



Annual Review 2020/2021

Ernst & Young Nederland LLP



Our mission

At EY, our purpose is *Building a better working world*. The insights and quality services we provide help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients, and for our communities.

We believe a better working world is one where economic growth is sustainable and inclusive. We work continuously to improve the quality of all our services, investing in our people and innovation. And we are proud to work with others - from our clients to wider stakeholders - to use our knowledge, skills, and experience to help fulfill our purpose and create positive change.

For more information about our service lines, please visit the 'What we do' section of our corporate website.

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Foreword

Looking ahead with confidence

Who could have imagined, at the beginning of 2020, that a virus would still dominate so much of our lives a year and a half later? I certainly did not, and I doubt many others did either. Even though the vaccination campaigns are clearly starting to pay off, COVID-19 is still circulating, and the health crisis is not over yet. Indeed, we are still largely working from home and are meeting up much less than in the past.

Yet it is also time to acknowledge that our firm has weathered the pandemic well. I feel a great deal of pride and gratitude when I see how EY's people have adapted to these new, unusual circumstances, and how we have managed to keep the organization up and running and serving our clients so well by putting our heads together. This has not been an easy task by any means. Think of all the parents who worked from home while their children were unable to attend school; the younger colleagues who do not always have access to a suitable workspace; or simply all of our colleagues who miss meeting their co-workers and others in person.

We can be proud of what we have achieved. More than ever, EY Netherlands has proven itself to be a resilient, flexible organization, with employees who remain fully committed in spite of the challenging circumstances and who do not hesitate to take responsibility - even at a distance. And not only within EY itself, but also in the collaboration with clients. We managed to uphold the same high level of quality of our services that society expects from us throughout the pandemic.

Resilience in difficult times

Our Assurance and Tax & Law service lines proved to be extremely resilient. They not only held on to existing clients but managed to attract new ones as well. Strategy and Transactions responded well to the huge demand, and Consulting was able to establish a solid practice after having reorganized. Turnover was essentially the same as last year, with higher production and fewer external costs, which is good, especially in times like these. Costs were lower as there was less traveling, and we did more work, proportionally, with fewer people.

Thanks in part to various cost-saving measures and sacrifices, we have been able to keep practically all our people with the firm. We were able to continue, albeit initially at a slightly slower pace, recruiting and selecting new talented professionals. This is important, because we want to keep on growing. We also continued our training programs, mostly online, of course, which worked out well in most cases: at home, people can participate in their own time and at their own speed.

At the same time, I realize that we are in a privileged position. In another capacity, I have seen up close what the pandemic has done to our cultural sector with many weeks and months of mandatory closure of business. Particularly for this sector and broader society, I hope we can indeed go back to an open society soon.

We are taking positives from the COVID-19 crisis. We can get by with less traveling, whether internationally, from office to office, or commuting between home and the office. Working in the office every day is a thing of the past; the future is the 'hybrid' work week, where people work days at home and days at the (client's) office. This will give them more flexibility and autonomy. Offices will have a different function: they will increasingly become a place for people to meet and consult with each other when there is a need for it. The office in The Hague, which we

have been in the process of renovating, has already been furnished with this in mind. And, importantly, this policy will help to achieve our climate goal of net-zero carbon emissions by 2025.

Environment, social and governance, the ESG themes, will become much more important, both within our organization and, of course, outside. Organizations will face complex challenges in this area: there will be more regulation and more need for transparency, for example regarding the sustainability of the entire supply chain. Reporting on ESG is a major challenge for companies – what do you do to meet society's expectations? EY has an important task to fulfill in this respect. It brings with it opportunities for Consulting and Assurance, in particular. And the Tax service line is advising on environmental taxes and the business climate in the Netherlands, among other things. And what does EY do itself? For example, we decided to electrify our car fleet as from 2022 in our global ambition to become net carbon zero in 2025. Clearly we learned from the past year that we can do with less travel.

Our added value

EY has a wealth of knowledge, and we share it. We also have to have the courage to share our vision and show the outside world what our added value is. EY wants to excel by virtue of its knowledge and expertise, and through its thought leadership. An example of this is 'EY Society'. We started this network to support organizations with a social mandate, such as hospitals and educational institutions. We started a consulting transformation campaign 'First listen, then Transform'. If we've learned one thing from guiding successful transformations, it's that every organization is unique. That's why EY consultants don't come in with difficult texts about transforming, but start by listening carefully. We received very positive feedback on this campaign. And we are proud of our 'EY Entrepreneur of the Year program', which is celebrating its 25th anniversary in the Netherlands in 2021. With this prestigious entrepreneurial award, we are specifically highlighting innovative entrepreneurship and encouraging entrepreneurs to get the best out of themselves, their clients and their employees.

It is good to direct our focus outward again. We have focussed on improvements that we needed to make, on the organization, which we could structure better with clearer lines of communication. In that respect, we owe a lot to my predecessor, Coen Boogaart, who retired on June 30th after 36 years of service at EY. In the five years he was at the helm, EY Netherlands was able to make a number of major advancements in quality. It is also thanks to this restructuring that our company was well positioned to handle the COVID-19 crisis when it erupted. I am extremely grateful to Coen for that, as I am to the other very committed and passionate board members who have stepped down: Rob Lelieveld, Nico Pul and Mirjam Sijmons.

To use an analogy from sailing, one of Coen's favorite pastimes: we have moved away from stormy weather to calmer waters. Which is not to say that there is no more work to be done. We always need to further improve quality, to learn from experience; this will not stop. When it comes to diversity and inclusiveness: we are working hard, but more needs to be done to attract and retain women, as well as talent from different cultural backgrounds. We are also going to further improve collaboration across our service lines, including with our integrated, multi-disciplinary teams.

We are going to give EY an even stronger position in the market, as 'the most distinctive professional services firm', in all our areas of expertise. The environment created for this purpose, the new EY Europe West region, will support us. This revised layout of the EY 'map' is expected to generate a number of synergies: more collaboration, a more intensive exchange of knowledge between EY professionals in surrounding countries and better integrated service to our clients.

