. Our expertise comprises, for example, the disciplines Strategy, Buy & Integrate, Sell & Separate, Corporate Finance and Reshaping Results.

Added value through our market segment approach

We serve our clients in their market segments and sector. Our strength is that we have knowledge about their business climate and the industry sector in question and that we bring considerable experience. This enables us to gain in-depth insight into the business and respond to new developments. We work from offices throughout the country. We focus on themes such as innovation and entrepreneurship. We have various programs for specific target groups, such as family businesses.

Key figures

Key figures ¹	2018/ 2019	Δ	2017/ 2018	Δ	2016/ 2017	Δ	2015/ 2016	Δ	2014/ 2015	Δ
Finance (in millions of euros)										
Assurance	339	0%	340	7%	319	7%	299	1%	295	1%
Tax	287	5%	273	3%	266	4%	255	1%	253	5%
Advisory	147	16%	127	2%	125	22%	102	3%	99	15%
Transaction Advisory Services	75	14%	66	22%	54	38%	39	7%	37	23%
Rendering of services	848	5%	806	6%	764	10%	695	2%	684	5%
Core Business Services (Other income)	29	-7%	31	3%	30	-6%	32	24%	26	4%
Total	877	5%	837	5%	794	9%	727	2%	710	5%
Financial results										
Profit for the fiscal year	161	4%	155	5%	148	9%	135	-8%	147	7%
Income available for distribution	137	4%	132	5%	126	10%	115	-7%	123	8%
Average partner income (in thousands of euros)	519	1%	513	6%	485	3%	470	-12%	537	5%
Average number of FTE staff and partners										
Client serving staff	3,899	8%	3,614	3%	3,502	7%	3,263	10%	2,977	8%
Support staff	537	6%	507	-3%	524	1%	521	-1%	525	0%
Total staff	4,436	8%	4,121	2%	4,026	6%	3,784	8%	3,502	7%
Partners	264	3%	257	-1%	261	6%	245	7%	229	2%
Total	4,700	7%	4,378	2%	4,287	6%	4,029	8%	3,731	6%
Environment										
Travel	16,955	2%	16,618	-6%	17,641	9%	16,113	3%	15,605	0%
Offices including paper usage and waste	3,783	-2%	3,874	8%	3,591	-4%	3,745	18%	3,163	-7%
Emissions (tCO₂)	20,738	1%	20,492	-3%	21,232	7%	19,858	6%	18,768	-1%
tCO₂ per FTE	4.4		4.7		5.0		4.9		5.0	

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Year Overview 2018-2019

2018

Q1

July

Welcome VODW!

The acquisition of VODW Marketing & Management Consultants B.V. is formally finalized. The firm, which is specialized in digital transformation, data science and innovation since 1983, will continue its activities under the name EY VODW.

September

EY wavespace™ Amsterdam open

The Amsterdam branch of EY wavespace™ opens its doors. EY wavespace™ is EY's global network of growth and innovation centers. In EY wavespace™, we share our expertise in advanced technology and we let clients experience how specific tools and methods work in their own organization.

Higher revenue and profit

EY Nederland announces its annual results: total revenue over 2017/2018 amounted to €837 million, a 5% increase compared to the previous fiscal year (€794 million). Profit also increased by 5%, from €148 million to €155 million.

Fourth EY Energy Debate

EY Nederland hosts the fourth EY Energy Debate. In this debate, a select group of executives of large energy companies and members of parliament discuss energy-related topics such as the energy transition. Central themes this year were the coordination of the coming changes and cost efficiency and effectiveness.



Q2 2018

October

EY Entrepreneur Of The Year

The title EY Entrepreneur Of The Year (EOY) is awarded annually in around 50 countries and is regarded as the most prestigious entrepreneur's award in the world. The jury nominates John Huiberts (IGM Resins) as EY Entrepreneur Of The Year and chooses Daniel de Boer (ProQR) as EY Emerging Entrepreneur Of The Year. With this award, EY places innovated entrepreneurship in the limelight and helps entrepreneurs achieve their potential.

Collaboration with Certified Controllers

EY Nederland strengthens the collaboration with the Dutch Association of Certified Controllers (VRC). We will intensify the sharing of knowledge.

Auke de Bos in the Dutch House of Representatives

Professional Practice Director Auke de Bos participates in a hearing of the permanent Finance Committee of the House of Representatives on the ING money laundering affair. He provides an explanation about the role and the activities of auditors.

November

Patrick Rottiers joins the Supervisory Board

Partick Rottiers is appointed as a member of the Supervisory Board of EY Nederland. He succeeds Jean-Yves Jégourel.

Lessons about money

EY organizes the Social Impact Days for the first time. EY employees teach less privileged elementary school pupils. This time, the lessons are about money management.

December

Leadership Program kick-off

EY Nederland kicks off the Leadership Program including '360-degree feedback'. The aim of the program is to further improve the whole organization together with partners, associate partners and directors.



2019

April

Opportunities for people with dyslexia

EY Nederland holds an event about dyslexia together with the HOI Foundation. The focus is on opportunities for people with dyslexia who often have skills that are very useful for many positions. [Watch the video here.](#)

EY and the Committee for the Future of the Accountancy Sector

EY Nederland sends a position paper to the Committee for the Future of the Accountancy Sector (CTA). This committee, appointed by the Dutch Minister of Finance, is tasked with looking into how the quality of statutory audits can be improved sustainably.

May

Stephan Lauers joins the Supervisory Board

Stephan Lauers is appointed as a member of the Board of Directors of EY Nederland. Lauers is Chair of EY Advisory Netherlands LLP.

June

New career website

EY Nederland launches its new career website aimed at students and professionals: www.werkenbijEY.nl

CBb confirms decision of the Court of Rotterdam

The Dutch Trade and Industry Appeals Tribunal (CBb) upholds an earlier decision of the Court of Rotterdam in an appeal procedure. The court ruled in December 2017 that supervisor AFM had wrongfully concluded that EY Nederland had not fulfilled its duty of care. The imposed fine was definitely annulled.

2. Strategy

How do we create value?

Our value creation model illustrates the process with which EY Nederland creates value for its stakeholders on the short, medium and long term.

In order to fulfill our purpose *Building a better working world*, we work in accordance with our strategy Vision 2020+ in which we have laid down our ambitions as a professional service provider and employer for the coming period. We continue to assess our strategy against the expectations of our stakeholders. Based on a continuous dialogue, we determine the themes that represent the added value of EY Nederland for society.

There are four focus areas that form the basis for the added value of our organization: intellectual, human, financial and social/relationships (inputs) These are then converted through our core activities into *outputs*: the revenue results of our service lines. The ultimate meaning that the outputs have for our stakeholders is the *outcome*. We make this measurable with KPIs for each of our three strategic pillars: Market, Talent and Organization.

The aggregated effects of our value creation ultimately lead to our societal *impact*. We also describe and monitor this based on the guidelines of the UN Sustainable Development Goals.



Together in the Feedback 5

“

I see that we are really becoming a close-knit team. We share a lot with each other. This is also due to Feedback 5: just discussing things freely a few times a week such as work, your private life, anything you need to talk about. ‘What’s on your mind?’, is the first of the five questions. I like it. If you know what’s going on, you understand the other person better. It makes working together a lot easier.

Damiën Lim-Apo
Staff member Assurance

Vision

Vision 2020+ comprises EY's global mission, ambition, strategy and positioning.

Strategy

Leading market position by providing excellent services, having highest performing teams, being financially sound and utilizing global and local strengths.

Building a better working world

Material topics

Retaining and recruiting talented employees	Integrity and independence	Technological innovation	Customer satisfaction	Compliance with laws and regulations	Culture change	Optimizing the effectiveness and efficiency of processes
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INPUT

Intellectual
Human
Financial
Social and Relationships

CORE ACTIVITIES



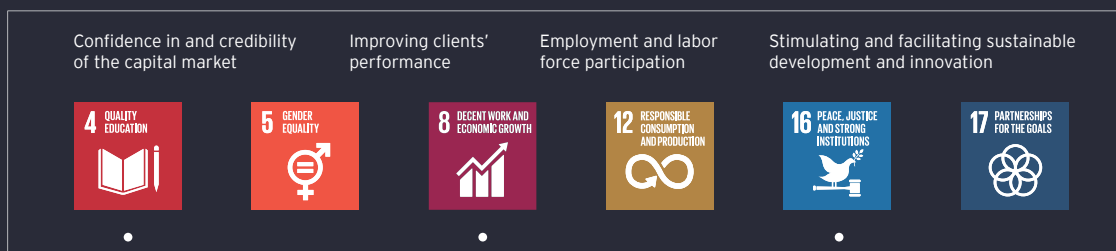
Revenue in millions of euros OUTPUT

Assurance	339
Tax	287
Advisory	147
TAS	75
CBS	29

Outcome



Impact



● Most material SDGs

Source: Sustainable Development Goals - United Nations

Our environment

EY Nederland operates in a constantly changing world. For example, we take trade conflicts, the Brexit, new laws and regulations, a tight labor market and developments in our sector into account. A number of trends impact our work and our strategy.

Economic developments

The economy is still doing well, although slightly less well than in previous years. Statistics Netherlands (CPB) adjusted its forecast for economic growth in the Netherlands downward in March 2019: the gross domestic product (GDP) is expected to rise by 1.5% this year instead of the earlier forecast 2.2%.

The mergers and acquisitions market is at a peak globally as a result of the growing economy, as apparent from the twentieth edition of the *EY Global Capital Confidence Barometer* (April 2019), a survey among 2,900 top executives from 47 countries, including the Netherlands. 59% of the companies plan to make an acquisition in the coming year.

Developments on the employment market

The employment market has become even tighter in the past year. There is a labor shortage: talented newcomers whom EY Nederland would like to employ have many options. It has become more difficult to fill job vacancies in particular at Assurance. From a survey held by the Royal Netherlands Institute for Chartered Accountants (NBA), it appears that the demand for accountants has risen, in some categories even by over 30%. The negative publicity, which has surrounded accountancy in recent years, plays a role in the shortage. The shortage problem also exists within advisory services, although less acute. Further



digitalization and technological innovation demand other competencies, such as IT and data analytics. When recruiting new people, we must take into account the wishes of the current young generation and the manner in which they seek to structure their careers with a good work-life balance.

Developments in society

Data privacy is an important theme in the public debate. The rules governing the privacy of personal data were sharpened in 2018 with the introduction of the General Data Protection Regulation (GDPR). Compliance with the GDPR is a top priority: companies and organizations must comply with these rules and, at the same time, wish to create room for data analytics. Providing targeted advice in this field is becoming more and more important. EY Nederland also makes use of data analytics to further improve the services that we provide to our clients and make them more efficient.

Cybersecurity also plays a role in nearly all sectors and organizations. EY advises clients on how they can protect their vital systems against the risk of attack and prevent the theft of sensitive information. At the same time, EY must ensure that the correct and reliable functioning of its own organization and systems cannot be threatened by cybercrime.

Developments in assurance services

The quality and functioning of assurance services in the Netherlands has been a topic of discussion already for a number of years. The attention will probably not wane in the coming period: the Minister of Finance appointed the Committee for the Future of the Accountancy Sector (CTA) at the end of 2018. This committee is tasked with investigating and providing advice on the question how the quality of statutory audits can be improved, which policy changes and legislative amendments are desirable for this and whether these changes are legally feasible. The committee is expected to present its recommendations at the end of 2019.

Developments in tax advice services

In society, we see more and more attention for the tax policies of, in particular, multinationals; this can be qualified as a change in perception in the media and politics. The government wishes to rid itself of the image that the Netherlands is a tax paradise for large multinationals. This continues to lead to new legislation, whereas new legislation is also being introduced abroad at an unprecedented speed.

This attention is also impacting our clients. Compliance with rapidly changing international tax regulations has top priority among many clients. We respond to this with, for example, our program Tax in the Boardroom and with internal discussions about leading principles for our tax advice services.

Developments in advisory services

Companies are looking for a better balance between profit and purpose. The question 'What is our license to operate?' is coming to the fore more explicitly. Companies also wish to operate sustainably instead of simply maximizing profits. What makes the company distinctive, what does the company contribute to society? We develop stakeholder dialogues together with our customers: we enter into dialogues with internal and external stakeholders about the organization's most material themes. This includes examining the importance of these themes and their impact on society.

Vision 2020+

Vision 2020+ is EY's global strategy. EY Global is expected to announce a redefined and updated global strategy in the fall of 2019. This process also took place in 2017.

New technology and innovation are important areas of focus. The profession of accountant and adviser is clearly changing, which has consequences for the organization and the way we work. Technology increasingly forms an integral part of the services provided to clients.

We are building an innovative organization by stimulating and mobilizing resourcefulness from the bottom up. Internal innovative ideas are combined with entrepreneurship. We develop digital solutions for clients or we computerize parts of our own work either on our own or together with internal or external start-ups and scale-ups.

Our strategy is aligned with our purpose of *Building a better working world*: we aim to contribute to the better functioning of organizations and to reliable financial information. Our work lays an important foundation for public confidence in the information published by organizations. We regard it as our task to communicate our purpose even more explicitly internally and externally in the coming years. We will continue to clearly communicate that our client engagement and social engagement is intrinsic, it comes from within.

EY Nederland is fully committed to implementing Vision2020+, while also having an eye for the specific circumstances in the Netherlands. This is mainly in connection with the (strict) laws and regulations that apply to assurance services. Our quality program Step Change to Quality is well aligned with EY's global strategy.



Our ambition

Our ambition consists of four main elements:

The strongest brand

We want to be the strongest brand by providing excellent services to our clients. We aim to be leading in the development and application of innovative tools and technology in order to constantly improve the quality and efficiency of our services. This enables us to meet the expectations of our clients, their stakeholders and our employees.

The best employer

It is our aim to be the best employer. Only when the best employees are willing to work for us will we be able to meet our high quality standards. We have to offer talented professionals an attractive working environment.

Best in the market

We aim to be number 1 or 2 in the markets in which we are active. We choose in which markets we wish to be active and what position we want to have in these markets. This also contributes to our ambition to be the strongest brand and the preferred employer.

Sustainable results

We aim to achieve sustainable results. This is important in order to be able to invest in technology and innovation and in our people, and to maintain the strength of our brand.

Our purpose: Building a better working world

If the business community and the public sector function better, this will result in a better working world. Increasing the confidence in and creditability of the business community and economies throughout the world is one of our most important drivers. We aim for sustainable growth, the development of human capital and talent, and more collaboration. We have a strong sense of duty: we do everything in our power to meet the needs of our stakeholders. They must be able to count on the highest quality of the work that we deliver and the reliability of everything we do. Each individual EY employee is committed to fulfill our obligations to our clients and society.

Risks

EY Nederland is exposed to various risks which we can or cannot influence ourselves. The Risks That Matter are discussed on the next page. The Risks That Matter are the most important risks that could possibly have an effect on the realization of our strategic objectives. For more information about how we identify and control risks, see Risk management (see page 63).

Connectivity table

Pillar	Strategy	Ambition	Performance Indicators
Market	Leading position by providing excellent services	The best in the market	Technological innovation
			Customer satisfaction
		The strongest brand	Revenue growth
Talent	The best performing teams	The best employer	Retaining and recruiting talent
			Culture change
			Employee engagement
			Diversity and inclusiveness
Organization	Financially sound, strong globally and locally	Sustainable results	Integrity and independence
			Compliance
			Optimization of effectiveness and efficiency of processes

Risks that Matter

Channel & Account strategy	insufficient sustainable embedding of strategies
Economic developments	revenue impacted by volatile, negative or uncertain developments
External competition	deterioration of positioning and competitive advantage
Geopolitical	negative impact on competitive position
Information security	data leaks and cybercrime
Innovation	insufficient innovative capability
Quality	insufficient sustainable embedding of quality
Quality-oriented and healthy (risk) culture	insufficient adherence to norms and values
Social expectations	expectation gap
Operating model	insufficient effectiveness
Partnership Cohesion	insufficient collaboration Service Lines
Recruitment & retention	Insufficient ability to attract and retain talent
Support professionals	insufficient (innovation) supporting tools
Regulatory pressure	insufficient compliance with laws and regulations
Forms of collaboration	insufficient control of outsourcing risks

Materiality

EY Stakeholder dialogue

We attach great importance to the views of our internal and external stakeholders. Their input is leading for the determination of our business operations, strategy, Corporate Responsibility strategy and annual reporting. As a follow up to the extensive analysis that we carried out in 2017-2018, we entered into a dialogue with our

internal and external stakeholders again in this fiscal year. We have determined which themes they currently consider material for our organization. In addition, we performed a media and peer analysis in order to determine whether the material themes that were identified at the time are still relevant.

Material themes 2019

Theme	Definition	Performance management (KPIs)	Results
Technological innovation	Investing in 'new' technology and digitalization in order to improve the range of services and the quality of these services and to also develop new products and services. Examples include online tooling, blockchain, data analytics, robotic process automation and artificial intelligence.	▶ Number of hours spent on innovative services	13,308
Customer satisfaction	Providing exceptional and high-quality services with which we exceed the expectations of our clients and with which we clearly demonstrate the added value of our services to our clients.	▶ Customer appreciation score (% of clients who indicate that the relationship has improved or remained the same)	92%
Retaining and recruiting talented employees	Investing in engaged and loyal employees. This includes personal career planning and development, diverse and varied work, work-life balance, a friendly working environment, a clear mission (meaningfulness), a motivating appraisal method, suitable coaching and support and inspiring leadership. The focus lies on recruiting the best employees in a tight labor market and meeting the expectations of a new generation of employees.	▶ Percentage female employees ▶ Retention of top talent ▶ Employee engagement ▶ Number of hours spent on community investment projects ▶ Revenue categorized by: male/female, service line, age ▶ Hours and euros spent on training and education	42% 91% 78% 10,548 See annex 4 (see page 96) 454,000 hours and € 17.3 million
Culture change	Investing in a culture of high quality teamwork, trust, integrity and quality. In order to promote quality, employees must feel safe to acknowledge mistakes. This means a shift from a hierarchical and formal culture towards an open error management culture.	▶ Percentage of overtime	4.4%

Theme	Definition	Performance management (KPIs)	Results
Integrity and independence	Providing services that satisfy our ethical standards. Central issues in this context are anti-corruption, a sound due diligence when accepting clients and (personal) independence during assurance assignments.	<ul style="list-style-type: none"> ▶ Quality review engagements 1 or 2 ▶ Independence violations 	96% 0%
Compliance	Working in accordance with applicable laws and regulations and anticipating the increasing restrictions imposed by supervisory bodies. Extra attention is also being paid to stricter compliance with the requirements of the Act on the Supervision of Audit Firms (Wta) and the Decree on the Supervision of Audit Firms (Bta).	<ul style="list-style-type: none"> ▶ Independence violations ▶ Number of violations regarding non-permitted advisory services at audit clients 	0% 2
Optimization effectiveness and efficiency of processes	Adequate process management that guarantees sufficient partner and manager involvement. Increasing the efficiency and effectiveness of processes through technological and personal developments so that a higher service quality can be delivered. The focus lies on internal process-related improvements of the services.	<ul style="list-style-type: none"> ▶ Operating profit margin ▶ Revenue growth 	19% 5%

3.

Our results in the market

Investments in innovation

EY Nederland wishes to distinguish itself with innovation and new technology: it is our aim to be leading, in particular in data analytics and process mining.

For instance, within Assurance, we see more and more demand for 'continuous' audits where we perform data analytics for our clients with standard tools several times during the audit year as an integral part of our audit approach.

We assist our clients in their digital choices and transformation. We closely monitor developments in data analytics, predictive analytics, process mining, robotics, cybercrime, artificial intelligence and blockchain.

New developments and tools can be found in all branches of our services. Our people at Tax, Advisory and Assurance find AutoDoc, a tool with which you can produce customized documents, very useful. The accountants at Assurance have tools at their disposal to support the execution of audit activities, such as OneClickWorkbook and DataSnipper. We also invested substantially in automating the process for obtaining data for the data analytics activities of the accountants and we have developed various tools for our data analysts.

Among the tax advisers of Tax, we see digitalization of the services across the board as they have more technology at their disposal. With the many robotics applications, they can accelerate certain processes (such as generating invoices). Data is increasingly becoming a central issue in the advisory services of the tax advisers. They can operate in a more client-focused manner by making use of data analytics and process mining.

EY wavespace™

Our innovation center EY wavespace™, which was opened in September 2018 at our office in Amsterdam, turned out to be a catalyst for sharing knowledge in the past fiscal year. EY wavespace™ offers our clients the opportunity to see how advanced technologies work and experience the impact of these technologies on their organization. It is also used for workshops in which we work together closely with clients on sector-specific and/or client-specific solutions.

Since the opening of EY wavespace™ interactive sessions with clients and EY staff take place nearly every day. Examples of topics being addressed are: cybersecurity, the application of data analytics, artificial intelligence and Robotics Process Automation (RPA). The possibilities of blockchain are also a recurring theme.

The innovation center in Amsterdam forms part of the EY Global wavespace™ network. wavespace™ is a global network of growth and innovation centers where companies and organizations can discover new innovative ideas that help them to navigate this transformation age.

EY Finance Navigator: successful tool now worldwide

A third of the start-ups that do not succeed run into financial problems. Dealing with financial matters is not much fun for most entrepreneurs. That is why we developed the EY Finance Navigator: an online tool specially built for start-ups to provide financial insight and to determine the potential of a company. After extensive testing in the Netherlands and surrounding countries, the tool was launched worldwide in the past year.

Start-ups and scale-ups can use the EY Finance Navigator to produce financial models easily which they can then present to investors or other providers of capital. The tool

provides insight to start-ups based on their own input and benchmark information. The EY Finance Navigator is a low-threshold and user-friendly tool, also for entrepreneurs without a financial background.

The EY Finance Navigator keeps pace with users and thus remains relevant for start-ups that are ready for a scale-up. The EY Finance Navigator team can also provide advice on more complex issues of fast growing companies under the EYnovation™ flag, for example about funding and forecasting. With these tools, EY is building relationships with the market leaders of the future at an early stage.

In the coming year, the EY Finance Navigator team will focus on further worldwide promotion of the tool and the further development of the tool in the area of predictive forecasting, performance reporting and portfolio management.

EYnovation

EYnovation™ is a customized services program that provides support to start-ups and scale-ups with their fast growth. Via this program, selected fast-growing companies work together with EY from an early stage and receive assistance with the strategic, legal, tax and financial matters that they have to deal with. We offer ambitious and innovative entrepreneurs low-threshold access to our services, knowhow and the global EY network on a subscription basis. Around one hundred EY colleagues are directly involved in this 'fast lane' for promising start-ups and scale-ups. In the past year, EY offered customized services to various start-ups and scale-ups via the EYnovation™ program. EY also provided support to boost their nationwide and international expansion.

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

In order to deliver a lasting contribution to the start-up ecosystem, EY has been closely involved already for a number of years in the acceleration programs HighTechXL (Eindhoven), PortXL (Rotterdam), ACE (Amsterdam) and Yes!Delft.

The programs have provided assistance to over 70 start-ups in the past year. This year, EY also contributed to StartupDelta, a non-profit public-private collaboration that works together with governments, the Dutch Innovation Hubs, knowledge institutions, investors and start-ups. EY tax advisers helped the organization with a study regarding points for improvement of the tax climate for start-ups.

Innovate EY

With our bottom-up program Innovate EY, we strengthen our own capacity to innovate. The program stimulates employees to discover the entrepreneur within themselves and to come up with ideas for new products and services. Innovate EY is a nine-month program and is hands-on and across service lines. From day one, teams make use of advanced methods and tools that are used by leading companies within the start-up community.

Around 700 employees in total have participated in the first phase of the program, in which over 300 projects were tested. Twenty start-ups completed the whole process. The selection process starts with the 'iteration session'. This is followed by three important selection moments: Selection Days (concept phase), the Battle of Innovation (start-up phase) and the Celebration of Innovation (scale-up phase). Only the best projects are selected for further development.

This year, around 130 employees in the Netherlands participated in the fourth edition. They were able to test the feasibility of their own new ideas and put together teams to realize these ideas. This year, the teams were more successful than ever. At present, ten start-ups are working on implementing an innovative solution. The solutions concern both internal processes as well as the services that we provide to clients.

Projects of previous years also made a lot of progress. More focus on achieving market traction is given high priority within the program. Proven methodologies such as Lean Startup, Agile Scrum and Customer Development contribute to this.

Employees involved

188

Innovate EY projects

14

8

0

3

1

3

1

Innovate EY

Hours spent
on innovation.

The quality of our work

Delivering unsurpassed quality is our most important driver: this is in line with our ambition of being the best in the markets in which we operate. We continued with the implementation of our quality program Step Change to Quality. The focus in the past year was mainly on reducing work pressure and stricter customer selection.

strong points: we share relevant knowledge and insights and we ensure that the right people within EY are assigned to the client. They also appreciate our international approach and coordination.

Customer appreciation

Our reputation and our success depend on maintaining the trust of our clients. This is why we regularly assess the quality of our services via our Client Experience program (previously the ASQ survey, Assessment of Service Quality). This program, which is applied consistently worldwide, helps us to meet the needs of our clients and to assess our performance against expectations. With this program, we can implement improvements in the manner in which we serve our clients, manage quality and build strong, lasting relationships.

The Client Experience program does not replace evaluations that are already being conducted at clients with the EY teams operating at these clients. It is an addition and offers the possibility to measure the quality of the services that have been provided objectively. We consider these contact moments in the form of interviews and (online) questionnaires to be very important as, in this manner, we can enter into an independent dialogue with our clients, in particular in cases where improvements are necessary.

In the fiscal year 2018/2019, we recorded 543 contact moments with our clients within the Client Experience program (2017/2018: 436). Of the client who rated the relationship with EY Nederland, 48% indicated that the relationship with EY Nederland has improved compared to the previous fiscal year (2017/2018: 49%). The relationship remained the same according to 44% (previous fiscal year 45%) and in 8% of the responses the relationship was assessed as not as good (previous fiscal year 6%). The interviewed clients cited the following



Together with the client

“

The real difference lies in our broad, multidisciplinary teams: from IT specialist to designers, from strategists to tax advisers. We also involve the client's specialists. We combine forces, we form an inspired team. It's always a very diverse group, but whoever is open for others achieves a lot.

Beate van Dongen Crombags
Partner at EY VODW

Transparency report

For more specific information about the program Step Change to Quality and the quality monitoring system at EY Accountants, see the Transparency Report 2018/2019

Focus on quality improvements

The quality program Step Change to Quality that focuses on the service line Assurance and the audit practice but that does encompass the whole organization, is bearing fruit. We have made progress on all of the main themes: the corporate culture, the quality of the professional practice, the quality of the internal control organization and the dialogue with our stakeholders.

Culture: employees are more positive

In our whole organization, we aim for a culture in which everyone is open to feedback and can learn from mistakes. Our new leadership program is an important item in this. We teach our leaders to provide a good example: they must be transparent, be open to criticism and create an open culture and atmosphere in which everyone can learn from each other.

Our internal Excellence Ladder, a quality survey that we introduced in 2018 in our accountancy organization, shows that employees are more positive about their work and the organization.

An external survey was conducted as well: in 2018 the AFM asked about 1,200 employees of the Big Four firms about the partners' position in the area of quality policy and quality perception. The AFM concluded that EY has taken important steps: on a scale of seven points, we scored a six or higher in nearly all areas.

Professional practice: fewer clients, lower workload

Many employees experience the workload as too high. We regard this as a problem: besides the fact that we put too much pressure on our people, this can also have consequences for the quality of the work. First of all, we pay attention to the suitable composition of the teams, with the right amount of manpower, experience and competencies. Moreover, we look for a better balance between the size of the client base and the available manpower at EY. This means that we have to take leave of clients. In this selection, we pay attention to various aspects such as the amount of work, the complexity and any risks. This already has had an effect this fiscal year: the overtime percentage amounted to 4.4% (compared to 5.6% in the previous fiscal year).

We are constantly working on the innovation of our activities. This year, we launched the project Audit of the Future, which is aimed at a new type of audit, with advanced tools that make the processes more effective and efficient. Thus we unburden our professionals, who can spend more time on content and quality.

Internal control organization: involvement of partners and managers

Involvement of associate partners and partners and managers and senior managers is good for the quality of the services. Our aim is that executives account for a quarter of the number of audit hours.

Stakeholders: continuing to listen and explain

We consider open communication with our stakeholders to be important. Listening carefully to them helps us to further increase the quality of our services. It is a two-way street: at various events, we explain what our profession (in particular tax advice and accountancy) comprises. In this manner, we strive to narrow the expectation gap between what we are statutorily obliged to do and what society believes that we must do. For instance, we hold roundtable discussions with supervisory board members of listed companies and engage in a dialogue with politicians and media representatives.

Decision of the CBb provides more clarity about the duty of care

On 18 June 2019, the Dutch Trade and Industry Appeals Tribunal (CBb) upheld an earlier decision of the Court of Rotterdam in an appeal procedure. The court concluded in December 2017 that the supervisor, the Dutch Authority for the Financial Markets (AFM), had wrongfully concluded that EY Nederland had not fulfilled its duty of care because a number of audit files did not satisfy the requirements. EY Nederland disputed the AFM's standpoint and the imposed fine with the argument that the supervisor may not conclude this based on the investigation of individual files. The CBb backed this standpoint.

EY Nederland is pleased with this decision: there is now more clarity about how the accountancy sector and the supervisor should interpret the concept 'duty of care'. The CBb decision is final.

For more information about our stakeholder dialogue, see Stakeholder engagement (see page 93) and External initiatives and stakeholder engagement (see page 95).

Results of our service lines

Assurance

Performance in the market

Assurance considers it important to build and maintain good relationships with stakeholders within and outside the sector. We established new and strengthened existing relationships with, among others, supervisory board members via four roundtables that we held in the past fiscal year and we discussed various topics with investors and politicians in a number of workshops. Furthermore, Assurance contributed to the EY Nederland's input for the Committee for the Future of the Accountancy Sector (CTA), the government committee that is examining the structure of the sector.

The client base was reviewed again: we are increasingly making a clearer choice regarding the type and the number of clients that Assurance wishes to serve. Productivity decreased somewhat in the past fiscal year. This indicates a decrease in the workload, which is also apparent from surveys and the reactions of employees.

Revenue decreased slightly (-0.4%), from 340 to 339 million, compared to a growth of 7% a year earlier. It can be concluded from the Client Experience program (previously the Assessment of Service Quality (ASQ) survey) that our services more than satisfy the expectations of customers.

Eye to the future

We started with the Audit of the Future. With this project, we are focusing on developing to meet the requirements of a new age in which the execution of the accountancy profession will look completely different. An important element in this is the innovation of the accountancy practice in a rapidly changing environment.

Assurance wishes to distinguish itself by providing exceptional service and employing the best employees. Employees who have advanced tools at their disposal in addition to modern technology and streamlined work processes. Accountants are 'unburdened' by, for example, applying automation, robotics and emerging technologies, such as process mining and machine learning. In addition, we consider it important that EY employees enjoy their work.

Assurance revenue

(in millions of euros)



Digital 'continuous' audit

The 'new' world is a reality in the services provided by Assurance. Our clients experience the impact of the EY Digital Audit in the interaction with our audit teams: real-time communication and data exchange take place between our clients and our audit teams via the EY Client portal. EY Helix, our global data analysis platform, is an integral part of our assurance services. With this platform, we can perform our data analyses as often as we like. We have a large range of data analysis tools at our disposal with which we can further increase our clients' insight. Clients with a subscription always have access to the latest developments in the field of accounting and audits via the cloud platform EY Atlas.

Teaming

At Assurance *Passion for the Profession* was a central theme: how can we make the profession more attractive? One of the ways to ensure that talent wishes to remain with us consists of further standardizing, automating and digitizing our internal work processes. We have made concrete plans to set up a Centralized Audit Delivery department. It is our aim to support the auditors by carrying out more and more standard activities from this department in the coming years. This not only contributes to the quality of our services, it also enables our audit

professionals to focus more on the core tasks in which expertise and personality are of more added value. They will be given even more room to engage in a valuable dialogue with our clients.

A lot of attention was also paid to improving the collaboration among the audit professionals, for instance through sessions with the Highest Performing Teams. Giving feedback and learning from mistakes and from each other are important. This is in line with the objectives of the quality program Step Change to Quality of EY Nederland.

Tax

Performance in the market

Tax laws and regulations are changing at a rapid rate. The various teams within Tax have developed new products in response to these changes. For instance, we launched the new tax accounting tool ACE. The tools for MDR (Mandatory Disclosure Rules) and MLI (Multilateral Instrument) are also new. The MDR tool helps companies comply with the regulations regarding reporting of aggressive tax planning. The MLI tool (which clients can use free of charge) provides insight into specific changes in tax treaties at one glance.

Tax revenue

(in millions of euros)



Our clients are confronted with a surge of new and proposed laws and regulations. This has given a strong impulse to the tax practice. Tax grew by about 5% (previous fiscal year 3%). The international advice practice and the merger and acquisition practice grew the strongest. In the past fiscal year, we put a lot of effort into realizing growth through technology. This has borne fruit and also led to a number of interesting new assignments.

The ever more rapidly changing tax laws and regulations require a lot of attention of Tax's international practice in the short term: multinationals are making other choices for their investments.

Public debate

Tax contributes to the public debate about tax matters through publications in professional journals and by expressing its opinion in the media. A number of tax-related topics in the past fiscal year included the Fiscal Unity Emergency Repair Act (Wet spoedreparatie fiscale eenheid) and the 'DGA-taks' regarding directors who are also majority shareholders. Tax regards sharing specialist knowledge about tax matters and tax laws as an important task.

In the program Tax in the Boardroom (introduced in 2017), specialists enter into a dialogue with a multidisciplinary group of stakeholders within the client's company, such as the head of tax affairs, the CFO, the head of communication and people from the sustainability department. This results in a broad view on the tax strategy within the company.

Eye to the future

Digitalization is becoming increasingly important in our clients' tax departments as well, also due to the degree of digitalization at tax authorities, which can differ significantly from country to country. The personnel within the company who are responsible for tax-related matters must know what data are available and must be able to interpret these data. Technology and data analytics are essential in this case. In order to increase the efficiency of our services in this area, Tax has established the group Tax Technology and Transformation, which

groups together the knowledge and expertise of data-based services. The service line is thus able to advise clients more broadly about various forms of technology in combination with taxation.

The focus in the coming years will remain on the digital transformation that has started already. As a result of the ongoing automation and the possibilities for data analysis, Tax expects a continuation of the trend in which companies increasingly outsource the compliance activities of their fiscal and financial departments. In connection with this, it is essential that new tools continue to be developed in order to enable clients to make optimal use of their data.

Teaming

The further digitalization within Tax has consequences for the organization. Tax advisers are increasingly working together with IT specialists and with specialists who have a knowledge of both technology and tax returns and reporting.

A very fruitful collaboration has resulted in the EY Growth Accelerator (with the interactive Growth Navigator). The EY Growth Accelerator offers small and medium enterprises an extensive self-assessment and a customized growth plan. The management of the company is thus able to evaluate opportunities, strategic priorities and challenges. The success of this program is largely due to an intensive teaming with other service lines. A similar program was introduced earlier in the Dutch province Overijssel and is now also being rolled out in the province Gelderland.

Advisory

Performance in the market

Advisory experienced a strong growth in a number of market segments: Energy & Resources, Healthcare & Life Sciences, Real Estate, Hospitality & Construction and Financial Services. Clients required support in particular with transformation processes such as the optimization of factories, the improvement of information systems and cybersecurity. Across the board, Advisory realized a growth of 16%, from 127 to 147 million. This is more than in previous years. The growth as a result of acquisitions and the organic growth remained around the same.

The acquisition and integration of VODW Marketing & Management Consultants B.V. constituted an important factor. Within the EY organization, the specialists in digital transformation, data science and innovation will continue under the name EY VODW. Also as a result of the acquisition, the number of employees of Advisory rose from 694 to 879.

In 2018/2019, Advisory also assisted international companies with the improvement of their manufacturing footprint (i.e. where they should produce what) and helped organizations improve their cybersecurity.

Furthermore, Advisory played an important role in the information provision of a large hospital.

Eye to the future

Advisory regularly made use of the innovation center EY wavespace™ in Amsterdam. In this center, EY Nederland combines the newest technological developments with process and sector expertise. This enables the advisers to help clients with innovation.

For instance, support was provided to a large international player in the consumer products field with intelligent automation.