Fit for the future

We are 'Fit for the future', which is the title of the program in which we have used our experiences to build future based plans and (technological) innovations. 'Fit' is meant both metaphorically and literally: during the pandemic, we realized more than ever how important the well-being of our people is. We must not let our focus waver. We must all continue to really listen to the other - not only to our colleagues, but also to our clients and all our other stakeholders. This approach will enable us to continue responding to the sometimes stormy developments that affect the business community and society as a whole. I am convinced of the strength and adaptability of our firm. Above all, we have learned in the past year that our people naturally assume great responsibilities and deserve everyone's trust. That is a great source of wealth. A new board could not have asked for more.

Jeroen Davidson

Chair of the Board of Directors

Ernst & Young Nederland LLP

27 September 2021

EY Netherlands at a glance

Who we are and what we do

EY is a worldwide service provider in Assurance, Tax, Strategy and Transactions, and Consulting with over 700 office locations in over 150 countries. EY professionals worldwide are committed to delivering high-quality services. EY Netherlands supports and contributes to EY's vision and strategy around the globe. At the same time, we have our own country-specific responsibilities to carry out.

EY Netherlands employs more than 4,300 people across 14 locations. EY Netherlands's partners (247 at the end of the fiscal year) hold ultimate responsibility for the quality of the services provided to clients and for developing our people. Each partner manages a section of the client portfolio.

EY's clients range from governmental bodies to listed companies of various sizes. We serve clients in their own market segment and sector, including financial services, technology, media & telecom, consumer products & retail, energy & resources, healthcare & life sciences, government & public, real estate, hospitality, construction and private equity.

EY helps organizations identify and benefit from new opportunities that arise when sectors meet. To keep pace with this rapidly altering landscape, businesses must be agile and adopt new ways of thinking. As everyone begins to reinvent how they approach work, social life, and recreation, we are helping our clients to view changes in the market as opportunities.

With our workforce and network of (academic) partnerships and one million alumni, we aim to deliver sustainable added value to our clients and employees, and to society as a whole. As a knowledge organization,

Assurance Tax Strategy and Transactions Consulting

Service lines

4,335 247

Employees EY Netherlands

Partners

14

Locations

our High-Performing teams help clients and other stakeholders achieve ecological, social, and economic value - as an integrated part of their strategy. We do this by sharing knowledge and providing education, and by providing assurance on the reliability of figures and transparency regarding these figures towards stakeholders.

For more information about our service lines, please visit the 'What we do' section of our corporate website.

Total revenue

(in millions of euros)

900 0.5%▼

2020-2021

905

2019-2020

Profit for the fiscal year

(in millions of euros)

170 153

2020-2021

2019-2020

Operating profit margin

(% of total revenue)

20% 17%

2020-2021

2019-2020

Community Investment

15,040 807

Hours spent

Engaged employees

Retention rate top talents

91% 94%

2020-2021

2019-2020

Assessment of service quality

Clients where relationship was improved

57% 50%

2020-2021

2019-2020

Clients where relationship remained the same

38% 47%

2020-2021

2019-2020

Clients where relationship deteriorated

5% 3%

2020-2021

2019-2020

* For EY Nederland at a glance - reporting standards and data compilation, see page 50 - 61.

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.

Report of the Board of Directors



Jeroen Davidson



Danny Oosterhoff



Saskia van der Zande



Stephan Lauers



Patrick Gabriëls

Introduction

Given the ongoing circumstances of the COVID-19 crisis, and the consequences EY Netherlands is still experiencing on a daily basis, we have again chosen to explain our achievements in a compact manner.

We broadly outline the main points of our strategy, our results and findings and, of course, how we dealt with the exceptional circumstances in which we and our clients have had to work. We also explain how we create value in the short and long term, for all our stakeholders.

As mentioned, the Annual Review 2020/2021 contains the most relevant information in a condensed format. For more detailed information on the various topics, please consult the reports or explanatory information on our corporate website via ey.nl/jaarverslag. This also applies to the financial statements, which are published separately on the annual review website. The most important financial statements can be found in this review.

We adhere to the International Integrated Reporting Council (IIRC)'s principles and guidelines of the framework for integrated annual reporting.

Key figures

Key figures ¹	2020/ 2021	Δ	2019/ 2020	Δ	2018/ 2019	Δ	2017/ 2018	Δ	2016/ 2017	Δ
Finance (in millions of euros)										
Assurance	339	-1.0%	343	1.2%	339	-0.4%	340	6.7%	319	6.8%
Tax	294	-1.0%	297	3.4%	287	4.9%	273	2.9%	266	4.3%
Consulting	144	-5.4%	152	3.2%	147	16.4%	127	1.7%	125	21.7%
Strategy and Transactions	86	16.5%	74	-1.8%	75	14.0%	66	22.2%	54	38.0%
Rendering of services	863	-0.3%	866	2.0%	848	5.2%	806	5.6%	764	9.9%
Core Business Services (Other income)	37	-5.6%	39	33.9%	29	-6.8%	31	2.8%	30	-5.6%
Total	900	-0.5%	905	3.1%	877	4.8%	837	5.0%	794	9.2%
Financial results										
Profit for the fiscal year	170	10.9%	153	-4.8%	161	3.8%	155	4.9%	148	9.3%
Income available for distribution	145	14.9%	126	-7.9%	137	3.9%	132	4.6%	126	9.6%
Average partner income (in thousands of euros)	584	17.8%	496	-4.5%	519	1.3%	513	5.8%	485	3.1%
Average number of FTE staff and partners										
Client serving staff	3,784	-4.2%	3,950	1.3%	3,899	7.9%	3,614	3.2%	3,502	7.3%
Support staff	530	-1.5%	538	0.2%	537	5.9%	507	-3.2%	524	0.6%
Total staff	4,314	-3.9%	4,488	1.2%	4,436	7.6%	4,121	2.4%	4,026	6.4%
Partners	248	-2.5%	255	-3.5%	264	2.6%	257	-1.4%	261	6.4%
Total	4,562	-3.8%	4,743	0.9%	4,700	7.4%	4,378	2.1%	4,287	6.4%
Environment										
tCO₂ per FTE	1.7		3.1		4.4		4.7		5.0	

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Resilience in times of transition

EY Netherlands is continuously adapting to external risks and embracing new opportunities. Our strategy aligns with our purpose *Building a better working world*: we want to help organizations function better and create a reliable financial climate. Innovation and technology are important areas of focus in that respect.