The SAP Competence Center has grown strongly. This center provides advice to clients about SAP solutions. The demand for advice from the services Cyber, Supply Chain and CertifyPoint has increased as well. On the one hand, we provide 'peace of mind' in an increasingly complex world. On the other hand, we help clients to make use of new possibilities with which they can make their organization more efficient and effective. This is in line with Advisory's aim to support clients with the implementation of their digital agenda, which is becoming increasingly important for their business. Clients are becoming more and more interested in the newest digital analytics and predictive modeling applications.

Advisory revenue

(in millions of euros)



Besides the data analysis tools that are available on our global data analytics platform, we also develop tools ourselves where possible. For example, AutoDoc, an online tool with which EY professionals can produce tailor-made documents for clients. The work is performed more efficiently and the risk of human errors is reduced. Everyone can use these templates, also in other countries. The project arose from our Innovate EY program.

Teaming

Advisory continued with the further integration of Financial Accounting Advisory Services (FAAS). These advisory services were separated from the regular services and grouped under Advisory in the previous fiscal year. The FAAS and Finance Performance Improvement teams were recently combined to one team: CFO Advisory.

Many young people work at Advisory who have their own views on work and wishes regarding development. The service line is receptive to this. Therefore, a Young Advisory Board was also established at Advisory similar to the service lines Assurance and Tax. The contributions of this board are given considerable weight when setting priorities and modernizing the internal organization.

The range of training programs has been expanded. The SAP Academy is one of the new options. In addition, the number of training hours have been increased and the online and regular training programs have been expanded.

The emphasis in the coming year will be on the collaboration of teams with various competencies. In this manner, we can provide optimal support to our clients with complex transformations.

Transaction Advisory Services

Performance in the market

As was the case in the last fiscal year, Transaction Advisory Services (TAS) benefited from the strong economy. The M&A market was stable: domestic and foreign buyers are interested in flourishing mid-market companies and private equity parties are cash-rich and

looking for profitable investment opportunities. Acquisitions are an important instrument in the acceleration of innovation and transformation.

Revenue grew by about 14%, from € 66 million to € 75 million. The number of clients rose and the involvement with Capital Agenda issues has expanded. The number of employees rose by 10% to about 250.

Eye to the future

One of the spearpoints is innovation. TAS wishes to distinguish itself with this. The intensive application of, in particular, data analytics has become a standard part of our services. Mergers, acquisitions and alliances remain important instruments for innovation, gaining new knowledge and making existing business models future-proof in a rapidly changing world. By combining specialist expertise in the execution of assignments, we help our clients accelerate the realization of their strategic objectives. The composition of the teams is a decisive factor in this: the right people with the right competencies working together. The sector approach is now fully integrated in the daily practice.

EY Advisory Netherlands LLP

In order to better differentiate between our assurance services and our consultancy activities, the structure of the legal entity Ernst & Young Accountants LLP was changed on 1 April 2019. This included the transfer of the services lines Advisory and Transaction Advisory Services to the separate entity EY Advisory Netherlands LLP.

TAS introduced the Transaction Graduate Program (TGP) for starting EY professionals.

In the TGP, starters can rotate between various TAS departments every six months in the beginning of their career. Customized training and development programs are linked to the TGP. A first survey shows that employees are positive about the program.

The collaboration between the various departments of the service lines will be intensified in the coming fiscal year. TAS aims for further growth of its strategic and advisory services regarding financing. Furthermore, there is a growing need for expertise aimed at improving a company's financial and operational performance. This trend is expected to continue.

Market segments

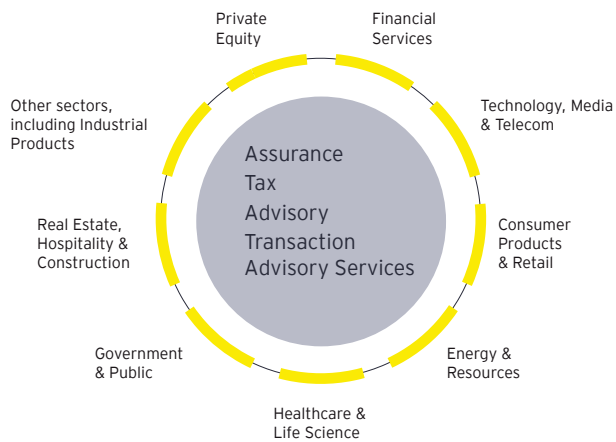
EY Nederland has placed its market focus on the sectors in which we have or aim for a leading position with our services and on the convergence between various sectors.

The market segments are served by all our service lines, where possible in a multidisciplinary collaboration. Within Assurance, as in the previous fiscal year, we are examining more and more critically whether clients are suitable based on their risk profile and we are focusing on acquiring new clients that fit within our risk and reward strategy. At Assurance, revenue remained practically the same in the past fiscal year whereas revenue rose at the other three service lines (Advisory, Tax and TAS). Across the board, revenue rose by 5% from € 837 million to € 876 million. For more detailed information, see Financial result (see page 56).

Transaction Advisory Services revenue

(in millions of euros)





pension sector) organized Financial Services experts are able to provide this assistance.

As in the previous fiscal year, Financial Services was again the largest market segment in 2018/2019 in terms of revenue, which rose from € 177 million to € 190 million (a growth of 7%).

Go to market

All companies and institutions in the Netherlands are being confronted with the further digitalization of our economy and of society. The ascendancy of globally operating tech companies and the changing behavior of consumers are disruptive developments and have a big impact on various sectors. As a response to this, in a number of sectors, we see concentration through mergers and acquisitions in order to create more scale.

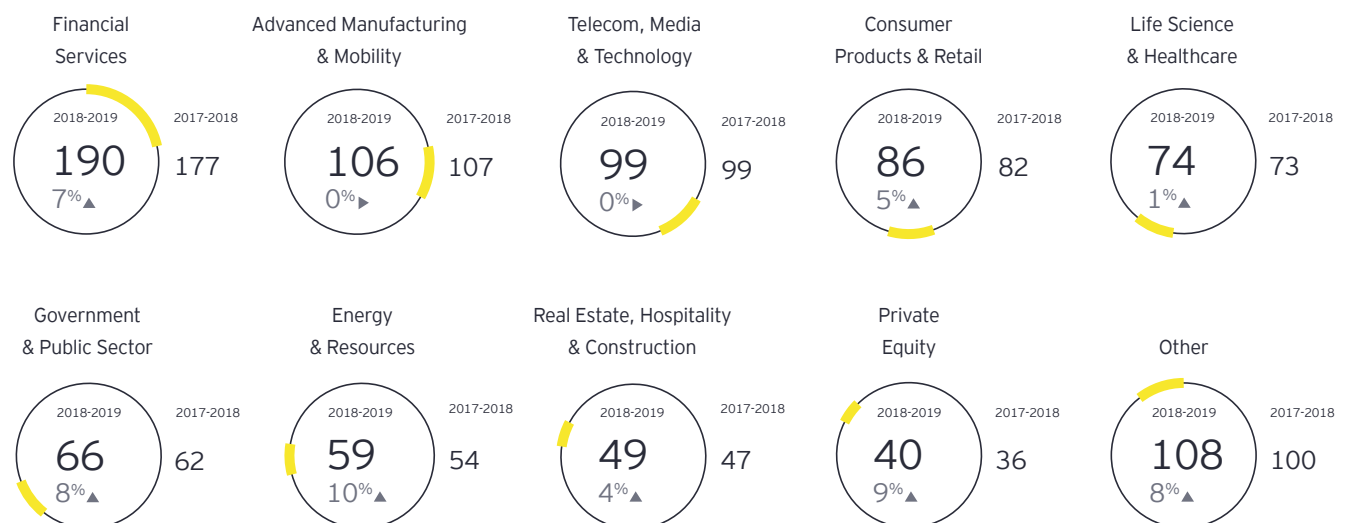
Financial Services

EY Nederland is strongly represented among financial institutions that are served by our Financial Services specialists. The mostly multinational clients in the financial market segment often require assistance with cross-border issues. The supranational and in various sub-segments (banks, insurers, asset management and the

On the other hand, the increase in the use of the cloud and the Internet of Things offer growth opportunities. We help our clients to further optimize their internal processes in the supporting activities such as in HR, Finance and Procurement, as well as increasingly in the core activities of companies. The exponential increase in data use demands more attention for the security of company and

Revenue by market segment

(in millions of euros)



customer data and investments by telecom companies in new infrastructure.

EY Nederland's collaborating service lines provided advice to our clients in the past fiscal year in many different areas. With this multidisciplinary approach, we can realize the best solutions in areas such as digital transformation, commercial transformation, Managing Enterprise Trust (Cyber Security and GDPR), Enterprise Operational Excellence and merger and acquisition activities.

Growth in market segments

Revenue growth was realized in most market segments, varying from 1% to 10%. In particular Telecom, Media & Technology, Government & Public Sector, Life Science & Healthcare and Private Equity have made a significant contribution to our growth strategy. The other sectors showed a stable performance.



Together and inclusive

“

We established Unity to give LGBTIers their own community within EY Nederland. But my drive goes further than that: I aim for diversity and inclusiveness in the broadest sense. Everyone should be able to be themselves. It is precisely the differences that contribute to our success. Participation in Pride Amsterdam was a milestone: we showed all our colleagues and society what EY stands for.

Jeroen Breunissen

Manager Audit, board member Unity Nederland

Investing in the EY brand

We are proud of the appreciation we receive from our clients. We want the outside world - our stakeholders, but also society in general - to understand who we are and what we do.

This year again, we made an effort to communicate and promote our core values, the EY brand and the range of services that we provide. Certainly in times in which the quality of the work of accountancy firms is a topic of public debate, we must pay a lot of attention to this.

Thought leadership

Since 2017/2018, we have been putting more emphasis on presenting our experts, not only via traditional media, but also more and more frequently via social media such

as LinkedIn, Twitter and Instagram. A number of internal programs contribute to creating thought leadership: colleagues share relevant knowledge upon request and at their own initiative in the form of interviews, blogs and vlogs about themes that society and our stakeholders consider important. In this manner, we ensure that we are open to dialogue and reflection about our daily actions.

With this, we are standing at the beginning of a process. We accept that our people are our source of knowledge and are in contact with the outside world every day. They are our ambassadors and disseminate our norms and values digitally and online and thus they contribute to fulfilling our purpose.

Teamwork makes the difference

Teamwork is not simply an umbrella term for EY, it really provides added value for our clients and our own organization. A multidisciplinary team recently won an important assignment at a global player in agricultural products. Specialists of, for instance, EY-Parthenon (strategy consultancy) of EY VODW (digital transformation) and Advisory (execution and implementation) will provide assistance to our client in their large-scale digitalization. The project began in the summer of 2019.

Our client has indicated that EY exceeded the competition with its integral approach. They also appreciated the manner in which we have built and maintained a relationship with the company (among others with the CFO and CEO), our sector knowledge, our proactive attitude and our approach to international family-owned companies.

We can offer our client a high quality level as we can employ exactly the right competencies in the different phases of the project. The strategists of EY-Parthenon play a large role in the first phase: they will identify the opportunities, risks and trends. After which, in

phase 2, the digital designers of EY VODW start working on concrete solutions and prototypes based on the client's requirements. In the third phase, the most important task is for Advisory: the actual execution. The advisers ensure that the proposed solutions can be used in practice. They also ensure that the rest of the company takes part in this extensive transformation.

In this manner, the client is ensured of optimal service. They can outsource an important part of their transition to the digital world with confidence.

The best brand

A strong brand is also very important for our position on the employment market (see also Our performance as an employer (see page 43)). The profiling of our people via social media was also applied to our activities regarding the recruitment of students and starters.

Every two years, we measure how strong our brand is and what progress we are making. We have already been using the tailor-made Brandsurvey for this since 2005. This involves a representative survey among clients and non-clients - this time 4,743 in total - conducted by an independent agency.

The most recent survey, which was held in the beginning of 2019, shows that, in the Netherlands among the 'Big Four' (PwC, Deloitte, KPMG, EY), we are the preferred brand in Assurance, Tax and Transaction Advisory Services. Respondents commended for instance: *'exceptional client experience', 'proud to bring to the boardroom', 'best mix of talent', 'helps build trust in business', 'globally connected and consistent' and 'agile and responsive'.*

4.

Our performance as an employer

Challenges and priorities

As an employer, EY Nederland gave priority to a number of themes in the past year: team development, leadership qualities and recruiting and retaining talent. The point of departure remains that our teams, the Highest Performing Teams, function as a well-oiled machine.

For the best and most complete services to clients, we aim for an optimal collaboration between EY employees with different backgrounds, skills and competencies.

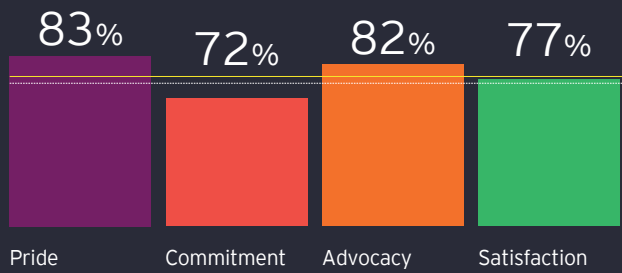
Highest performing teams

Putting together Highest Performing Teams (HPTs) is one of our strategic pillars. We aim for multidisciplinary cooperation that transcends areas of expertise and service lines.

EY Nederland introduced the HPTs concept two years ago. Basic preconditions are mutual trust, daring to call each other to account and assuming responsibility. Each team has a shared vision and a common goal and consists of people who complement each other with their knowledge and skills. In order to be able to provide services of the highest quality, we look for the optimal mix of opinions, experiences and backgrounds when composing the teams.

The HPT sessions are crucial: team members discuss themes together such as trust, dealing with conflicts, commitment, working methods and dealing with feedback. Our target for this year was to organize at least 75 HPT sessions, more than twice the number of sessions a year earlier (33). We more than achieved this: over 100 sessions took place, in which about 1,400 employees were involved. We aim for 300 sessions in the next fiscal year.

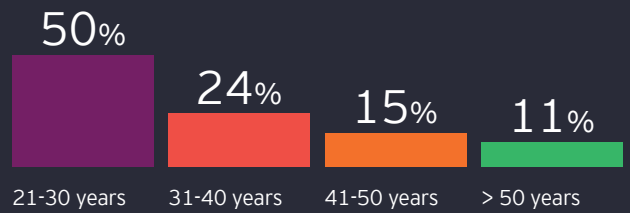
People Pulse Engagement Score



— 2018/2019 78%
 — 2017/2018 76%

Age category

2018-2019

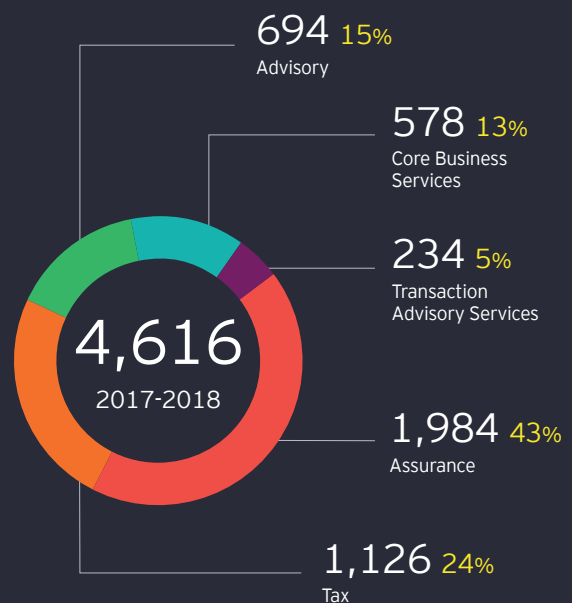
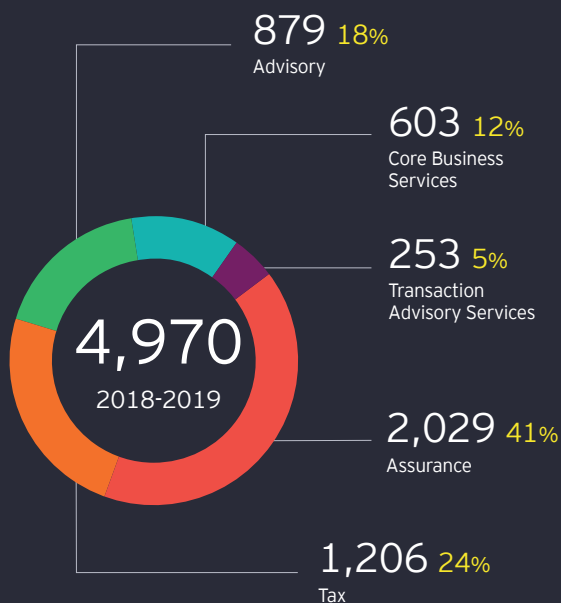


35

Average age

Headcount staff and partners

per service line



Retention rate top talents

91% 90%

2018-2019

2017-2018

Attracting and retaining talent

The scarcity on the employment market remains a challenge. There is a shortage of IT experts in particular and there is also a scarcity in accountancy. Nevertheless, EY Nederland is still able to find the right people.

We see that the range of competencies that we need for our teams is expanding. We continue to need graduates and professionals in the 'traditional' areas of expertise such as accounting and control, business economics, tax law and fiscal economics. In addition, we are specifically looking for candidates with a STEM profile ((science, technology, engineering and mathematics), also due to rapidly increasing digitalization and data analytics. We would also like to welcome more flexible personnel.

The inflow was also sufficient in 2018/2019: we welcomed 1,309 new colleagues, compared to 1,066 in the previous year. In total 955 employees left our organization in the past fiscal year (previous fiscal year 956). The staff turnover rate remained the same in percentages: 21%. This is in line with the sector. EY Nederland had 4,707 employees at the end of the fiscal year, 8% more than the previous year. The average age was 35, which is the same as in the fiscal year 2017/2018.

Global People Survey

We can get an impression of how well EY Nederland is doing according to its own employees from the results of the Global People Survey. This is a biannual survey in which we ask the opinion of employees about their work and the company. Of the over 3,800 respondents from EY Nederland, 78% feels engagement with EY, an increase of 1% compared to two years earlier. If we compare the score with that of last year (76%), when we conducted an interim smaller People Pulse Survey, the increase is even slightly bigger at 2%. We conclude from this that our approach is starting to bear fruit. 82% of the respondents (+3%) state that they recommend EY as a '*great place to work*'. As apparent from the survey, employees are very positive about the possibilities to develop themselves and they feel that they have a lot of room to be themselves.