Developments and challenges

In the implementation of our strategy, we are constantly aware of developments in our environment and the challenges they present. External developments are an important context for our risk analyses and strategic focus. Indeed, the pandemic has cast many themes in a new light. The following four trends and developments made an impact last year.

COVID-19

For many businesses, growth was put on hold during the COVID-19 crisis as they tried to determine how to navigate the crisis. Many were forced to ask themselves a tough question: can our business model resist disruption? EY's role during the crisis has been to help clients cope with the changing business environment in this time of transition and develop resilience and sustainable business practices to withstand unexpected shocks in the future.

The COVID-related restrictions introduced by the government during the various lockdowns as a result of shifting political considerations have had a profound impact on companies. They have had to make continuous adjustments and face constant uncertainty. Many had to make use of the government's economic support measures to compensate for the loss of turnover. As a result, businesses have to contend with new laws and regulations and a changing fiscal situation. This is where EY stepped in to help. Our short-, medium- and long-term solutions have helped our clients with the correct fiscal and legal implementation of the government's emergency measures.

NextWave

NextWave, our global strategic approach, gives our mission more form and substance. NextWave focuses explicitly on creating long-term value rooted in four basic values: people, client, social and financial. The strategy that accompanies this can be summarized as follows: ▶ Client centricity ▶ Exceptional and diverse people ▶ Global integration and teaming ▶ Data and technology. Our long-term ambitions guide us in the way we manage the organization. The Board of Directors is responsible for the implementation of the strategy that should lead to value creation in the short, medium and long term.

Digital transformation

Digital disruptive changes are connecting companies, customers, communities and authorities around the world, creating new working relationships, operating and business models, and driving developments, globalization and demographic shifts. However, digital transformation creates significant threats to the business and society in the form of cybersecurity risks and data privacy breaches.

The lockdown has stressed the importance of digitalization and the need for technological innovation. Most businesses are gearing up for a 'new normal' in which employees work at least a few days a week from home. This is putting new demands on companies' digital infrastructure.

Sustainability and climate change

Environmental, social and governance (ESG) performance, incorporated in daily business processes, is becoming increasingly important and shows a positive correlation with financial performance. The pandemic has not only reinforced the appetite for a resilient business environment, but it has also demonstrated the benefit of understanding and evaluating the broader value impacts on all stakeholders. To be able to minimize risks and their negative impact, we urgently need to accelerate progress toward achieving global sustainability and climate targets.

Inclusive society

The pandemic is also affecting other socio-economic aspects of our lives. It has increased inequality, exclusion, discrimination, and global unemployment in the medium and long term. In a year of disruption, we remain committed to empowering our ecosystem to tackle these social challenges.

Long-term value creation and sustainable growth

The value creation model on page 15 shows how, given the trends and developments society and our clients are facing, we add value for our stakeholders. It shows how EY Netherlands' core activities and sustainability commitments contribute to EY global's ambitions to create long-term client, people, social, and financial value.

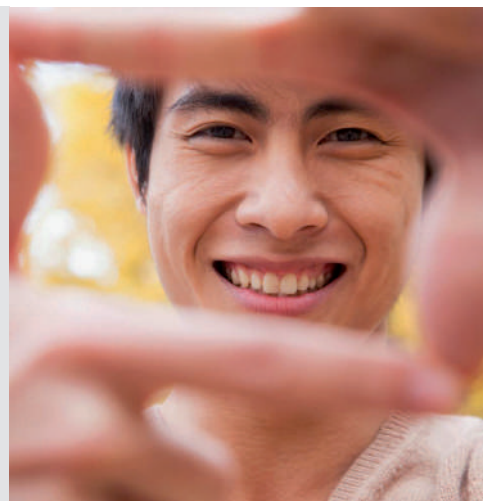
Our long-term value creation ambitions are:

- ▶ To help clients grow, optimize and protect value.
- ▶ To create an exceptional experience for EY people.
- ▶ To build trust in the capital market and have a positive impact on communities and the planet.
- ▶ To be a long-term growth leader.

These ambitions determine the way we manage the organization. The Board of Directors is responsible for the implementation of the strategy that should lead to value creation in the short, medium and long term.

“ How EY adds social value by providing assurance on ABN AMRO's Human Rights Report

EY has provided assurance on ABN AMRO's 2020 Human Rights Report. A team of five people completed the job, demonstrating that assurance providers can and should be involved in human rights. [Read more online](#)



The value creation model shows how our EY Netherlands' strategy generates output and, in turn, contributes to the value we create. By identifying material themes, we can focus our efforts on activities that are most likely to contribute to the envisioned long-term value. We classify themes as material if we believe they have a substantial impact on our business, our stakeholders and society. That is why our stakeholders play a key role in identifying these material themes (see Annex 2 for more on our stakeholder dialogue, material themes and how they connect to our long-term value strategy).

In the short term, our efforts generate non-financial and financial output every year. We quantify the progress in a set of KPIs related to these material themes, which we present in this integrated annual review (see 'Our performance in 2020-2021'). Our commitment to sustainability is an integral part of the *NextWave* strategy. Our activities with regard to corporate responsibility and sustainability are therefore no longer reported in a separate corporate responsibility report, but instead included in this integrated annual review.

The aggregated effects of our value creation are what ultimately generate our long-term impact on society. We define and monitor these using the UN Sustainable Development Goals (SDGs) and targets. We analyzed all 17 SDGs and relevant 169 sub-targets and KPIs that relate to our business model and core activities. In accordance with our long-term value creation ambitions and our core professional service activities, we identified the greatest potential to make a positive impact through the following SDGs:

- ▶ 4. Quality education.
- ▶ 8. Decent work and economic growth.
- ▶ 12. Responsible consumption and production.
- ▶ 16. Peace Justice and strong institutions.

For a detailed overview of how we contribute to the Sustainable Development Goals, please refer to Annex 5.

OUR RESOURCES

Exceptional,
talented and
diverse people

Local reach,
being close to
customer

EY global
knowledge and
experience

Powerful
network

Strong
brand

BUSINESS MODEL

PURPOSE

Building a Better
Working World

CORE ACTIVITIES

- Assurance
- Tax
- Consulting
- Strategy & Transactions

STRATEGY

How we create long term value:

- Drive client centricity
- Engage exceptional and diverse people
- Transform our business through data and technology
- Accelerate global integration and teaming

AMBITION

Create long-term value as
the world's most trusted,
distinctive professional service
organization

OUR VALUES

- We demonstrate integrity, respect, teaming and inclusiveness
- We do this with energy, enthusiasms and the courage to lead
- We build relationships on doing the right thing

How safeguard value

- Compliance
- Governance
- Risk
- Culture

OUR PERFORMANCE ON MATERIAL TOPICS

Exceptional
work
environment

Service
innovation
& quality of
our service

Sustainable
and responsible
operations

Stable
financial
results

LONG TERM VALUE

People

To create an
exceptional experience
for EY people

Clients

To help clients
grow, optimize,
and protect value

Social

To build trust in capital
markets and have
a positive impact on
communities and
the planet

Financial

To be the long
term growth
leader

IMPACT

Confidence in
and credibility of
the capital markets

Employment
and labor force
participation

Sustainable
development
and innovation

Economic
and social
activity

4 QUALITY
EDUCATION

8 DECENT WORK AND
ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION
AND PRODUCTION

16 PEACE, JUSTICE
AND STRONG INSTITUTIONS

Our performance in 2020-2021

Exceptional work environment

This transitional period has tested the ability of our organization and our people to adapt to a changing environment. We have been working hard to meet this challenge and simultaneously maintain our people's safety and well being. In every step we took our strategy was to put the safety and well being of our employees first and to support them by providing them with the right tools to work from home and office facilities if they needed to visit our offices.

Well-being

EY is determined to safeguard our employees' mental and physical well-being. The pandemic has made the safety of our people, as well as our suppliers and clients, a key priority. We have all been asked to adapt, which has brought several challenges but also created new opportunities.

As we became accustomed to the home-working situation last year, we were able to better anticipate changes to the COVID-19 measures. This enabled us to respond to the needs of our employees and do our best to continue facilitating a smooth remote working process in difficult circumstances. In addition to ergonomic and technical support, we supported our employees by offering childcare services, boot camps and virtual yoga classes.

We are more determined than ever to listen carefully to our people. We have transformed our global annual People Pulse Survey into a new, more condensed survey that enables our people to share their voice more often throughout the year. Our people pulse engagement score this fiscal year was 71%.

We introduced a 'Vitality Check' and offered employees a follow-up coaching session with professionals. A total of 1,650 employees completed the online 'Vitality Check'. We also launched our 'Energize & Inspire' campaign - including a two-month walking challenge in which about

1,000 of our employees participated. Other initiatives include our 'CareForYou guide', a catalog that provides an overview of (online) courses, programs and information to boost people's vitality.

Sick leave increased at EY from 3.87% (2019/2020) to 4.11% during the year under review. The increase is partly attributable to the challenges of working from home, such as dealing with the thin line between work and private life, missing colleagues, having access to limited facilities. We are doing everything in our power to reduce sick leave, under all conceivable circumstances and we will continue to run our Vitality program.

Fit for the Future

Our 'Fit for the Future' program is designed to draw on insights and experiences of our employees as we look to the future. By listening to our people, responding to the challenges they are facing and using their talent and innovative ideas, we can create a better working world in these changing circumstances. One of the main outcomes of a survey among employees during the COVID-19 year is that our employees miss interacting with colleagues and clients in person. To maintain interaction between colleagues, we organized virtual coffee chats to enable our people to expand their internal network with randomly picked colleagues. Our teams have been very active in organizing a wide range of virtual activities for their team and to use the before mentioned walking challenge to catch-up. We also launched an expat community to link people together who have joined us from abroad.

Despite the challenges of working from home, employees also experienced efficiency and flexibility benefits, however, which they would like to retain in the future. The percentage overtime slightly dropped from 3.7% (2019/2020) to 3.5 % (2020/2021). Our new way of working will give our people flexibility and autonomy, allowing them to optimize their work-life balance, vitality and teaming. In this new setup, the office will serve as a

hub for inspiration, innovation and social cohesion. With less time spent at the office, we can reduce commuting, which will also improve our environmental impact.

Talented employees

We are fully committed to giving our employees – current, prospective and alumni – the feeling of being on an exceptional journey. That is why in our *NextWave* strategy we focus on people value. Thereby we prioritize the need to better understand and listen to our employees, their life stories, their purpose and their career ambitions. If we help our employees on a journey of personal happiness, satisfaction and well-being, they are more likely to continue their career with EY and will be better ambassadors. That is the essence of the *NextWave* strategy: whenever you join, however long you stay, the exceptional EY experience lasts a lifetime.

We encourage internal mobility and development among our employees as part of this journey, so we can retain their knowledge and expertise. One way of doing this is to hold career cafés to help them explore different career paths internally at EY. All EY Netherlands employees are able to take online courses or join training events through our e-learning portal. We also hold webinars for short training activities on topics such as agile working.

Because of COVID-19, we quickly adapted to the situation and transformed most of our training activities into online training formats. Virtual learning enabled us to hold our flagship events such as the Firm-Wide learning event, the senior manager program, development hubs and High-Performing Teams (HPT) sessions. Professional training for our employees was facilitated through web-based learning and virtual training activities. In total, 428,000 hours are spent on training and education in the year under review compared with 487,000 in 2019/2020. Also, the online approach allowed us to cut training costs as there were fewer travel and accommodation expenses. The expenses dropped from €15.8 million last year to €8.2 million this year. Going forward, we will evaluate which training activities we can continue to provide online.

We also slowed down our recruitment efforts during the first half of the fiscal year as a result of declining demand from clients and prudent financial management. However, as demand began to pick up again in early 2021, we stepped up our recruitment efforts again. As a result of rapid developments in digitalization, we paid special attention to recruiting technically skilled talents. This fiscal year, our university recruitment campaign was completely online. We held numerous virtual events, as well as one-on-one sessions with students.