New website

This fiscal year, we worked on expanding our recruitment department and improving our recruitment processes. The aim of this was to create an optimal candidate experience and to realize the desired inflow. In May 2019, we launched the new career website Working at EY that is aimed at students and professionals. We also use testimonials of EY colleagues ('Meet us') to present the organization. Important themes such as teamwork, diversity & inclusiveness, coaching and innovation receive a lot of attention. The site describes the options to get to know our organization, such as internships, thesis research projects, working student placements, traineeships and orientation events. Visitors can create a profile on the website, look for vacancies easily and apply directly.

Direct contact with students

EY Nederland also contacts potential new employees in other ways. We let students become acquainted with us through, for example, talent pools, business courses, newsletters and online tours with vlogs by EY colleagues. During the 'in-house days' potential candidates can get an impression of the atmosphere and the way we work and get to know our corporate culture better. In view of our need for people with a technical background, we also invite STEM students from the technical universities. Besides Master students, we are increasingly directing our attention to Bachelor students as well, and within Assurance more on vocational profiles. We also enable students to become acquainted with EY Nederland earlier on in their studies.

Reducing the workload

We give priority to the retention of talent as well. It is important that employees feel comfortable. One of the issues that we face is the high workload amount the accountants. EY Nederland has taken important steps in this area in the past year: we limited the number of clients and the total number of working hours in the service line Assurance. We already see that the number of overtime hours have decreased. We will continue with this approach. There will be more emphasis on flexible working

in all service lines: employees will be able to determine more often themselves where and when they work.

In line with this, there is more attention for the work-life balance within the HPTs. During the HPT sessions, employees also share issues with each other that have an impact on life outside EY. The feedback is positive: we notice that in particular young employees are motivated by this.

Learning and development

EY Nederland considers it important that all employees, both new and experienced, can continue to develop themselves. This also increases the attractiveness of working at EY. Training and education therefore have a central role in our HR policy.

454,000

Hours spent on education

17.3 million

Euros spent on education

We place the emphasis on a broad, interesting development within the EY organization - as a professional, but also as a person. We pay a lot of attention to the development of the knowledge, skills and competencies of our people. It is our aim that EY employees take the 'EY Experience' with them and advocate this their whole working lives. We wish to create future leaders, within and outside our firm. This is in line with our purpose *Building a better working world*.

In general, we offer two types of programs: acquiring professional knowledge and developing personal skills. All newly appointed senior managers receive an assessment in their first year in order to determine what they wish to

develop in their current role and what they require for the step to their next role. We invested in the development of a personal leadership program this year as a sequel to this assessment. Senior managers also participated in a two-and-half day personal leadership journey in May, June and July in which the focus was on their personal purpose and there was a lot of attention for increasing their self-awareness, vitality and presence.

Leadership program

This fiscal year, EY Nederland invested extra in a leadership program, in which over 350 partners, associate partners and directors have now participated. This program is one of the measures that we have taken following our culture survey at the end of 2017. The point of departure is that our leaders must be transparent, open to criticism and be able to create a culture and atmosphere within their teams in which everyone can give each other feedback and can learn from each other. We also asked the input of managers regarding how we can promote our purpose and values more and can realize the ambitions laid down in Vision 2020+ in the Netherlands. We will continue with this program for today's leaders and future leaders within our firm.

Learning in the summer

As in previous year, we held our Firm Wide Learning Events in the summer months. About 1,200 employees participated in this program in July and August 2018. This takes place on a voluntary basis. The vitality training workshops are an important part of the program. The focus in these workshops lies mainly on 'soft skills': communication, presentation, commercial skills and personal development. The participants spend on average one day to one and a half days on this summer program.

LEAD: focus on personal development

We introduced the Global performance management system LEAD in the fiscal year 2017/2018. This year, we further implemented this system in the organization. LEAD is not based on traditional appraisal or performance interviews, but on a continuous dialogue between managers and employees. The employees discuss their plans, activities and development four times

a year. Regular feedback plays an important role in this. Employees can follow the feedback and their progress real time in an intuitive manner via an online dashboard and they can compare this with that of their peers.

Diversity and inclusiveness

EY is convinced that a diverse composition of teams and the management is good for our clients and our organization: bringing together people with different backgrounds and characteristics contributes to a better world and to commercial success.

We are working on achieving more and more diversity in all layers of our organization. Everyone has equal opportunities at EY, regardless of for example gender, cultural background, sexual preference or employment restrictions. This is in line with the values that we uphold, such as teaming and respect. D&I is embedded in our business and HR processes; managers are required to report on this.

Gender equality

When recruiting new employees, the aim is to hire 50% women and 50% men. The male/female ratio is still not as desired: 42% is female.

We organize all sorts of programs to stimulate female leadership. We have a female leadership program in the Netherlands in which 24 women have participated. EMEIA organizes the program Accelerate@EY for which EY Nederland registered 66 female high potentials. In addition, EY has a sponsor program for female talent and talent with a non-Western background – the 'career watch'. Leaders within EY coach these talents; mainly by acting as a sponsor and making an effort to increase their opportunities within the organization.

This year, we produced the brochure *Becoming a parent at EY* about combining care tasks with working at EY. All regulations that apply to parents and future parents are set out in this brochure as well as obligatory and non-obligatory agreements in connection with the birth of a child.



Together with students

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I know from my own experience: your first job changes everything. Everything is exciting and unnerving, new colleagues, new environment. I coach the students that want to work at EY. Talk to them, listen to them. It's not about simply recruiting them. I want to know what makes them happy, what suits them. This is a process that we go through together.

Crystle Cairo
Recruiter

Multicultural initiatives

The number of employees with a non-western background within our firm is still not a reflection of society. This is why we developed various initiatives, including setting up a multicultural network. The events, such as an Iftar (a meal during the Ramadan) and Multicultural professionalism workshops are open to all EY Nederland employees and are aimed at creating more mutual understanding and meeting each other. EY Nederland is also a member of the Agora Network, an external network that aims to promote cultural diversity in organizations.

LHBTI+

With our participation in Pride Amsterdam, we have given a deliberate and clear signal to our own employees and to society that diversity and inclusiveness contribute to a better working world. We participated in the canal parade in August 2019.

Unity NL, a network community within EY Nederland for LHBTI+ - professionals and their supports, is doing well. The network has 236 members at present and the number is still growing. EY Nederland signed the SDG LGBTI Manifesto, which advocates the explicit inclusion of equal rights of LGBTIers in the Sustainable Development Goals.

People with limited access to the labor market

We are going to make more of an effort to reach and employ people with limited access to the labor market. One of our new initiatives is the collaboration with the Foundation HOI, which focuses on opportunities for people with dyslexia. We are going to organize a workshop about dyslexia for the recruitment department. Studies show that people with dyslexia often have a strong cognitive flexibility and are good at solving complex problems. These skills are well suited to an organization such as EY. We are going to make our job application procedure more accessible for people with dyslexia.

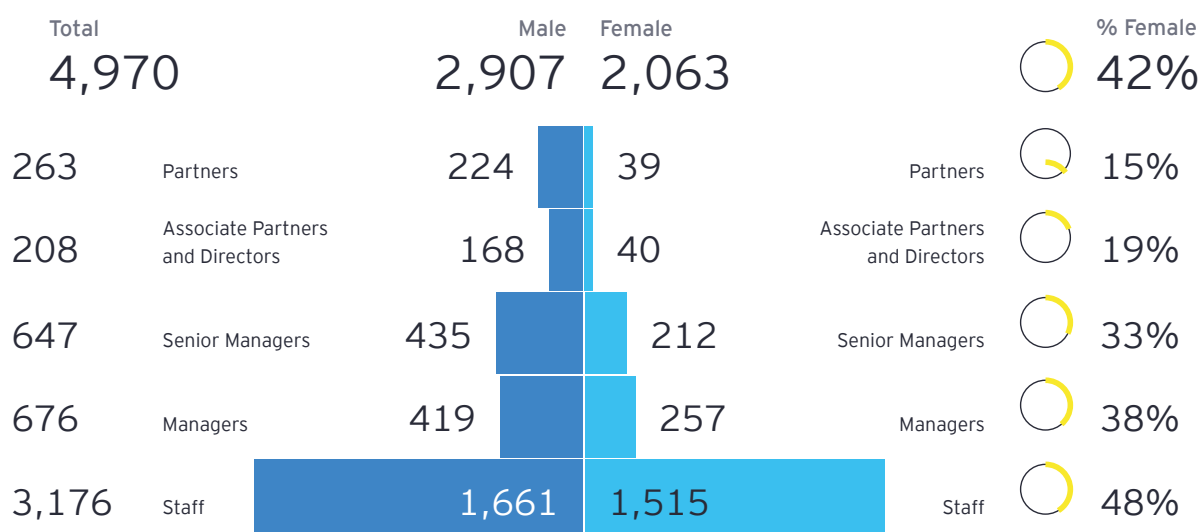
Employee participation

Consultations between the Works Council and the employer in the past fiscal year were constructive and proceeded in good harmony.

The Works Council had six consultation meetings with the employer. In addition, consultations took place on specific topics such as pensions, employment conditions in a broad sense, the grievance mechanism and the forming of EY Advisory Netherlands LLP. Besides representatives of the employer, the Works Council was also in contact with members of the Supervisory Board and specific officers

Headcount by rank and gender

2018-2019



such as the Privacy Officer, the Country Finance Leader and the company psychologist / confidential counselor.

Topics in the past fiscal year included:

- ▶ the elaboration of the pension scheme that came into effect on 1 July 2018;
- ▶ the leadership program and workflows arising therefrom;
- ▶ the new developments in the field of privacy;
- ▶ accommodation and the security of the large offices;
- ▶ the establishment of EY Advisory Netherlands LLP;
- ▶ consent requests for parental leave and pre-employment screening;
- ▶ restrictive conditions in employment conditions.

Colleagues are given as much insight as possible in the topics that are being discussed via Works Council notifications. The involvement of the Works Council in specific topics is also made known regularly in the information that EY Nederland sends out.

The Works Council endorses the need to demonstrate good employership in order to attract and retain sufficient talent in the organization. In this context, topics such as workload, job satisfaction, working conditions, workforce composition and remuneration policy deserve attention. Investments are required to remain a healthy organization.

5. EY in society

EY aims for more confidence in the business community, sustainable growth, the development of talent and more collaboration. We want to build a better working world on our own and together with like-minded organizations and people.

Corporate responsibility

In order to increase the positive impact of our organization on society, we have formulated a strategy for Corporate Responsibility (CR) for the period 2017-2020. The framework for this strategy was determined based on the input of our stakeholders, benchmark surveys and best practices from our own services. The strategy is aimed at our clients, our employees and society.

Our clients

More and more often stakeholders expect companies to focus not only on short-term profitability, but also on long-term value creation. In order to be able to keep their license to operate in the future, organizations must have a future-proof business model with which they not only create financial but also social and environmental added value for their stakeholders. At the same time, they must minimize the negative impact of their business operations and other activities in their value chain.

We support our clients with knowledge about responsible and sustainable entrepreneurship. Our Climate Change and Sustainability Services (CCaSS) department provides assurance on non-financial information, carries out impact measurements and provides advice on integrated reporting, impact investing and sustainable business strategies. In practice, we see that departments within EY Nederland are increasingly working together in the

field of sustainability-related topics. For instance, CCaSS and the Innovation Group (a department within Tax) worked together intensively in the past year on a tax subsidy request for a sustainable distribution center according to the certification LEED BD+C (LEED stands for Leadership in Energy and Environmental Design; BD+C stands for Building, Design and Construction). Two intensive CSR strategy projects in the public sector were also started with the departments CCaSS and Strategy.

Our people

The personal development of our people is a focal point at EY. This is why we consider it important that they are given the opportunity to be involved in society. They do this via the EY Community Investment program, which focuses on supporting future generations and on increasing the scale of impact companies. By sharing their skills, knowledge and expertise with pupils, foundations and impact entrepreneurs, they promote our purpose *Building a better working world*.

10,548

Hours spent on social activities

579

Engaged employees

11.6%

Of the total amount of employees

In the fiscal year 2018/2019, we spent 10,548 hours on community projects and 579 employees participated in the EY Community Investment program. Our aim is that EY employees contribute on average one day a year to community projects as from 2020.

Supporting future generations

Due to worldwide trends, such as robotics and artificial intelligence, it is possible that certain fields of knowledge in which young people are currently being trained will no longer be relevant in the near future. In addition, it is more difficult for some young people to make full use of their potential due to social circumstances. This is why we wish to help young people prepare for their future by teaching them skills that increase their self-confidence, flexibility and resilience.

In order to achieve this, we work together with The Next School. This organization brings business professionals and teachers together to develop lessons in which the usefulness of specific school subjects is demonstrated in the 'real world'. A number of employees participated in this project this year; in a classroom with pupils they discussed themes that they encounter within their area of expertise.



In addition, we organized the EY Social Impact Days for the first time this fiscal year. Pupils in their second to last year of elementary school visited various EY offices to learn from our employees how to deal with money properly. During the sessions in November 2018 and May 2019, 330 EY employees gave lessons to 750 school children.

Scaling up impact companies

There are more and more impact companies in the Netherlands that focus solely on multiple value creation for people, the environment and society. They are the examples for inclusive and sustainable growth, as they express their success in financial profit as well as social impact. By sharing our knowledge and expertise, we help strengthen their resilience and grow these companies sustainably. When scaling up, impact companies are often confronted with as yet unknown problems. We help them to increase their positive effect on society by supporting them with their strategic, financial, tax, legal and environmental issues.

For this theme, we work together with the Social Impact Factory Foundation. This organization aims to accelerate the transition towards social entrepreneurship. In the past year, we contributed to their The Next Generation program by giving workshops about how you can scale up your company as an impact entrepreneur. Furthermore, we are a partner of the growth program GrowImpact, in which impact entrepreneurs are given the opportunity to work on growing the impact of their company in 90 days together with experienced mentors and trainers. In the fiscal year 2018/2019, we supported in total 46 impact companies that are active in 10 different sectors.



Learning from mistakes together

“

You can only develop yourself if you are willing to show your vulnerability. If you can discuss mistakes that you have made with others. That's not easy: you have to put aside your professional pride and your ego. But you do learn from this, your whole team learns from this. Learning from mistakes is a joint responsibility.

Auke de Bos

Board member Ernst & Young Accountants LLP,
Professor of business economics

Society

EY aims to create value for society as a whole. We do this, for instance, by participating in the public debate about a wide range of themes. We also contribute to the UN Sustainable Development Goals.

EY Nederland in the public debate

In the past year, EY Nederland participated in various discussions regarding topics that are currently matters of debate in Dutch society. The topics varied from the consequences of digitalization - for example cybersecurity, the introduction of PSD2 and data privacy - to the Dutch business climate. EY Nederland also expressed its opinion about the plans of the Organization for Economic Co-operation and Development (OECD) to change the corporate income tax system.

Around Prinsjesdag (the day on which the government policy for the coming parliamentary session is announced) EY Nederland clarified the government's tax plans. Various specialists also gave their views on the Miljoenennota (the Annual Budget of the Dutch Government). In addition, EY Nederland published the *Dutch Healthcare Barometer 2018*. EY Nederland regularly discusses societal themes with politicians and the media. With the program 'The auditor's role in the event of fraud, corruption and non-compliance', EY Nederland sheds light on the auditor's role in detecting, for example, money laundering.

CO₂ emissions

As a knowledge organization, we have a limited direct impact on the environment. Staff mobility (commuting and traveling to client sites) and office energy consumption are the main contributors to our carbon footprint. We aim to reduce the CO₂ emissions of our organization every year.

We have made a change in the presentation of our CO₂ emissions. As from this fiscal year, we are reporting our emissions in accordance with the scopes of the Greenhouse Gas Protocol (GHG Protocol), an international standard for the accounting and reporting of greenhouse gases. The three different scopes show in which part of our value chain we have an impact. In order to be able to compare, we also report the results of the previous financial year according to the GHG Protocol.

In the past year, the CO₂ emissions of EY Nederland remained practically unchanged in spite of the growth of the business and the acquisition of VODW. This can mainly be explained by the purchase of more green electricity and an increase in train travel. The emission per FTE decreased from 4.7 tons to 4.4 tons.

CO₂ emissions

	2018/2019	2017/2018	Δ
Total emissions (tCO₂e)¹	20,738	20,492	1%
Emissions per fte (tCO ₂ e)	4.4	4.7	-6%
Energy-intensity (tCO ₂ e/m ²)	50.2	55.4	-9%
Scope 1 GHG Protocol	11,983	12,223	-2%
Gas consumption office heating	794	713	11%
Fuel lease cars	11,189	11,510	-3%
Scope 2 GHG Protocol	2,839	2,931	-3%
Electricity use offices	1,652	2,018	-18%
Electricity use lease cars	406	182	123%
District heating	781	731	7%
Scope 3 GHG Protocol	5,914	5,338	11%
Business travel by plane	4,872	4,465	9%
Waste and paper	556	412	35%
Commuter traffic by car	448	427	5%
Commuter traffic by train	38	34	12%

¹ Operational control approach has been used and electricity emissions have been calculated using market-based emission factors

Direct emissions (scope 1)

Over half of our emissions fall under scope 1. This comprises the emissions that we can influence ourselves, for example, the gas that we consume to heat our buildings and the fuel consumed by our company cars. Compared to last year, the emissions within scope 1 decreased by 2%, whereas the number of employees within our organization grew. This decrease can be explained partially by the increase in the number of electric cars in our vehicle fleet, the restrictions regarding the choice of car (energy label A, B or C) and the fact that employees have traveled more by train.

Electrification of the vehicle fleet

We regard the electrification of our vehicle fleet as the most effective way to reduce the emissions of our car travel. In addition, we have noticed that since the tax addition for electric vehicles decreased from 22% to 4%, the demand for electric company cars within our organization has grown. Previously, we had about 400 plug-in hybrid cars in our vehicle fleet, but these have now been replaced by 250 fully electric powered cars. In order to make the use of electric cars as easy as possible, we

have in total 170 charging stations spread over our offices. Upon request we install charging stations at our employees' homes.

Flexible working

For some time now, we have been encouraging our employees to work flexibly at the office, from home or at other locations via the EY@Work program. With this, we not only try to respond to the needs of our employees but we also try to get them to look at mobility, both work-related and in their private lives, in a different manner. We aim to thus consciously stimulate traveling less. In the past year, we have worked on increasing the digitalization of our offices by equipping all meeting rooms (up to ten persons) with audiovisual equipment. After a trial phase of a few months, we decided to install the Skype demo-room concept in a number of meeting rooms at the four larger offices. With these targeted initiatives, we aim to create conditions in which our people have the freedom to choose a work location that fits in best with their schedule, without this affecting the quality of the meetings.

Indirect emissions electricity and heat consumption (scope 2)

The emissions in scope 2 constitute about 14% of the total emissions. This scope concerns the emissions caused by consumption of electricity and heat that we purchase to light and heat our offices and the purchased electricity with which we charge our electric cars.

The energy consumption of the offices increased by 9% compared to last year. The primary causes of this are the growth of the business and the acquisition of VODW. In order to keep the energy consumption of our offices as low as possible, we have opted for energy-saving measures such as LED lighting, movement sensors, energy audits and efficient use of office space.

Despite the increased electricity consumption, the related emissions decreased considerably as we purchased more electricity from renewable sources. 72% of the purchased electricity was green (compared to 63% last year). Furthermore, we use district heating in the offices in Amsterdam, Rotterdam and Utrecht. The energy intensity of our offices decreased by 9% to 50.4 tons of CO₂e per m². The decrease is a consequence of the fact that we purchased more green electricity.

Other indirect emissions (scope 3)

Almost one third of our total emissions are caused by emissions in scope 3. These emissions are a consequence of our own business activities; however, they are produced by sources that we do not have a direct influence on, such as the emissions of our air travel, the private cars of our employees, train travel and waste processing. The emissions due to air travel increased by 9%, which can be explained by the growth of our business.

Our contribution to the Sustainable Development Goals

In the fiscal year 2015/2016, we inventoried for the first time to which Sustainable Development Goals (SDGs) we contribute concretely. Based on our material themes and our impact on society, we determined that six of the SDGs were the most important for our organization: SDG 4 (Quality education), 5 (Gender equality), 8 (Decent work and economic growth), 12 (Responsible consumption and production), 16 (Peace, justice and strong institutions) and 17 (Partnerships for the goals).

An overview of these SDGs and our concrete contributions and the corresponding KPIs and results is provided in the brochure 'EY Nederland's contribution to the Sustainable Development Goals'.

6. Financial result

Income statement (in millions of euros) ¹	2018/2019	Δ	2017/2018
Assurance	339	-0.4%	340
Tax	287	4.9%	273
Advisory	147	16.4%	127
Transaction Advisory Services	75	14.0%	66
Rendering of services	848	5.2%	806
Core Business Services	29	-6.2%	31
Revenue	877	4.8%	837
Purchased services	123	2.9%	119
Employee expenses	395	8.8%	364
Depreciation and amortization	7	19.9%	6
Other operating expenses	188	-1.0%	190
Operating expenses	713	5.1%	679
Operating profit	164	3.5%	158
Finance income and expenses	- 3	4.1%	- 3
Profit before tax	160	3.6%	155
Income tax expenses	0	N/A	0
Profit for the fiscal year	161	3.8%	155
Undistributable items and interest on capital	- 24	2.5%	- 23
Income available for distribution	137	4.1%	132

¹ Ernst & Young Belastingadviseurs LLP ('EY Tax') has a strategic alliance with HVG Law LLP. In connection with this strategic alliance, the key figures of HVG Law LLP have been incorporated in the key figures of EY Tax. However, as no 'control' can be exercised over the activities of HVG Law LLP, the figures of HVG Law LLP have not been included in the (consolidated) financial statements.

Revenue increased by nearly 5%

Revenue in the fiscal year 2018/2019 amounted to € 877 million. This is a 4.8% increase compared to the previous fiscal year (€ 837 million). Total revenue growth from services provided by our four operational service lines amounted to € 42 million (5.2%). Tax grew by € 14 million (4.9%), Advisory by € 20 million (16.4%) and TAS by € 9 million (14.0%). The Assurance revenue decreased by € 1 million (-0.4%) also due to a decrease in the services provided by foreign EY member firms. Furthermore, the revenue from services provided by Core Business Services decreased by € 2 million.

Higher expenses

The total revenue increase went hand in hand with an increase in operating expenses by € 34 million (5.1%) to € 713 million (last fiscal year € 679 million). This growth was mainly caused by the increase in the average number of employees by 7.4% to 4,436 FTE. Wage costs rose by € 31 million (8.8%). Services provided by third parties and depreciation charges rose by € 4 million (2.9%) and € 1 million (19.9%) respectively. Other operating expenses decreased by € 2 million (-1.0%).

Operating profit margin slightly lower

The operating profit amounted to € 164 million, an increase of € 6 million (3.5%) compared to the previous fiscal year, whereas the operating profit margin of 18.7% was fractionally lower than in the previous fiscal year (18.9%). Financing expenses of € 3 million rose slightly (4.1%) resulting in a profit of € 161 million (last fiscal year € 155 million).

Of the profit of € 161 million, an amount of € 24 million has been reserved (€ 23 million in the last fiscal year) for in particular the settlement of deferred rights of former partners and partners who were active at the time, the vacancy provision, goodwill in connection with acquisitions and interest due on the capital. The remaining amount of in total € 137 million (last fiscal year € 132 million) is thus available for distribution as partner income. The distributions are made to the partner's private companies (B.V.s).

Outlook 2019/2020

We will continue with the digital transformation of our services and the investments in innovative tools and technology in the fiscal year 2019/2020. Within Assurance, we have launched the project Audit of the Future, which is aimed at the future-proof execution of the accountancy profession. Tax will continue its digital transformation. To this end, Tax has established the group Tax Technology and Transformation, which groups together the knowledge and expertise of data-based services. Innovation also remains a spearpoint within Advisory and TAS, with the focus on the development of data-analysis tools. Moreover, we aim to intensify the collaboration between the various departments of the service lines in the fiscal year 2019/2020.

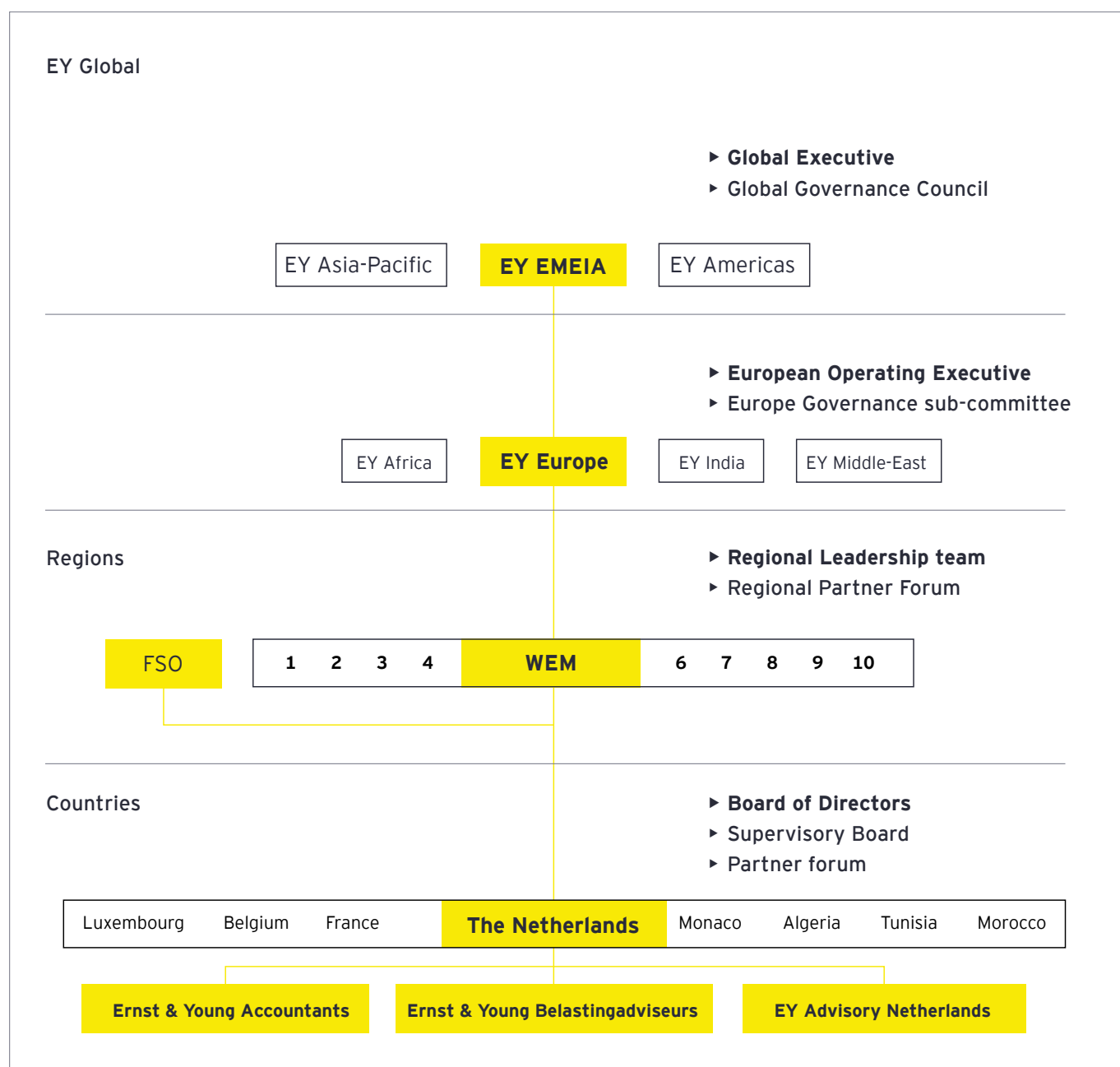
The scarcity on the employment market remains a challenge. The emphasis in 2019/2020 is on retaining talent. EY has taken steps in the past year to decrease the workload. We will continue with this approach. Furthermore, we will place more emphasis on flexible working in all service lines. The quality of our work remains one of our most important attention points. The program Step Change to Quality will be further implemented.

EY Nederland expects a consistent growth of its activities in the fiscal year 2019/2020.

7. Governance

A general overview of our governance model is provided in the illustration below.

For more information about our governance, see Our firm within the EY Network.



Supervisory Board

EY Nederland

A Supervisory Board (SB) has been appointed at the level of EY Nederland. The SB concentrates on the interaction between EY Accountants and the other activities of EY Nederland and mainly focuses on the impact on, or the consequences for, the quality of the audits by EY Accountants, the safeguarding of the public interest by EY Accountants and sound and controlled business operations. The SB has formal (approval) powers in this area.

Board of Directors

The Board of Directors (BoD) of Ernst & Young Nederland LLP (EYNL) is responsible for the policy and the reputation of EY in the Netherlands. The coordinating leadership of the BoD is aimed at the optimization and execution of the overall policy of the company and stimulating the collective performance of the service lines and collaboration. The BoD consists of one woman and four men. BoD members receive a fixed remuneration.

The BoD was expanded in the fiscal year 2018/2019: Stephan Lauers, Chair of EY Advisory Netherlands LLP, joined the board on 29 May 2019. The other five members of the BoD are: Coen Boogaart (Chair, Country Managing Partner), Jeroen Davidson (Vice-Chair, Chair of Ernst & Young Belastingadviseurs LLP), Rob Lelieveld (Chair of Ernst & Young Accountants LLP), Mirjam Sijmons (Transformation and Talent) and Nico Pul (Quality). Mirjam Sijmons and Nico Pul were appointed for three years (until 2021), the other members were appointed for an indefinite period.

Biographies of the members of the Board of Directors



Coen (C.B.) Boogaart M.A. C.A. (1960)

Chair since 1 July 2016

Within the BoD, Coen is responsible for the focus areas Communication, Finance, Markets and Executive Management, and the alignment with Operations, IT and Procurement, which are coordinated from within Global. He is also a member of the board of the EY region WEM.



Jeroen (J.L.) Davidson LL.M. (1963)

Vice-Chair and member since 1 July 2013

Jeroen is responsible for the focus areas Tax and Legal. In addition, he is also Chair of the board of Ernst & Young Belastingadviseurs LLP and thus responsible for the strategic alliance with HVG Law LLP.


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

Member since 2 May 2017

Rob is Assurance Leader and he is Chair of the board of Ernst & Young Accountants LLP. He is also a member of the NBA (Royal Netherlands Institute of Chartered Accountants) Steering Group Public Interest.


Nico (N.M.) Pul (1964)

Member since 1 February 2018

Nico holds the position of Quality Leader within the BoD with as primary focus the quality and change agenda within the assurance practice.


Stephan (S.) Lauers (1965)

Member since 29 May 2019

Stephan is Chair of EY Advisory Netherlands LLP and, within the BoD, he is responsible for Transaction Advisory Services and Advisory.


Mirjam (M.) Sijmons (1960)

Member since 1 February 2018

Within the BoD, Mirjam is responsible for the focus areas talent, transformation and support services.

Performance and remuneration of partners

The worldwide performance management system LEAD also applies to all partners and board members of the EY member firms. It forms the core of our remuneration policy.

The level of the remuneration is determined based on specific criteria, including quality and risk management, looking at both the actions that were taken and the results of these actions. As a result, it is a continuous process of setting objectives, planning of personal development, assessment, acknowledgment and remuneration.

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

Partners are assessed annually against qualitative objectives that apply worldwide for quality and effective risk management, engagement and teamwork of employees and excellent services. In addition, quantitative criteria apply: revenue, realized sales, projects in the pipeline and margin.

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

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

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

The Transparency Report 2018/2019 contains more detailed information about the remuneration policy of Ernst & Young Accountants LLP in the Netherlands. Payment of the salaries of the members of the Board of Directors of Ernst & Young Nederland LLP who are also partners, takes place via their own private companies (their BVs). Further information about this topic is provided in Note 26.4 to the financial statements 2018/2019 of Ernst & Young Nederland LLP.

8.

Internal control

Risk management

Risk management is an essential part of our overall management and controlled operations. This comprises determining our risk appetite and structuring the corresponding risk management procedures. It is aimed at achieving strategic objectives for the long term in an adequate and controlled manner. Moreover, we operate in a competitive, and in many aspects regulated world, which is changing rapidly and there are high expectations regarding our approach and conduct.

How successful we are in achieving our objectives depends largely on the degree in which we identify risks timely and relate these to the opportunities and the possibilities that we see. The combination of identified risks results in a clear risk profile for EY Nederland. Based on this, we can take well-founded decisions for the short and the long term, aimed at a sustainable business model.

Our philosophy is that risk management must be embedded in our daily practice, so that we can timely identify, control and monitor the most important risks that could affect our strategic, process and project objectives. We have a robust risk management approach for this, based on the three lines of defense model.

Three lines of defense

Our organization is structured in accordance with the three lines of defense model in order to ensure structured, sound and controlled business operations within the boundaries of our risk appetite.

First line

The first line comprises all departments that coordinate and/or execute the primary processes aimed at our professionals, our clients and our services. The first line is

responsible for the sound and controlled business operations of the primary business processes, supported by the department Corporate & Business Risk Control.

We further evaluated the effectiveness of the internal control measures this year to provide more insight and assurance to the BoD regarding the effective control of the most important risks. For Core Business Services, this evaluation is part of a periodic process under their own responsibility; this is being rolled out further to the services lines. Part of this roll-out is documenting the most important processes, risks and control measures. The implementation is being led by Corporate & Business Risk Control. This department also coordinates and monitors the evaluation on behalf of the BoD. See also the In control statement (see page 67).

Second line of defense

The departments that facilitate, advise and monitor the first line of defense are referred to as the second line. Besides the Risk Management department, this includes the following departments: Legal (including the Anti-Money Laundering office) and Independence, and specifically for the service line Assurance: the Professional Practice Group and the Quality Enablement Group.

The Risk Management department supports the (senior) management of EY Nederland in taking well-founded decisions based on relevant information about risks that could influence the strategic, process and project objectives, and in controlling these risks within the framework of our risk appetite.

Third line of defense

Departments that carry out management tasks and focus on monitoring the functioning of the primary and support processes, form the third line of defense. At EY Nederland, this is Internal Audit (IA).

From an independent position, IA provides additional assurance to the BoD and the SB about the risk management system within EY Nederland. IA assesses the internal control of the most important risks of all processes that have been designated as relevant in relation to the strategic objectives. As laid down in the Internal Audit Charter, IA prepares an annual plan that is submitted to the BoD for approval. The BoD then submits the plan to the SB for approval.

In addition, within EY Nederland, the IA also carries out a specific audit to check compliance with the Act on the Supervision of Audit Firms (Wta) under the supervision of the Wta Compliance Officer. IA reports all its audit results to the BoD, reports the key results periodically to the Audit & Risk Committee of the SB and informs the external auditor. The Wta Compliance Officer reports the Wta audit results to the policymakers within Ernst & Young Accountants LLP.

Risk management framework

Our risk management framework is based to a large extent on the principles of the model of the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. The framework contains all elements with which we identify and manage the most important risks that could impact our strategic, process and project objectives or have an effect on our sound and controlled business operations, and thus can damage the trust that our stakeholders place in us.

We are constantly working on further professionalizing risk management within EY Nederland in close cooperation with our international EY risk management

network. To this end, we also seek to make use of new insights, methods and techniques.

Risk culture

Our values determine who we are. They give direction to our actions, our decision-making and our conduct towards colleagues and clients. They provide guidance for our partners and employees in their relationship with each other, with clients and with society. These values have been further elaborated in our EY Global Code of Conduct. The conduct of every employee and partner, individually as well as in cooperation with others within our professional teams, determines the quality of our work and how society and all our stakeholders, including our clients, experience us. Integrity and the will to constantly learn and improve are the most important pillars of our culture. Our partners and employees aim to provide services in such a manner that these services help strengthen the confidence in capital markets and economies worldwide.

Risks That Matter: our approach

A strategic risk analysis is performed annually together with the management teams of the service lines and the BoD. A stakeholder analysis is part of this risk analysis. Furthermore, the management is increasingly carrying out structured periodic risk self-assessments for all important processes. The most important risks identified by means of these activities, are included in the risk profile. These risks are then weighed and prioritized. The risks that have the greatest impact on our strategic objectives and the execution of our sound and controlled business operations are confirmed as such by the BoD and designated as our Risks that Matter.