We welcomed a total of 649 new colleagues, compared with 769 last fiscal year. Our retention rate of top talent dropped slightly from 94% (2019/2020) to 91% the year under review. The total number of employees at the end of the fiscal year was 4,335, compared with 4,552 in 2019/2020.

As a result of COVID-19 restrictions, we also faced the challenge of organizing our onboarding program remotely. This approach enabled us to give all new recruits an online 'kick-start' at EY. The successful rollout and reception of this program mean we will continue to use it in the future.

Transformative leadership

EY Netherlands pursues a culture of mutual cooperation, trust, integrity and quality with continuous learning and improvement. One of the biggest challenges this year has been how to maintain an open culture remotely. The *NextWave* transformative leadership model turned out to be an extremely appropriate tool for meeting this challenge.

The strength of transformative leadership is that it provides people with the right mindset to establish an inclusive culture. And it encourages employees to develop a growth mindset in which they continuously try to improve themselves: a 'Better Me' leads to a 'Better Us', and this reinforces the team. From January, our partners and directors learned more about the new leadership model through various virtual sessions. Partners and senior managers also participated in off-site

transformative leadership activities, focused on personal development activities, learning to lead by example.

We held resilience hubs for senior staff and purpose workshops emphasizing the benefits of leadership behavior such as belonging, well-being, teaming and agility. Although everyone worked from home throughout the year, we focused on keeping our teams together. We organized regular virtual social events and did our utmost to establish an uplifting mood for our employees at the start of each day.

Diversity and inclusiveness (D&I)

At EY, we strongly believe that a diverse composition of teams, including management, contributes to a better world and to sustainable success. We want our organization to be a reflection of society and we therefore attach great importance to diversity and inclusiveness. We are working on increasing diversity in all layers of our organization. We do our utmost to provide equal opportunities for everyone at EY, regardless of gender, cultural background, sexual preference, or employment restriction.

This dovetails with the values we uphold, such as teamwork and respect. When recruiting new employees, we aim to maintain an equal balance of men and women, including in management positions. This year, 44% of our new intake of 649 is female. Across the whole

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The strength of transformative leadership is that it provides people with the right mindset to establish an inclusive culture

organization, 42% of EY employees are female, compared with 41% last year. At partner level, the percentage of female employees increased from 17% in 2019/2020 to 18% in the year under review. We believe we can do better, however, and have already taken steps to improve the balance. By adding D&I watchers to all our talent review sessions, we establish equality in the annual evaluation of our people. Some groups however benefit not only from equality but require additional attention to get to a create a level playing field.

For example, we engaged in a discussion with management about gender equality called ‘What’s in it for me(n)?’ In addition to our existing Career Watch program, we also launched a mentor program for our senior female

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Why EY still needs D&I networks

The business world is becoming increasingly diverse. Yet there is still work to be done in the area of D&I, including at EY Netherlands. Several stakeholders at EY discuss the issue. [Read more online](#)



staff. This pilot consisted of 30 women who were connected with a more experienced female EY colleague.

Last year, together with our internal diversity networks, we held several activities related to diversity and inclusiveness, albeit digitally. These activities included programs on how to combine work and family life for parents. Other initiatives included a 'Finance Academy' together with the refugee talent hub and a partnership with a foundation called 'Wrokko', which focuses on helping multicultural talents find work.

Service innovation

With its *NextWave* strategy, EY is committed to creating long-term value for our clients. Client centricity and technology are key to achieving this goal. We are developing a more integrated, multidisciplinary approach to analyze and cater to our clients' needs. Each of the four service lines' technological innovation efforts focused on designing and implementing activities and programs that correspond with EY's global *NextWave* strategic.

Our clients' needs and priorities have noticeably shifted during the pandemic. Last year, we focused on the now: how to get through the crisis and remain viable. Our clients have started to look ahead again, focusing on sustainable business practices.

Now, Next & Beyond

In the context of the COVID-19 crisis, our 'Now, Next & Beyond' campaign enabled us to develop short- and medium-term solutions as well as strategies focused on creating long-term value to help clients cope with the changing business environment. We quickly responded to their needs by being the first service provider to develop a global, freely accessible and regularly updated tax policy tracker, the EY COVID-19 Stimulus Tracker. It helps companies monitor rapidly emerging government policy and stimulus responses to COVID-19.

The 'next' phase of the campaign refers to EY support for clients to address the rapidly changing needs regarding the financial, tax, legal and operational consequences of COVID-19. The 'beyond' phase refers to EY support that

has enabled clients to look beyond the crisis again and focus on how to set up sustainable business practices in the long term by reinventing their business model and setting future strategy priorities.

Multidisciplinary solutions

Given the complex business impact of COVID-19 on many of our clients, we immediately accelerated our internal Learning & Development around multidisciplinary solutions, as a catalyst for the development of integrated transformative solutions. We orchestrated multidisciplinary pressure cooker sessions with specialists from all of our (sub) service lines around the changing client agenda. We also interviewed a series of clients at C-level, who shared their transformational dilemmas and journey in each of their specific sectors. By listening carefully to these client stories, our specialists are better able to cater to companies' needs for holistic, integrated business solutions. We are continuously capturing the voice of our clients, also through our 'Customer Excellence and client satisfaction' program.

Sustainable business community

EY Netherlands' sustainable business community was established to help create long-term value for our clients in all sectors. We have identified three pathways based on our dialogues with clients: Sustainable Finance, Decarbonization and Long-term Value.

These pathways impact all of our service lines as they involve strategic, tax, legal, financial, transactional and operational issues. As a result, these three pathways require an integrated approach that generates innovations from each of our different service lines, underpinned by technology.

Technological innovations

Technological innovation has played a critical role in delivering long-term value to clients, people, and society and turning clients' needs and internal challenges into new solutions. To ensure a smooth rollout of the innovation activities, EY Netherlands has several dedicated teams. Despite the challenges we faced, the teams managed to invest time in 'new' technology and digitalization to

improve the range and quality of services and to develop new products and services. In total, 14,823 hours were invested in the year under review, compared with 16,730 last year (2019/2020).