Our ambition	Risks That Matter	Relevant control measures
Best in the market	Innovation Partnership Cohesion Forms of Collaboration External competition	Innovation program, Innovation Board Leadership program, Expansion BoD with board member Advisory Acquisition work program, Global strategic relationship policy Recruitment and training/ coaching, Innovation
The strongest brand	Quality (Assurance) Services Society's expectations Channel & Account strategy	Stakeholder dialogue, Change program Step Change to Quality Stakeholder dialogue, Transformation program Channel shift approval framework, Channel shift strategies
The best employer	Talent - Recruitment & Retention Operating Model Regulatory pressure Quality-oriented and healthy (risk) culture	Transformation program Vision 2020+: the best employer In Control program Policies, Training Step Change to Quality, Culture transition manager
Sustainable results	Information security (including cybercrime & data leaks) Geo-Politics Economic developments Supporting professionals	Policies, GDPR Framework Scenario analyses Macroeconomic scenario analysis EY Network Workplace of the Future, wavespace

For more information about compliance, reference is made to our Transparency Report 2018/2019.

Independence

Independence is an important category in our code of conduct. Breaches of external and internal independence rules can lead to conflicts of interest and reputation damage. This is why we constantly assess whether our services are compliant with the applicable laws and regulations and professional standards.

We refrain from providing services if this would lead to a breach of the independence rules. In addition, all our professionals and partners abide by the rules for personal independence.

[Click here for the code of conduct.](#)

Implemented improvement measures

The Audit Firms Supervision Act (Wta), the Auditor Independence Regulation (ViO) as well as the EU rules prohibit us from carrying out statutory audits at Dutch Public Interest Entities (PIEs) to which we also provide other services. The Netherlands has a stricter regime in comparison to other EU countries. In this area, two violations were detected within EY Nederland in this fiscal year. Although these were relatively limited in size and impact, both were reported to the AFM. These violations were due to the assignment teams in question not following the internal procedures correctly. Measures have been taken in order to prevent this from occurring again in the future.

With our Personal Independence Compliance Testing (PICT), we check each year whether partners and associate partners comply with the personal independence rules. 57 partners and associate partners were tested this fiscal year. No breaches of the independence rules were observed. The percentage of administrative violations, such as the too late processing of the purchase of investments, has decreased. This decrease is also due to the improvement plan that we developed that focuses, for example, on more training and more preventive checks. We continue to work on reducing this number.

Client acceptance

As part of our program Step Change to Quality, we have also given priority in the past year to reviewing our processes for the acceptance of clients and assignments in order to identify and weigh risks better. This also includes risks in connection with (potential) conflicts of interest, sanctions, money laundering and financing terrorism.

A complex and rapidly changing environment demands a clear focus in selecting our clients. We ultimately wish to win market share in those segments where we can clearly distinguish ourselves with one or several of our service lines.

Quality management

Efficiency of processes

Quality management is an essential part of our work. We take many measures to embed quality in advance and to monitor quality. We select good professionals, we provide a sound training and we monitor the quality of our services by means of reviews.

The internal review of assignments, which we carry out while we are working on the assignment, aims to guarantee the quality of the services that we provide and also results in training on the job.

We provide more detailed information about the quality management system that applies to our assurance services in the Transparency Report 2018/2019 of Ernst & Young Accountants LLP.

We conduct audits in every service line with which we determine whether the quality policy and the corresponding procedures are being complied with properly in daily practice.

In control statement

The Board of Directors of Ernst & Young Nederland LLP has final responsibility for designing and implementing effective risk management and internal control systems. The aim of these systems is to manage and control the risks of the organization in such a manner that the organization is able to realize its objectives. The measures regarding the general control environment, such as the global code of conduct, the risk management principles, authorization schedules and the procedures for client acceptance and continuance, are important elements in the control and management system.

The Board of Directors has regularly discussed these risk management and internal control systems. Reference is also made to the section on risk management on pages 63 to 66. The organization has made further progress in the past year with the implementation of an internal control framework that is based on the COSO model. This has also led to a growing awareness among our employees with regard to quality control and risk management. Business processes are consistently documented and periodically analyzed with regard to risks and risk control in order to obtain more insight into the effectiveness of the internal control measures. The organization-wide implementation of this framework will be continued in the coming fiscal year and we expect that this will further contribute to a continuous improvement process with regard to the realization of our objectives.

Taking into account their inherent limitations, the risk management and internal control systems are designed to provide a reasonable degree of assurance but not absolute assurance that the significant risks to which the organization is exposed are under control. However, these systems cannot always guarantee that no inaccuracies, fraud or violations of rules and regulations will occur.

Taking into account the aforementioned limitations, the Board of Directors concludes that the functioning of our risk management and internal control systems provides a reasonable degree of assurance that the financial reporting does not contain any material misstatements.

The board also concludes that, based on the current state of affairs, it is justified that the financial reporting has been prepared based on the going-concern assumption and material risks and uncertainties have been reported that are relevant for the continuity of the organization for the period of twelve months after the preparation of this annual review.

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

Board of Directors Ernst & Young Nederland LLP

Coen Boogaart
Jeroen Davidson
Rob Lelieveld
Nico Pul
Mirjam Sijmons

23 September 2019

Report of the Supervisory Board

“

By investing in continuous quality improvement, we create internal support and understanding



Tanja Nagel

Patrick Rottiers

Pauline van der Meer Mohr

Monique Maarsen

Steven van Eijck

Introduction

Amongst its many priorities in the year under review, the Supervisory Board (SB) had one primary focus: to monitor the BoD's [BoD] commitment to preserving and improving the audit quality of EY in the Netherlands. We selected specific supervision subjects to facilitate this process:

- ▶ We kept a watchful eye on the progress of the transition program aimed at raising quality to a consistently higher level and challenged the BoD to ensure that *Step Change to Quality* made sufficient and demonstrable progress at a brisk pace
- ▶ We monitored the BoD's effort to find the right balance between short-term priorities and a longer-term focus on sustainable results
- ▶ We reconfirmed our commitment to the imperative of ongoing dialogue with EY's stakeholders
- ▶ We oversaw the important steps made in the approach to governance, particularly with respect to the expectations of the Dutch Authority for the Financial Markets (AFM) and its projected 2019 inspection
- ▶ We reviewed the efforts of the BoD to ensure that the strategy of EY was converted coherently from a global to regional level and from there to a country level for local implementation, and
- ▶ We advocated the appointment of a sixth member of the BoD and the succession of a member of the SB.

We will outline the status of these efforts in this chapter and describe the way we conducted our supervision this year.

Progress of Step Change to Quality

We kept a watchful eye on the progress of the transition program aimed at raising the quality of all organizational activities. In general and more specifically the quality of the professional audit services from a public interest and professional standards' perspective. We consistently challenged the BoD to ensure that Step Change to Quality was proceeding fast enough. Investing in continuous improvement led to consensus and understanding within the organization, not only throughout the service lines in The Netherlands but also within EY's international network. Launched in April 2017, Step Change to Quality

intensifies, accelerates and broadens EY's ongoing effort to raise quality to a consistently higher level through continuous learning and improvement, amongst others. We monitored the impact of further professionalization within the support organization. One of the key outcomes was the need for audit portfolio rationalization, and the subsequent workload reduction of a substantial number of hours in the year under review contributed positively to audit quality. Additional investment in people and human resources also helped to raise the bar in terms of cultural change and in EY's open dialogue with key stakeholders. Many of our discussions with the BoD on audit quality were related to the progress and status of internal and external quality inspections and key projects related to Step Change to Quality. We continue to oversee the ongoing process of transformation: it requires a quality-focused culture and a disciplined approach by multidisciplinary teams that have sufficient expertise, time and support at their disposal.

Finding the short term/longer term balance

We monitored the BoD's' effort to find the right balance between short-term priorities and a longer-term focus on sustainable results. The SB is composed in such a way that a combination of experience, professionalism, diversity with respect to gender, age and personality, and independence enables us to fulfill this role. We observed the way in which the BoD complies with its commitment to legal entities in The Netherlands and internal and external stakeholders, taking the applicable relevant legislation and regulations into account. Overseeing the balance between short-term priorities and long-term focus is reflected in the way Step Change to Quality has been embraced, both at home and abroad, through the transfer of knowledge and the exchange of best practices among our areas of operation. Part of 'sustainable results' is the ability to generate earnings that enable us to recruit and retain the best talent - partners and employees - now and in the future. Our task is to monitor the initiatives aimed at strengthening the fundamentals of innovation in EY's field and enhancing the appeal of EY's profession as well as to structurally safeguard quality in all service

lines. Improving quality in the short and long term is an important foundation for reinforcing stakeholder trust.

Fostering the dialogue with stakeholders

Stakeholder dialogue was originally promoted to facilitate discussion – particularly with the AFM and the EY international network, alongside other stakeholders – and it proved to be effective. We see the importance of stakeholder dialogue increasing in recent months and we monitored the way the BoD embraced and fostered this discussion. We also observed how stakeholder dialogue has become a cornerstone of our integrated reporting efforts in the third quarter of 2019 to keep the CTA (the Commission for the Future of the Accountancy Sector) abreast of developments in a balanced manner. We reconfirmed EY's commitment in the year under review to embedding the importance of ongoing dialogue with key stakeholders, partially due to the fact that we see potentially disruptive external developments on the horizon such as radical changes to legislation and regulations that are already impacting the appeal of the profession. Together with the BoD, we have invested significant time and energy in extensive stakeholder dialogue: with the AFM, politicians and clients in the audit sector as well as a broad-based group of EY partners and employees in the Netherlands, working together in multidisciplinary teams. We also focused on interesting and engaging the public in the stakeholder dialogue and identifying, acknowledging and managing potential reputational risk and public interest-related risk.

Governance and the AFM

We made an analysis of the expectations of the AFM with respect to their projected inspection in 2019. The bottom line is that Step Change to Quality has unlocked and brought forth many initiatives big and small, and the AFM acknowledged this in November 2018. We are aware that the change program requires our undiminished attention and we await the new reviews with both interest and confidence to obtain an external assessment of progress made in our multi-year audit quality improvement effort. The changes relating to the governance of EY Netherlands implemented during the previous fiscal year also impacted the SB. We monitored the progress of the

'three lines of defense' design principle. We also watched over the BoD as they put in place the necessary protective measures to mitigate the risk of the speed of the transformation process being interrupted.

Global uniformity, local implementation

We challenged the BoD to ensure that the strategy of EY was converted coherently from a global to regional level and from there to a country level for local implementation. We monitored the shift in focus from 'enough' resources to the 'right' resources. We were in regular contact with the Area Managing Partner and his Regional Managing Partner to align interests and developments in the international network and the Netherlands. We watched over the BoD's effort to make EY in the Netherlands the strongest brand in the field by opening the windows and doors of the organization to compelling and innovative initiatives and strengthening the links in the chain to provide exceptional service to clients. We oversaw the Board's efforts to make EY the best in business in selected markets as well as the employer of choice: crucial to ensuring the continuity of management development through timely succession planning. We believe that the steps taken have resulted in a significant improvement of organizational effectiveness in general and our own internal supervision in particular.

Supervision of and appointment to the Board of Directors

We were closely involved in the appointment of a sixth member of the BoD with direct responsibility for Advisory & Transaction Advisory Services (TAS), due to the robust growth of these service lines. EY Advisory Netherlands LLP was formed on January 2, with its own statutory board. The chair of this new legal entity, Stephan Lauers, was appointed to the EY Netherlands BoD on May 29, 2019 after having received the required approvals. We believe that strengthening the position of the BoD enhances its ability to execute quality, reduce risk and ensure compliance at a level transcending the service lines and covering EY Netherlands in its entirety.

In close cooperation with the BoD, we monitored finalization of the acquisition and onboarding of VODW, a strategic acquisition to further strengthen data and digital. In joint business updates with the BoD, we addressed a wide range of service line-related topics: Quality - particularly in Assurance - Public Interest, Talent, Culture, Governance, Markets and Operations. In the course of the last four years, we have seen our role shift from sounding board for the management of EY Netherlands to clearly-defined and focused supervision. This called for a streamlining of our priorities, which we translated into clear key performance indicators on which the BoD is being assessed. We discussed the composition and remuneration of the BoD and the Assurance Management Team. We oversaw the structure at the top of the organization and the contribution of external expertise in implementing the desired behavioral and cultural changes.

New member and committee of the Supervisory Board

We welcomed the appointment of an additional SB member to complement existing expertise. Following the required Fit & Proper Test, Patrick Rottiers, Country Managing Partner of EY Belgium, was appointed as of November 12, 2018. He succeeded Jean-Yves Jégourel, who had stepped down at the end of his term. Rottiers' background in the fields of accounting, professional services, internal risk management, corporate governance, regulatory supervision and compliance and the decision-making process related to quality policy merges seamlessly with the skill set of the other SB members. We also enhanced the internal monitoring structure by establishing an additional SB committee on December 13, 2018. The Talent & Remuneration Committee (TRC) now operates alongside the Public Interest Committee, the Quality & Governance Committee and the Audit & Risk Committee. Self-evaluation, profile and composition, and training needs were recurring themes on the agenda.

Meetings and assessments

Meetings

In the year under review, the SB held five regular meetings and three additional meetings including a deep-dive session with the Assurance Management Team. Most of these meetings were attended by all SB members with no member being frequently absent. In addition to the SB meetings themselves, we met with the external auditor to discuss both the audit approach and the audit report. An annual meeting was held with the Works Council as well as numerous informal meetings and calls with members of the BoD. We also attended a broad range of internal and external events, such as partner meetings, Supervisory Board round tables and periodic gatherings of the Young Professional Board.

Assessment Supervisory Board and Board of Directors

Every year, the SB assesses its collective performance as a Board and the performance of each of its members. We conducted a self-analysis during the course of the year, and recurring topics for discussion included the profile and composition of the SB and the feedback emanating from the aforementioned AFM report. Individual performance evaluation interviews were held with members of the BoD, based on non-revenue related criteria around quality (50% of overall score) as well as markets, talent and operations (the other 50%).

Duties and powers

The duties and powers of the SB are communicated in the Charter of the Supervisory Board (Reglement Raad van Commissarissen) as adopted on June 27, 2016. The SB's composition, procedures and mandate are based on the Dutch Corporate Governance Code (DCGC), with some differences between the target group envisaged by EY Netherlands and the target group identified by DCGC on account of specific organizational aspects and, in future, on the Wta and Bta.

A review of the Charter is underway, specifically with regard to regulatory and legal changes; this review is taking these updates and the new committees into account. However, during the year under review, no amendments were made to this Charter.

Composition Supervisory Board and Committees

Composition

On June 30, 2019, the SB consisted of four independent members and one non-independent member. Patrick Rottiers was appointed as the non-independent member as of November 12, 2018. Two members of the SB appointed in 2015, Pauline van der Meer Mohr (chair) and

Monique Maarsen, were reappointed for a four-year period during the period under review.

As per June 30, 2019, the SB consists of the following members:

Name	Date of initial appointment	Term	End of current term	Public Interest Committee	Quality & Governance Committee	Audit & Risk Committee	Talent & Remuneration Committee
Pauline van der Meer Mohr, Chair	1-7-2015	2	30-6-2023	Member	Chair	-	Member
Steven van Eijck, Vice-Chair	1-7-2015*	2	31-1-2021	Chair	-	Member	Member
Monique Maarsen	1-7-2015	2	30-6-2023	Member	-	Chair	Member
Tanja Nagel	1-9-2017	1	31-8-2021	-	Member	Member	Chair
Patrick Rottiers	12-11-2018**	1	11-11-2022	-	Member	-	Member

*Steven van Eijck also served as a member of the Public Interest Committee of EYA between 1-2-2013 and 1-7-2015.

** Now the vacancy has been filled, we have brought the composition of the SB in line with the Supervisory Board profile.

Committees

Public Interest Committee

The Public Interest Committee supports the SB in monitoring compliance with the public interest as well as the intensification and implementation of the stakeholder dialogue. This committee held four meetings in the year under review, and the stakeholder dialogue was on the agenda of each of them. Committee members discussed the stakeholder materiality analysis and the 2019 stakeholder dialogue plan as well as the communication and events calendar. The public interest working group was invited to report on the status and progress and thereby inform the Committee about the way in which EY Netherlands worked to achieve improvement.

Quality & Governance Committee

The Quality & Governance Committee is responsible for monitoring and advising on audit quality as well as overseeing compliance with EY's chosen corporate governance structure in the Netherlands. This committee held three meetings in the year under review, discussing amongst others the status and progress of SC2Q and the Compliance Officer's report.

Audit & Risk Committee

The Audit & Risk Committee assists the SB in fulfilling its supervision activities for internal and external reporting, budget preparation, tax, significant capital investments, design and operation of the internal risk management controls, and the external audit function. Other tasks include supervision of compliance with relevant rules and regulations governing the provision of financial and non-financial information by EY Netherlands. Seven meetings were held during which key risks and financial performance versus the budget were discussed. On the agenda: risk mitigation, the status of the internal audit function, risk-related reporting and non-financial KPIs, and progress with respect to the three lines of defense design

principles. The committee also met with the external auditor to discuss the auditors' reports.

Talent & Remuneration Committee

The Talent & Remuneration Committee, established on December 13, 2018, met three times during the year under review, initially discussing form, composition and scope. It is increasingly evident that the appeal of the Audit profession in general is becoming an area of concern, and this new SB committee is tasked with overseeing the development and implementation of the Talent Plan. Monitoring the culture and leadership program, aligning promotion and remuneration based on quality and fostering the tone at the top are other key priorities.

Independence and training

Independence

As described in its charter, the duties and powers of the SB determine the position of its members under prevailing independence rules. Independence in both fact and appearance is required. Both the financial and personal independence of SB members is monitored by the Independence Officer of EY in The Netherlands. As set forth above, SB members qualify as independent in accordance with the regulations. No decisions were rendered by the SB in which conflicts of interest occurred in compliance with Articles 9.1, 9.3 and 9.4 of its charter.

Training

With a view to the ever-changing world in which the SB observes, oversees and monitors management by the Board of Directors, the foundations were laid for a new and comprehensive training program focused on the twin priorities of audit quality at EY in the Netherlands and recruiting and retaining the key professionals to implement this overall objective. A deep dive session with Assurance took place following the training plan defined for 2018/2019. SB members also attended round-table sessions.

Taking into account his background and experience, an introduction program was developed for Patrick Rottiers to acquaint him with his new role within the SB. Focal point was the status and progress of measures aimed at safeguarding the public interest as well as the quality agenda.