Our top-down innovation teams

The top-down innovation teams are defined by our service lines and focus on technological innovations for client solutions.

The EY Proximity Monitor is a recent example of a COVID-19-related solution developed and rolled out with ecosystem partners and our alliance partner SAP (SAP Business Technology Platform and SAP Analytics Cloud). It offers insight into the effectiveness of social distancing between visitors and participants, support staff and guests, and has already been used successfully at the Eurovision Song Contest in Rotterdam and three golf championships of the European Tour. Another innovation launched this year is the Goldie robot (based on the IBM's Watson technology), which simplifies and enables the authorized initiation of transactions via an easy-to-use Microsoft Teams chatbot.

With the implementation of Symphony Core HR, our Talent department has access to a new platform that has made HR information, transactions and workflows available in real time to employees exactly when and where they need it.

The Assurance Innovation Lab and Tax Lab are two permanent teams of data scientists, developers and product managers who develop, manage and implement new digital solutions. The EY Smart Automation solution ensures the completeness of all financial statement disclosures using an intelligent checklist. This solution standardizes and centralizes requests and the delivery of audit information while automating work that needs to be performed in the audit. Another game-changer was the introduction of the NL Assurance Portal. This centralized services portal gives our audit teams a one-stop shop experience where, with a few clicks, they can request and manage standardized audit services from EY's internal experts. The Tax Lab launched the Tax Digital Badge,

creating new ideas by involving colleagues from all sub-service lines.

Our bottom-up innovation programs

The Innovate EY team is in charge of EY's bottom-up corporate innovation programs. With this program, which cuts across all service lines, we are committed to building an innovation- and entrepreneurship-driven culture through our Innovate EY program while turning ideas into business value. The innovations are either internal efficiency boosters or client-facing solutions.

Based on continuous improvement and client centricity, the Innovate EY program involved our clients in developing new solutions and defining innovation challenges for each service line. The successful experience in the Dutch market inspired other countries to join the movement, and Innovate EY became the leading corporate innovation program adopted by our organization in Europe West.

One example of successful co-creation involving EY, a client and a first-rate external start-up is DiffPriv. As part of a privacy solution, DiffPriv offers new synthetic data technology to improve data governance and boost data science activities.

EY developed an innovative internal efficiency booster: the new Standardized Team Independence Procedure (STIP). STIP is automating what used to be a predominantly manual independence-related task for audit teams. The tool has been used by over 40% of our Dutch audit teams and has positively impacted over 4,000 EY professionals in 38 countries.

The EYnovation team

The EYnovation team is responsible for supporting and collaborating with start-ups and scale-ups. We are convinced that effective solutions to our clients' needs require an integrated approach involving various specialists from all service lines. As a result, this year we created the Innovation Council, consisting of innovation leaders from all service lines and members of the Board of Directors.

Start-ups and impact entrepreneurs have also had a hard time during the COVID-19 crisis. EY joined forces with its partners to see what we could do to help them survive the crisis. We made the EY Finance Navigator (TFN) software, a financial planning tool for start-ups and scale-ups, freely available for them. When possible, we shared our knowledge and helped them find contacts. We also held online roundtables to offer practical tips to start-ups on how to implement the government's support measures.

This fiscal year, EY and our network of business partners decided to involve students from top Dutch technical universities in proposing innovative ideas, prototypes and research studies to solve our clients' challenges, as well as internal innovation challenges. The activity will continue next year and help us reach potential talented employees, interact with colleagues and peers from several industries, and meet gifted innovators and leading entrepreneurs.

Quality of our service

The quality of our services is the key driver in our ambition to be the world's most trusted professional service organization. The relationships we have with our clients are built on trust, our ability to distinguish ourselves as a professional services organization, and the independence we guarantee.

Every year, we assess the quality of our services via our Client Experience program. This fiscal year, we recorded 627 Client Experience formal feedback moments. Of those clients who provided feedback, 57% indicated that their relationship with EY Netherlands was better than the previous fiscal year (2019/2020: 50%). According to 38% of those interviewed, their relationship with EY Netherlands remained the same (2019/2020: 47%), while 5% of the respondents described the relationship as not as good as the previous fiscal year (2019/2020: 3%).

The quality of EY's assurance services in the Netherlands is subject to supervision by the Dutch Authority for the Financial Markets (AFM). In recent years, we have worked hard to achieve and maintain the desired level of quality in our 'Step Change to Quality' (SC2Q) program. The essence of the program was the development of a culture

and infrastructure to help us to continuously learn and improve. The program helped us to make important changes to our organization and raised our performance to a higher level. These changes, which have been confirmed through our internal investigations, have not gone unnoticed by the supervising authorities. We brought the execution phase of SC2Q to a successful close this fiscal year. Going forward, we continue to work on further improvements as part of our regular business plans and processes.

Independence

Independence is an important element in our Global Code of Conduct. Violations of external or internal independence rules can lead to conflicts of interest and reputation damage. This is why we constantly assess whether our services comply with the applicable laws, regulations and professional standards. We refrain from providing services if this would lead to a violation of the independence rules.

Non-assurance services

Both EU regulations and the more restrictive Dutch 'Regulation regarding the Independence of Accountants performing Assurance Engagements' (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten, ViO) prohibit auditors of an OOB/PIE client to provide non-audit services to this client, with very few exceptions. No cases of non-compliance were identified during the fiscal year 2020/2021.

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The quality of our services is the key driver in our ambition to be the world's most trusted professional service organization

Personal independence

Our professionals have to comply with internal and external rules on personal independence. Compliance with requirements is monitored through our Personal Independence Compliance Testing (PICT) program, covering partners, directors and (senior) managers. Seventy-two partners were tested in the period covered (1 April 2020 to 31 March 2021). This testing resulted in zero independence breaches and 9 administrative violations. For three partners, this resulted in a financial penalty, and for three a non-financial sanction (prior period: 48 tests, zero breaches, five administrative violations, for which two received a penalty).