Annual reports

Financial Statements

The Board of Directors prepared the 2018/2019 Integrated Annual Review and Financial Statements of EY in The Netherlands. The external auditors, BDO LLP, audited the Financial Statements. The SB discussed the findings with the external auditor in the presence of the Board of Directors. The SB approved the Financial Statements on 23 September, 2019.

Transparency report

The policymakers of Ernst & Young Accountants LLP discussed with us the content of the 2018/2019 Transparency Report, to be published in October 2019. In our view, the developing text and tone of the report are in line with our observations during the past year and representative of the way in which EY Netherlands has embedded Step Change to Quality and a broad range of socially-relevant topics related to quality.

Outlook

The SB is confident that the Board of Directors, consisting of Coen Boogaart, Jeroen Davidson, Rob Lelieveld, Mirjam Sijmons, Nico Pul and Stephan Lauers, is both capable of and committed to achieving the transition, including the cultural change and quality improvements that reflect the role of EY Netherlands in serving the public interest.

We are fully conscious of the fact that accountants play an important role in society and that supervision of the quality of the financial statements of companies and organizations is crucial. We are also aware of an increased sense of stakeholder expectation, and of an emerging gap that we are working together with the BoD to close. After all, the quality of our work is reflected in the confidence that society and our external supervisor have in our audit reports. EY's clients acknowledge that the information and analyses EY provides add value to their business. Working together in multidisciplinary teams, EY's people are proud of their work because it has been performed effectively and in accordance with our standards.

We feel that EY Netherlands is on the right track, that the BoD has taken a further step in our EY's journey and that together we are making progress towards achieving results in line with expectations. The outlook is positive and we see tangible evidence that EY Netherlands is capable of confronting and overcoming the challenges. We are overseeing a company that is adaptive, flexible and sensitive to current and future challenges. Step Change to Quality is delivering results, we have talented, hard-working professionals on board and we will watch over the way in which their interests are fostered through the newly-formed Talent & Remuneration Committee, in which all five of us play an active role. We welcome Patrick Rottiers onto our SB and Stephan Lauers to the BoD. We consider the content and tone of voice of this Annual Review to be in line with our perception of EY Netherlands at large in the year under review. We wish to express our sincere appreciation to the Board of Directors, partners and employees of EY Netherlands for their dedication and commitment to all EY's stakeholders.

Rotterdam, 23 September, 2019

Pauline van der Meer Mohr, Steven van Eijck,
Monique Maarsen, Tanja Nagel, Patrick Rottiers

Members of the Supervisory Board



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

Chair since 1 July 2015

Pauline is Deputy Chairman of the Supervisory Board of DSM and an independent non-executive Director at HSBC Holdings plc and Mylan N.V. She is also chair of the Dutch Monitoring Committee Corporate Governance, serves on the Capital Markets Committee of the AFM and is senior External Adviser to the Dutch Central Bank. In addition, she is chair of the Supervisory Board of the Nederlands Dans Theater. Pauline holds a master's degree in Law from Erasmus University Rotterdam as well as a master's degree in Dispute Resolution from the University of Amsterdam.

Former positions and activities

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



Steven (S.R.A.) van Eijck PhD (1959, Dutch)

Vice-Chair since 1 July 2015

Steven has extensive experience in academic life, politics, business and philanthropy. Among other posts, he is currently vice-chair of the Maatschappelijke Alliantie (Major Alliance) and president of the RAI Association representing the interests of the Dutch mobility sector. He is also a Crown-appointed member of the Social and Economic Council of the Netherlands (SER), member of the board of VNO-NCW and member of several non-commercial foundations. 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 finance and fiscal policy at Erasmus University Rotterdam
- ▶ In addition, and 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 the group's operational and investment activities. She is specialized in real estate development. She is a member of the Supervisory Board of Schiphol Area Development Company, chair of the Supervisory Board of Stichting KiKa and performs various advisory functions. Monique holds a master's degree in Business Administration and Management from Groningen University.

Former positions and activities

- ▶ Member of the Supervisory Board of A.T. Osborne
- ▶ Member of the Supervisory Board, Ronald McDonald
- ▶ Member of the Supervisory Board, Tom Voute Fonds
- ▶ Commercial Director at Maarsen Groep
- ▶ Investment Broker at DTZ Zadelhoff in London
- ▶ International Consultant at Nestlé in Switzerland


Tanja (T.L.) Nagel (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 July 1, 2017. She is a member of the supervisory boards of KAS BANK, PNO Group Holding BV, the Stichting Oncode BV and the Veerstichting. She is a member of the Advisory Board of the Frans Hals Museum/De Hallen Haarlem as well as board member of the Universiteitsfonds Utrecht. Tanja holds a master's degree in Law from Utrecht University.

Former positions and activities

- ▶ Member of the Supervisory Board of the Stichting Nederlands Scheepvaartmuseum
- ▶ Several senior management positions including Director Private Banking Nederland at Van Lanschot Bankiers
- ▶ Started her career at AMRO Bank

**Patrick (P.F.L.) Rottiers (1965, Belgian)**

Member since 12 November 2018

Patrick started his career at EY in 1988 as auditor and was appointed an audit partner in 2000. Patrick holds a master's degree in Economics from Brussels University. During his career he fulfilled several roles including that of Assurance Leader as well as Risk Management Leader EY Belgium before his appointment to his current role as Country Managing Partner EY Belgium. He is a member of the Advisory Council of the Belgium Olympic and Intrafederal Committee (BOIC) as well as the Advisory Council of the Impulscentrum Groeimanagement voor Middelgrote Ondernemingen ('iGMO') - Vlerick Business School. Patrick is an alumnus of the Vlaamse Economische Hogeschool Brussel and also holds a master's degree in Far Eastern Business from the Economische Hogeschool Sint-Aloysius.

Financial statements

For the year ended 30 June 2019
Ernst & Young Nederland LLP

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

for the year ended 30 June 2019 | In thousands of euros

	Notes	2018/2019	2017/2018
Revenue			
Rendering of services	6.1	804,074	763,153
Other income	7	28,315	29,047
		832,389	792,200
Operating expenses			
Services provided by foreign EY member firms and third parties	8.1	118,160	114,705
Employee benefits expenses	8.2	376,867	345,410
Amortization and impairment of intangible assets	11	1,200	1,187
Depreciation and impairment of property, plant and equipment	12	6,180	4,966
Other operating expenses	8.3	177,353	180,115
		679,760	646,383
Operating profit		152,629	145,817
Finance income	9.1	291	847
Finance expenses	9.2	-3,850	-4,293
Profit before tax		149,070	142,371
Income tax expense	10	91	25
Profit for the financial year		149,161	142,396
Profit attributable to members of EYNL		149,161	142,396

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

for the year ended 30 June 2019 | In thousands of euros

	Notes	2018/2019	2017/2018
Profit for the financial year		149,161	142,396
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Net gain and (loss) on cash flow hedges		-	3,954
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gains and (losses) on defined benefit plans	21.2	204	142
Other comprehensive income for the year, net of tax		204	4,096
Total comprehensive income for the year, net of tax		149,365	146,492
Total comprehensive income for the year attributable to members of EYNL		149,365	146,492

Consolidated statement of financial position of Ernst & Young Nederland LLP

as at 30 June 2019 | In thousands of euros

	Notes	30 June 2019	30 June 2018
Assets			
Non-current assets			
Intangible assets	11	26,595	21,724
Property, plant and equipment	12	28,231	26,175
Other non-current financial assets	13	7,709	6,703
		62,535	54,602
Current assets			
Trade and other receivables	14	310,438	276,075
Prepayments	15	68,218	66,862
Other current financial assets	13	20	142
Cash and cash equivalents	16	52,247	62,395
		430,923	405,474
Total assets		493,458	460,076
Equity and liabilities			
Current liabilities			
Trade and other payables	17	216,316	206,723
Interest-bearing loans and borrowings	18	9,226	13,794
Provisions	20	3,298	2,601
Employee benefits	21	28,529	24,469
Income tax payable		1,032	504
		258,401	248,091
Non-current liabilities			
Interest-bearing loans and borrowings	18	55,111	54,113
Other non-current financial liabilities	19	8,051	8,217
Provisions	20	6,116	9,488
Employee benefits	21	22,460	20,429
		91,738	92,247
Total liabilities		350,139	340,338
Equity			
Members' capital	22	84,407	82,408
Reserves	23	58,912	37,330
Total equity		143,319	119,738
Total equity and liabilities		493,458	460,076

These financial statements were signed on 23 September 2019
by C.B. Boogaart on behalf of Drs. C.B. Boogaart B.V.

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

In thousands of euros

	Members' capital	Profit available for distribution	Retained earnings	Total reserves	Total equity
At 1 July 2017	84,298	120,774	-107,003	13,771	98,069
Profit for the financial year	-	127,613	14,783	142,396	142,396
Other comprehensive income	-	142	3,954	4,096	4,096
Total comprehensive income	-	127,755	18,737	146,492	146,492
Profit distribution 2016/2017	-	-120,774	-2,159	-122,933	-122,933
Contribution of capital from members	3,780	-	-	-	3,780
Repayment on retirement	-5,670	-	-	-	-5,670
At 30 June 2018	82,408	127,755	-90,425	37,330	119,738
Effect of adoption of new accounting Standards (Note 2.3)	-	-	2,096	2,096	2,096
At 1 July 2018 (restated)	82,408	127,755	-88,329	39,426	121,834
Profit for the financial year	-	131,673	17,488	149,161	149,161
Other comprehensive income	-	204	-	204	204
Total comprehensive income	-	131,877	17,488	149,365	149,365
Profit distribution 2017/2018	-	-127,755	-2,124	-129,879	-129,879
Contribution of capital from members	9,065	-	-	-	9,065
Repayment on retirement	-7,066	-	-	-	-7,066
At 30 June 2019	84,407	131,877	-72,965	58,912	143,319

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

Consolidated statement of cash flows of Ernst & Young Nederland LLP

for the year ended 30 June 2019 | In thousands of euros

	Notes	2018/2019	2017/2018
Operating activities			
Profit for the financial year		149,161	142,396
Adjustment for:			
Amortization and impairment of intangible assets	11	700	1,187
Depreciation and impairment of property, plant and equipment	12	6,180	4,966
Finance income and expenses	9	3,559	3,364
Increase in employee benefits provision	21	4,265	1,247
(Decrease) in provisions	20	-2,019	-2,938
		161,846	150,222
Working capital adjustments:			
(Increase) in trade and other receivables and prepayments		-31,776	-5,113
Increase in trade and other payables		2,273	18,854
Income tax paid		528	-52
Net cash flow from operating activities		132,871	163,911
Investing activities			
Purchase of intangible assets	11	-	-1,600
Purchase of property, plant and equipment	12	-8,106	-2,346
Disposals of property, plant and equipment	12	93	161
Additions to other non-current financial assets/loans		-1,006	-20
Repayment/disposals of other non-current financial assets/loans		122	19
Acquisition of a subsidiary, net of cash acquired	5	-4,224	-
Interest received		291	847
Net cash flow used in investing activities		-12,830	-2,939
Financing activities			
Payment to/from members (current account)		3,734	-7,318
Prepayments to current members	15	-61,229	-59,606
Payment of profit distribution 2017/2018 (2016/2017)		-68,649	-63,327
Contributions of capital from members	22	9,065	3,780
Repayment of capital contributions on retirement	22	-7,066	-5,670
Payment of finance lease liabilities	18	-1,279	-746
Proceeds from interest-bearing loans and borrowings	18	11,858	9,547
Repayment of interest bearing loans and borrowings	18	-14,665	-7,811
Repayment of other financial liabilities	19	-	-762
Interest paid		-1,958	-3,475
Net cash flows used in financing activities		-130,189	-135,388
Net cash flow		-10,148	25,584
Net cash and cash equivalents 1 July	16	62,395	36,811
Net cash flow		-10,148	25,584
Net cash and cash equivalents 30 June	16	52,247	62,395

Other information

Assurance report external auditor

To: the management board of Ernst & Young Nederland LLP

Report on the information on the Integrated Annual Review and GRI Standards Index

Our opinion

We have examined the enclosed information on Integrated Annual Review and GRI Standards Index (further: “the Integrated Report”) of Ernst & Young Nederland LLP (further: “EY”), based in Rotterdam, for the year ended 30 June 2019. The references in the Integrated Report (to www.ey.com/nl, external websites and other documents) and the quotes of employees are excluded from our engagement.

In our opinion, the Integrated Report for the year ended 30 June 2019 is prepared, in all material aspects, in accordance with the applied criteria. This opinion is subject to the inherent limitation outlined below.

Inherent limitations

In the Integrated Report, prospective information such as ambitions, strategy, plans, expectations and estimates is included. Inherent to this prospective information is that achievability is uncertain. Therefore we will not provide any assurance relating to the achievability of the prospective information.

Basis for our opinion

We conducted our examination in accordance with Dutch law, including the Dutch Standard on auditing 3810N ‘Assurance-opdrachten inzake maatschappelijke verslagen’. This requires that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain reasonable assurance about whether the Integrated Report is free of material misstatements. Our responsibilities on this basis are described in the ‘Our responsibilities for examining the Integrated Report’ section of our report.

We are independent of Ernst & Young Nederland LLP in accordance with the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)” and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants (VGBA)”.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Applicable criteria

Identification of criteria

The criteria EY used for the preparation of the Integrated Report were:

- ▶ The ‘guiding principles’ and ‘content elements’ of the International Integrated Reporting Council (IIRC);
- ▶ The Global Reporting Initiative (GRI) Standards, option Core;
- ▶ The own accounting principles of EY as included in the chapter ‘About this report’ of the Integrated Report.

Description of responsibilities

Responsibilities of management

Management is responsible for the preparation of the Integrated Report in accordance with the applicable criteria, including the identification of stakeholders and the selection of material topics. The choices made by management regarding the scope of the non-financial information and the reporting policies are set out in the GRI Concent Index in the website version of the Integrated Report.

Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the information on the Integrated Report free that is from material misstatement, whether due to errors or fraud.

Our responsibilities for examining the Integrated Report

Our responsibility is to plan and perform our audit to obtain sufficient and appropriate assurance information for our opinion. A reasonable assurance engagement in accordance with Dutch Standard on auditing 3810N involves performing procedures to obtain audit evidence about the correct and complete presentation of the Integrated Report.

We apply the “Nadere voorschriften kwaliteitssystemen (NVKS)” (regulations on quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our audit included among others:

- ▶ identifying and assessing the risks of material misstatement of the integrated annual review, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- ▶ in order to obtain reasonable assurance on the integrated annual review, we performed performing substantive procedures to determine the correctness and completeness of the reported information.

Rotterdam, 23 September 2019

BDO Audit & Assurance B.V.

on behalf of,

C.M. Steehouwer MSc RA

Annexes

1 About this report

Ernst & Young Nederland LLP publishes this integrated annual review over the fiscal year that runs from 1 July 2018 to 30 June 2019. In this review, we report on material financial and non-financial themes that are connected to our strategy, our performance, the opportunities and risks. In doing so, we take the expectations of our most important stakeholders into account with regard to the themes on which we report. This year, EY Nederland has opted for a concise report about the seven material themes. We refer to the relevant reports or explanatory information on our corporate website for more detailed information about various topics. You can view this information directly via online links.

Guidelines

In the preparation of this integrated annual review, we have taken the guiding principles and content elements of the International Integrated Reporting Council (IIRC) into account. The IIRC framework enables us to communicate about the manner in which our strategy, governance, performance and clients/prospects, within the context of external developments, lead to value creation on the short, medium and long term. We report on non-financial information in accordance with the Global Reporting Initiative (GRI) Standards, option Core. The GRI Content Index is included in the annual review section of our corporate website. We have developed our own reporting criteria for a number of KPIs, for which the definition and measurement methods are explained further down in this chapter. The financial statements have been prepared in accordance with IFRS (for more information see the notes to the financial statements) and can also be found in and downloaded from our annual review section on the corporate website.

Boundaries and scope

EY reports on its activities in the Netherlands. The strategy with the three pillars that follows from 'Vision 2020+' and the corresponding performance indicators form the framework for this report.

This integrated report comprises the activities of Ernst & Young Nederland LLP, Ernst & Young Accountants LLP, Ernst & Young Belastingadviseurs LLP, EY Advisory Netherlands LLP, Ernst & Young Actuarissen B.V., Ernst & Young CertifyPoint B.V., Ernst & Young VAT Rep B.V., Ernst & Young Real Estate Advisory Services B.V., Centre B.V. (this is currently Centre B.V. in liquidation; de-registration with the trade register will take place in the next few weeks), Ernst & Young Participaties Coöperatief U.A., Ernst & Young Participaties B.V., EY-Parthenon B.V., EY Montesquieu Finance B.V., EY Montesquieu Institutional Risk Management B.V. and EY VODW B.V.

Ernst & Young Nederland LLP acts as a holding company and does not provide any services to clients. Ernst & Young Belastingadviseurs LLP (EY Tax) has a strategic alliance with HVG Law LLP. In connection with this strategic alliance, the key figures of HVG Law LLP have been included in the key figures of EY Tax. As no 'control' can be exerted over the activities of HVG Law LLP, the financial figures of HVG Law LLP are not included in the (consolidated) financial statements.