Furthermore, 160 executives were tested during the period, which resulted in two breaches and 21 administrative violations. For 20 executives, this resulted in non-financial performance consequences (prior period: 133 tests, zero breaches, 22 administrative violations, for which 20 received a non-financial performance consequence). The overall non-compliance rate improved from 17% in 2019/2020 to 13% this year.

Sustainable and responsible operations

On EY's journey to building a better working world, we aim to have a positive impact on society and the environment. We have two bold global ambitions: to positively affect 1 billion lives by 2030, and to become carbon negative in 2021 and net zero in 2025.

Sustainable operations

We have set targets to significantly reduce EY's absolute emissions and will remove and offset more carbon than we emit each year. Globally, we will reduce our absolute emissions by 40% across scopes 1, 2 and 3 by FY25, against an FY19 baseline, consistent with a 1.5°C science-based target, approved by the Science Based Targets initiative (SBTi), enabling EY to reach net zero in FY25. In this last fiscal year, our EY Netherlands emissions and energy consumption targets were easily met as a result of measures related to COVID-19. For example, working from home meant largely empty offices and much less traveling, both by car and airplane, thanks to our increased use of virtual collaboration technologies.

Total tCO₂ emissions

7,795 ▼47%
2020-2021

of which

Offices including paper usage and waste

1,498 ▼35%
2020-2021

Travel

6,297 ▼50%
2020-2021

We are committed to continuing our efforts to reduce emissions as our people begin to return to the office. We are reducing our business travel emissions with a target to achieve a 35% reduction by FY25 against our FY19 baseline. To reach this, we are revising our travel and mobility plan, including making our fleet of lease cars electric and stimulating train instead of air travel on short trips. In September 2020, all starters were offered an electric car. EY also carried out energy audits in four buildings hired by EY. We collected data on our actual energy use and subsequently identified and implemented ways to save on consumption, enabling the transition toward smart buildings. We are procuring renewable energy for our remaining energy needs, with 98% of our energy use currently derived from renewable sources.

Our commitment to sustainable operations extends beyond our own organization. Indeed, we have set a target for our suppliers, who comprise 75% of EY's expenditures, to have an SBTi-approved target for reducing their carbon emissions by FY25. We will actively stimulate our suppliers to get their SBTi accreditation and

reduce the carbon emissions of the products and services we buy from them. By working with suppliers and encouraging them to do their bit, we will further multiply the impact of EY's carbon negative position.

Our transformation to become carbon negative is coupled with our ambition to help clients find a way of reducing their footprint to a sustainable level in both financial and non-financial areas. This includes making operations climate neutral, measuring and reporting long-term value and raising sustainable finance.

Community investment

At EY, every employee has the opportunity to take on social projects in addition to their daily work through our 'EY Ripples' program. 'EY Ripples' is a global network of EY people working together on a common goal: to positively impact the lives of one billion people by 2030. This program enables us to use our knowledge and skills to help the next generation find their way in the job market, work with social entrepreneurs and support environmental sustainability initiatives. By working with these groups, we use our skills where they have the greatest impact. We make EY's knowledge, networks and services available to people and organizations we might not otherwise reach.

It has become clear, in recent times, that the COVID-19 crisis has further widened the gap between disadvantaged children and youth, and their peers. This makes it all the more important to continue to support and inspire children and young people. This fiscal year, we were able to host most of our regular activities, albeit digitally. One example is our 'Social Impact days' we organized with NL Cares, through which 519 primary school children with a vulnerable background were given an introduction to business and reflected on sustainable entrepreneurship. The main goal was to inspire this vulnerable group for the future and boost their self-confidence.

COVID-19 has strengthened our focus on reducing our environmental impact and introducing a new way of working. That was one of the reasons why the 'EY Ripples' pillar 'accelerating environmental sustainability' received increased attention this year. Indeed, EY launched several



EY is committed to creating a responsible value chain with the highest ethical standards

new initiatives, such as the Climate Ideation Clinics with students. This initiative aimed to increase awareness of the impact of climate change and demonstrate the responsibility we have as individuals and as an organization, in the hope that this will change young people's behavior.

We have been a partner of 'Impact Hub Amsterdam' for several years. In the context of environmental sustainability, we jointly organized a series of events on the circular economy to give EY employees useful knowledge on the subject. These colleagues have since offered online coaching to circular start-ups. In addition, we have supported 70 social organizations and impact entrepreneurs, of which our support to the True Animal Protein Price Coalition (TAPP) coalition is just one example.

Responsible value chain

EY is committed to creating a responsible value chain with the highest ethical standards. These standards include protecting human rights, upholding international labor standards, protecting the environment, and opposing all forms of corruption and bribery. As part of the EY Global community, we are committed to the United Nations Global Compact, the World Economic Forum International Business Council and the World Business Council for Sustainable Development (WBCSD).

This year, EY Netherlands received an EcoVadis Gold rating, a sustainability tool fostering transparency and sustainability in global supply chains. This result puts EY Netherlands in the top 3% of companies rated by EcoVadis in the legal and accounting activities industry. In the coming year, we will do our utmost to improve our scores in all four areas of evaluation (Environment, Labor and Human Rights, Ethics, and Sustainable Procurement) and maintain our gold rating.

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How an EY partner contributes voluntarily to a fair society

Linda Herms is a partner in Business Tax Advisory. She has volunteered to take care of the financial administration of a public benefit organization that advocates raising awareness about the ‘true price’ of meat. She does this in the context of the ‘EY Ripples’ program. [Read more online](#)



Financial results

As we were in the middle of the COVID-19 pandemic when this fiscal year began, we still faced considerable uncertainty. With the rollout of the vaccination program in full swing at the end of this fiscal year, we have reason to be cautiously optimistic again. Indeed, our service lines have managed to weather the worst of the COVID-19 crisis. We had the digital infrastructure in place to deliver the majority of our services to our clients from home. The priority now is to refocus on further growing a sustainable business and creating long-term value.

Revenues decreased by 0.5% to €900 million (2019/2020: €905 million). The decrease is attributable to the fact that the financial year had 52 weeks compared with 53 in the previous year, and less revenue was generated by international projects in which we engage foreign EY member firms (travel restrictions).