Preparation of the annual review

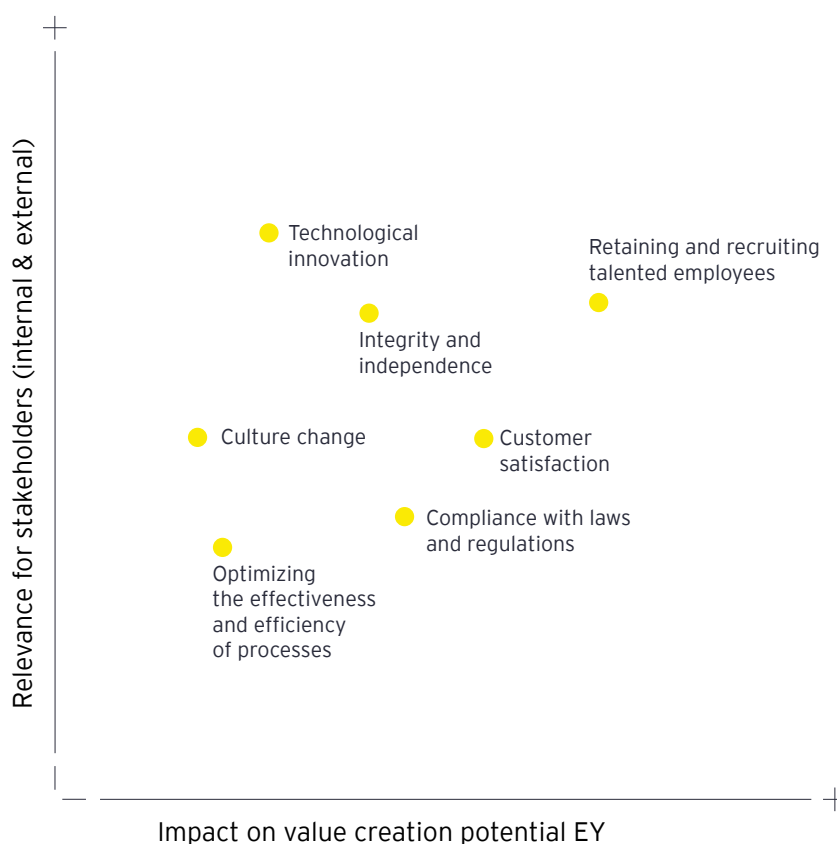
The BoD is responsible for the contents of the annual review. This annual review was realized by the Brand, Marketing & Communication department. The financial data and the non-financial KPIs in the annual review were gathered by the Finance department. The KPIs most relevant for EY Nederland are presented in the chapter EY Nederland at a glance. The representatives from the service lines and support departments are involved as a sounding board group. The BoD company secretary and the BoD prepare the Supervisory Board report. The CFO

WEM is responsible for the financial statements and the accompanying notes. The annual review committee is responsible for preparing and arranging for the approval of the structure and the text of the report of the Board of Directors.

Stakeholder dialogue

We attach great importance to the views of our internal and external stakeholders. Their input is leading for the determination of our business operations, (CR) strategy and annual reporting. We performed a media and peer analysis this fiscal year in order to determine whether the material themes that were identified in the fiscal year 2017/2018 are still relevant. For more information about this topic, see Materiality (see page 25).

Materiality matrix



Reporting principles

KPI	Measurement
Financial	<ul style="list-style-type: none"> ▶ Total revenue: sum of revenues as disclosed in the financial statements ▶ Operating profit margin: operating profit as a percentage of our total revenues ▶ Profit over the fiscal year: revenue minus operating expenses, finance income and expenses, and taxes ▶ Revenue by service line: allocation of revenue to service lines ▶ Revenue by market segment: allocation of revenue to market segments within the sector. The 2018/2019 market segment classification was also applied to the 2017/2018 revenue. Therefore, the 2017/2018 market segment revenue might differ from the market segment revenue reported in the previous reporting period.
Headcount by service line	▶ Year-end headcount
Number of employees by position and gender	▶ Year-end headcount
Percentage of employees by age category	▶ Year-end headcount
People Pulse: engagement score	▶ The Global People Pulse Survey is conducted by an external party (Qualtrix) across a range of topics relevant to our organization and our employees.
Retention rate top talent in %	<ul style="list-style-type: none"> ▶ EY switched to a new appraisal method in the fiscal year 2017/2018 in which the retention of top talents percentage is calculated as follows: retention at the end of the fiscal year of employees with a personal performance score of 3 (on a scale from 1 to 3) over the previous fiscal year. The retention of top talents percentage for 2018/2019 is based on this new appraisal method. ▶ The percentage for 2017/2018 is based on the former appraisal method and was calculated as follows: retention at the end of the fiscal year of employees with a personal performance score of 4 or 5 (on a scale from 1 to 5) over the previous fiscal year.
Assessment of Service Quality (ASQ)	▶ Internal program with which the quality of our services is measured by means of interviews and (online) questionnaires with our clients. The clients' assessment of the relationship with EY is expressed in percentages. The categories are: improved, deteriorated or remained the same.
Quality review engagements	▶ Internal reviews of engagements selected on the basis of risk, focusing on clients that are large, complex or of significant public interest. Primary goal of the review is to determine compliance with quality control systems, policies and procedures, professional standards, and regulatory standards. In connection with the implementation of a new review method, no quality reviews were conducted at the Tax service line.

KPI	Measurement
Independence review partners	► Outcome of our yearly Personal Independence Compliance Testing (PICT) program. This program tests compliance with personal independence confirmation requirements. In the fiscal year 2018/2019 testing cycle, the independence of 57 partners and directors was tested.
Hours spent on social activities	► Hours spent on social activities consist of pro bono advisory, skills-based volunteering and Corporate Responsibility (CR) related staff hours.
Emissions measured in tCO ₂ per FTE	► Total emissions in tCO ₂ divided by the average total number of FTEs including partners. The conversion factors remained unchanged compared to 2017/2018.
Percentage of overtime	► The total number of accounted for hours based on time sheets of the employees in scope as a percentage of the total number of contract hours of the employees in the scope.
Hours spent on innovation	► The total number of accounted for hours on assignments related to the EY Innovate program in the fiscal year 2018/2019.
Hours and amount spent on training	► The number of hours spent on training and the corresponding expenditure in euros recognized in the fiscal year.

External assurance

We asked our independent external auditor, BDO Audit & Assurance B.V., to verify the accuracy of both the financial and non-financial information in the integrated annual review with a reasonable degree of assurance. BDO LLP has issued an unqualified auditor's report for the financial statements.

The assignment to audit the other chapters in the integrated annual review comprises the audit of both financial and non-financial information. The assignment also comprised the audit of the contents of the report, the performance indicators and the GRI Content Index. The in control statement did not fall within the scope of the assurance assignment.

In preparing the annual review, use was made of expertise within EY in the field of non-financial information in integrated annual reports. Before the annual review was submitted to the external auditor, activities were carried out to ensure the reliability of the non-financial information in the annual review. BDO LLP has issued an assurance report for the integrated annual review (see page 87).

Transparency report

In addition to this report, Ernst & Young Accountants LLP publishes a Transparency Report. This is an obligation for firms that perform audit activities for public interest entities. In this report, Ernst & Young Accountants LLP reports in more detail on governance, quality policy, independence policy and remuneration. The Transparency Report can be viewed in the annual review section on our corporate website.

Disclaimer

In this report, we report about our efforts and the realization of objectives in 2018/2019. In addition, we also outline our plans and vision for the future. This future-oriented information can be recognized through the use of words such as to continue, to wish, to aim, to forecast, expectation, goal, objective, vision, planning, ambition, intention and forecast. Inherent in expectations regarding the future is that the outcomes are subject to risks and uncertainties and that realization thereof is therefore uncertain. Furthermore, when we use the terms 'more', 'extra' and 'better' in several sections, this is in relation to our own performance in the previous fiscal year.

2 Stakeholder engagement

We keep our strategy up-to-date by assessing the social relevance of the themes that determine our strategy. We do this by entering into a dialogue with our stakeholders. Our group of important stakeholders comprises clients,

former and current employees, partners, supervisory board members, legislators, regulators and supervisors, politicians, investors, universities, NGOs and start-ups.

Material topics	Definition	Type of capital	Most important stakeholders
Retaining and recruiting talented employees	Investing in engaged and loyal employees. This also includes personal career planning and development, diverse and varied work, work-life balance, a friendly working environment, a clear mission (meaningfulness), a motivating appraisal method, suitable coaching and support and inspiring leadership. The focus lies on recruiting the best employees in a tight labor market and meeting the expectations of a new generation of employees.	Intellectual, Human, Financial, Social and relationships, Natural	Universities, EY employees, Potential and future employees
Integrity and independence	Providing services that satisfy our ethical standards. Central issues in this context are anti-corruption, a sound due diligence when accepting a client and guaranteeing (personal) independence during an assurance assignment.	Intellectual, Human, Social and relationships	EY employees, Legislators, regulators and authorities, Supervisory Board, Politicians, Investors
Technological innovation	Investing in 'new' technology and digitalization in order to improve the range of services and the quality of these services and to also develop new products and services. Examples include online tooling, blockchain, data analytics, robotic process automation and artificial intelligence.	Intellectual, Human, Social and relationships	Clients, Start-ups
Customer satisfaction	Providing exceptional and high quality services with which we exceed the expectations of our clients and with which we clearly demonstrate the added value of our services to our clients.	Intellectual, Human, Social and relationships	Clients, Start-ups, EY employees

Material topics	Definition	Type of capital	Most important stakeholders
Compliance and compliance with regulations	Working in accordance with applicable laws and regulations and anticipating the increasing restrictions imposed by supervisory bodies. Extra attention is also being paid to stricter compliance with the requirements of the Act on the Supervision of Audit Firms (Wta) and the Decree on the Supervision of Audit Firms (Bta).	Intellectual, Human, Social and relationships	Clients, Start-ups, EY employees, Potential and future employees, Legislators, regulators and authorities, Supervisory Board, Politicians, Investors
Culture change	Investing in a culture of high quality teamwork, trust, integrity and quality. In order to promote quality, employees must feel safe to admit mistakes. This means a shift from a hierarchical and formal culture towards an open error management culture.	Human, Social and relationships	Clients, Start-ups, EY employees, Potential and future employees
Optimization effectiveness and efficiency of processes	Adequate process management that guarantees sufficient partner and manager involvement. Increasing the efficiency and effectiveness of processes through technological and personal developments so that a better service quality can be provided. The focus lies on internal process-related improvements of the services.	Intellectual, Human, Financial, Social and relationships, Natural	Clients, Start-ups, EY employees

3 External initiatives and stakeholder engagement

International Corporate Governance Network (ICGN)

EY is an active member of the ICGN. Member firms participate in a number of investor groups in different countries.

International Integrated Reporting Council (IIRC)

EY is among a select group of organizations supporting the IIRC by participating in the Board, the Council, working groups and secondments (with an EY professional serving as deputy to the CEO).

Transparency International

EY participates in and contributes funding to Global Corporations for Transparency International initiatives.

United Nations Global Compact (UNGC)

EY is a proud member of the UNGC. At a global level, EY annually communicates its progress on upholding the UNGC's Ten Principles.

United Nations Women's Empowerment (WEP)

EY is a signatory of UN WEP. World Economic Forum Partnering Against Corruption Initiative (PACI) EY is a signatory to PACI, the leading anti-corruption initiative in the world. EY's Global Chair and CEO is a member of the PACI Board.

World Economic Forum (WEF)

EY has been a strategic supporter of the WEF for 15 years. Its involvement in the WEF enables EY to help shape future economic development and share its insights with the world's most influential business leaders, politicians, academics and the global media.

Sustainable Development Goals

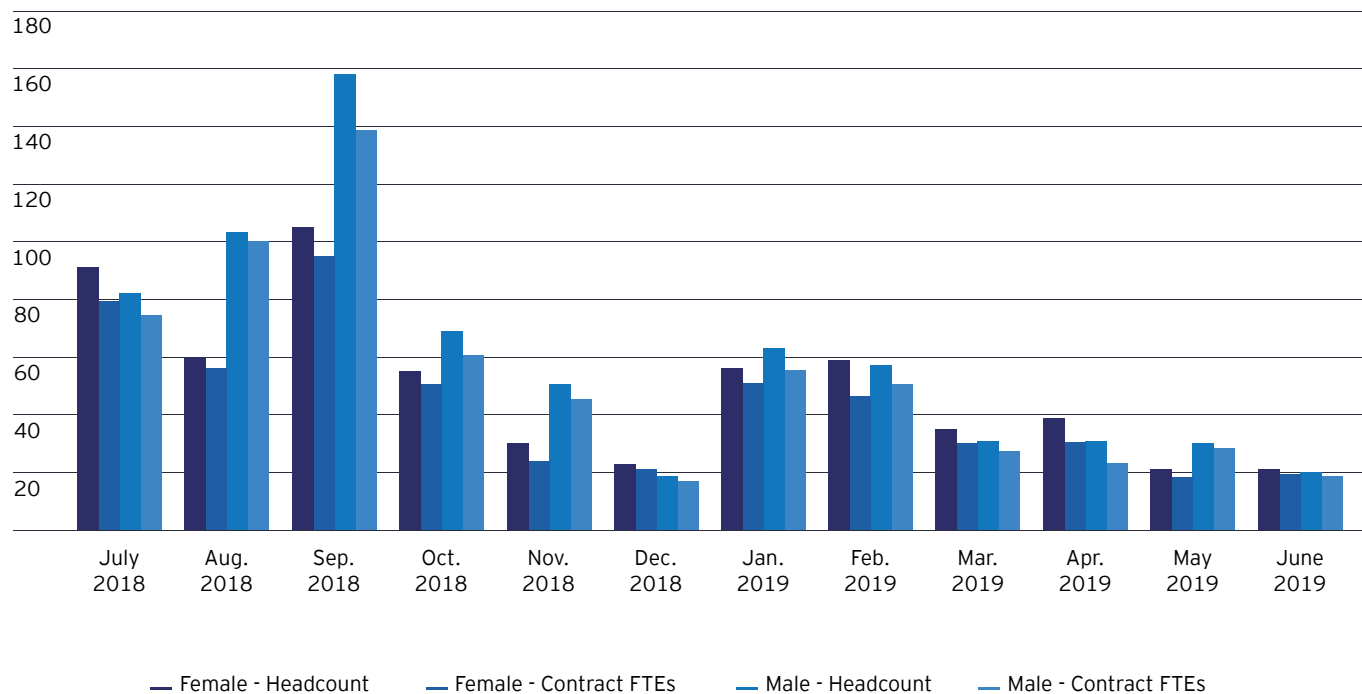
EY wishes to contribute to the realization of the Sustainable Development Goals. Based on our material themes, the impact of our services and the role that we play in society, we have determined which SDGs are the most characteristic for EY Nederland. These are SDG 4 (Quality education), 5 (Gender equality), 8 (Decent work and economic growth), 12 (Responsible consumption and production), 16 (Peace, justice and strong institutions) and 17 (Partnerships for the goals).

4 Workforce data

Information on employees and other workers end of fiscal year 2018/2019

	Total headcount		Total FTE		Female FTE		Male FTE	
	#	%	#	%	#	%	#	%
Partners	263	5.3%	261.1	9.1%	38.4	2.0%	222.7	7.8%
Employees	4,707	94.7%	4,491.6	90.9%	1,865.4	98.0%	2,626.2	92.2%
Total	4,970	100.0%	4,752.7	100.0%	1,903.8	100.0%	2,848.9	100.0%
Employment contracts								
Permanent, of which	3,954	79.6%	3,812.0	80.2%	1,484.7	78.0%	2,327.3	81.7%
FT	3,323	66.9%	3,323.0	69.9%	1,097.0	57.6%	2,226.0	78.1%
PT	631	12.7%	489.0	10.3%	387.7	20.4%	101.3	3.6%
Temporary, of which	1,016	20.4%	940.8	19.8%	419.2	22.0%	521.6	18.3%
FT	812	16.3%	812.0	17.1%	342.0	18.0%	470.0	16.5%
PT	204	4.1%	128.8	2.7%	77.2	4.1%	51.6	1.8%
Total	4,970	100.0%	4,752.7	100.0%	1,903.8	100.0%	2,848.9	100.0%
By service line								
Assurance	2,029	40.8%	1,984.5	41.8%	666.5	35.0%	1,318.0	46.3%
Tax	1,206	24.3%	1,113.0	23.4%	508.7	26.7%	604.3	21.2%
Advisory	879	17.7%	857.4	18.0%	302.6	15.9%	554.8	19.5%
TAS	253	5.1%	249.2	5.2%	63.8	3.3%	185.4	6.5%
CBS	603	12.1%	548.7	11.5%	362.4	19.0%	186.3	6.5%
Total	4,970	100.0%	4,752.7	100.0%	1,903.8	99.9%	2,848.9	100.0%
Externals								
Contractors	143	45.5%	123.6	55.7%	47.3	46.6%	76.3	63.4%
Outsourced	171	54.5%	98.3	44.3%	54.3	53.4%	44.0	36.6%
Total	314	100.0%	221.9	100.0%	101.6	100.0%	120.3	100.0%

New hires in fiscal year 2018/2019 by headcount and FTE




New employee hires and employee turnover

	Total headcount 2017/2018		New hires		Turnover		Total headcount 2018/2019		Turnover ¹
	#	%	#	%	#	%	#	%	%
Age group									
< 21	2	0.0%	18	1.4%	11	1.2%	9	0.2%	550.0%
21-30	2,092	45.3%	1,055	80.6%	637	66.7%	2,510	50.5%	30.4%
31-40	1,263	27.4%	152	11.6%	208	21.8%	1,207	24.3%	16.5%
41-50	713	15.4%	67	5.1%	58	6.1%	722	14.5%	8.1%
>51	546	11.8%	17	1.3%	41	4.3%	522	10.5%	7.5%
Total	4,616	100.0%	1,309	100.0%	955	100.0%	4,970	100.0%	20.7%
Gender									
Female	1,863	40.4%	595	45.5%	396	41.5%	2,062	41.5%	21.3%
Male	2,753	59.6%	714	54.5%	559	58.5%	2,908	58.5%	20.3%
Total	4,616	100.0%	1,309	100.0%	955	100.0%	4,970	100.0%	20.7%
Service line									
Assurance	1,984	43.0%	403	30.8%	358	37.5%	2,029	40.8%	18.0%
Tax	1,126	24.4%	407	31.1%	327	34.2%	1,206	24.3%	29.0%
Advisory	694	15.0%	353	27.0%	168	17.6%	879	17.7%	24.2%
TAS	234	5.1%	64	4.9%	45	4.7%	253	5.1%	19.2%
CBS	578	12.5%	82	6.3%	57	6.0%	603	12.1%	9.9%
Total	4,616	100.0%	1,309	100.0%	955	100.0%	4,970	100.0%	20.7%

¹ Work students influence the turnover rate. Without work students, the turnover rate would be 16.9%.

Average hours of training per year per employee

Employee category	Female training hours	Male training hours	Total training hours	%	FTE	Training hours per FTE
Partners	1,774	8,182	9,956	2.2%	265	37.6
Directors	1,543	7,633	9,175	2.0%	207	44.4
Senior managers	10,462	23,371	33,833	7.4%	604	56.0
Managers	13,699	32,152	45,851	10.1%	666	68.9
Employees	131,008	224,482	355,489	78.2%	2,946	120.7
Total	158,485	295,819	454,305	100.0%	4,687	96.9



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