Revenue from services provided by our four operational service lines amounted to €863 million (2019/2020: €866 million). Assurance, which delivers recurring business to EY, decreased by €3 million (1.0%). Tax, which is historically solid, decreased by €3 million (1.0%). Consulting bore the greatest impact from the decline in revenue from international projects in which we engage foreign EY member firms, with a decrease of €8 million (5.4%). Strategy and Transactions had an excellent year with an increase of €12 million (16.5%). Other income decreased by €2 million (5.6%).

As a result of prudent financial policy, operating expenses decreased by €24 million (3.1%) to €723 million (2019/2020: €747 million). The decrease in operating expenses is attributable to the 8.4% decrease in purchased services, the 3.9% decrease in the workforce and various cost savings related to COVID-19. Furthermore, as a consequence of the COVID-19 pandemic, EY Netherlands has started to develop new initiatives under the FitForFuture@WORK program, which aims to introduce a new way of working after the pandemic. These initiatives focuses on the well-being of our employees and creating a flexible work environment. As a result of this program's initiatives, EY Netherlands has implemented measures

that have resulted in impairment losses recognized in relation to Right-of-Use assets and property, plant & equipment.

Operating profit amounted to €177 million, an increase of €19 million (11.9%) compared with the previous fiscal year. The operating profit margin was 19.6%, compared with 17.5% in the previous fiscal year. Financing expenses rose by €3 million (63.2%), resulting in a profit before tax of €170 million (2019/20: €154 million).

Of the profit for the fiscal year of €170 million, €25 million (2019/20: €27 million) was specially reserved to settle deferred income rights of former partners and active partners, and for goodwill in connection with acquisitions and interest due on capital. The remaining €145 million (2019/20: €126 million) is, therefore, available for distribution as partner earnings. The distributions are made to the partners' private companies (B.V.s).

Solvency and working capital have been further improved to create a solid base that will help us to weather the economic challenges and investment agenda.

Income statement (in millions of euros) ¹	2020/2021	Δ	2019/2020
Assurance	339	-1.0%	343
Tax	294	-1.0%	297
Consulting	144	-5.4%	152
Strategy and Transactions	86	16.5%	74
Rendering of services	863	-0.3%	866
Core Business Services	37	-5.6%	39
Revenue	900	-0.5%	905
Purchased services	118	-8.4%	128
Employee expenses	392	-1.9%	400
Depreciation and impairment	40	16.3%	35
Other operating expenses	173	-5.8%	184
Operating expenses	723	-3.1%	747
Operating profit	177	11.9%	158
Finance income and expenses	- 7	63.2%	- 4
Profit before tax	170	10.5%	154
Income tax expenses	- 0	-48.2%	- 1
Profit for the fiscal year	170	10.9%	153
Undistributable items and interest on capital	- 25	-8.0%	- 27
Income available for distribution	145	14.9%	126

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.

“ Employee sacrifices drive value growth

In eight years' time, platform company Hubs went from a start-up to a coveted acquisition target for which an American industry partner paid US\$330 million. Thanks to an attractive stock option plan, the staff also benefited from the strong growth in value. [Read more](#)



Governance

Governance

Legal structure

Ernst & Young Nederland LLP (EYNL) is a member firm of Ernst & Young Global Ltd. (EY Global), a globally operating and leading accounting and consultancy organization. The Dutch organization supports and contributes to EY Global's vision and strategy. At the same time, we have our own responsibilities to carry out locally and nationally.

EYNL provides assistance and coordinating leadership to Ernst & Young Accountants LLP (EYA), EY Advisory Netherlands LLP (EYAN), Ernst & Young Belastingadviseurs LLP (EYB) and other EY entities in the Netherlands to optimize their shared course of business and practices and promote their joint strategy. EYNL carries out its operations in the Netherlands but does not itself provide services to clients. These services are provided by the Dutch EY entities, predominantly EYA, EYAN and EYB.

Our activities in the Netherlands are part of the EMEIA Area, which comprises EY Global member firms in 97 countries in Europe, the Middle East, India and Africa. The Netherlands forms part of the Europe West region. This region does not include services to financial sector clients in the Europe West region, as these industry sectors are part of the EMEIA Financial Services region. However, services are provided to the financial sector in the Netherlands which are reported in this annual review and under the statutory direction of the Board of Directors.

Leadership

EYNL is governed by a Board of Directors and has a Supervisory Board that oversees the policy of the Board of Directors and the general state of affairs of EY Netherlands. All other entities within EY Netherlands solely have a Board of Directors, with the exception of EYA, which also has a Supervisory Board. The Supervisory Board of EYA consists of the same members as the Supervisory Board of EYNL.

Board of Directors' responsibilities

The Board of Directors of EYNL is responsible for the policy and reputation of EY in the Netherlands. The coordinating leadership of the Board of Directors is aimed at optimizing and implementing the joint direction of the company and stimulating the common performance of the service lines and cooperation.

Supervisory Board's responsibilities

The Supervisory Board monitors the company's financial situation, and reviews the financial statements and the Board of Directors' strategy. It approves important proposals for capital expenditures, acquisitions, divestments and changes to financial and other corporate policies, as well as the annual budget and long-term plan. The Supervisory Board also evaluates the performance of the Board of Directors and the Board of EYA. It oversees that EY Netherlands' policies are formulated and implemented in the interests of all of our stakeholders and that our policies are sustainable and meet ethical standards.

The Supervisory Board appoints an Audit & Risk Committee, a Talent & Remuneration Committee, an Assurance Quality Committee and a Public Interest Committee (the roles and tasks of the Supervisory Board are explained in the Report of the Supervisory Board on pages 35 and following).

The members of the Supervisory Board are carefully selected to ensure they offer EY Netherlands a comprehensive range of relevant experience in all areas that EY Netherlands operates in. For more information about the composition of our board and the rules for the Supervisory Board and the committees, see our corporate website.

Risk management

In a rapidly changing world - one that is increasingly complex, international and dynamic, and that presents us with new opportunities, challenges and disruptions such as COVID-19 - creating long-term value and trust is an important priority. It is essential that we focus on our long-term strategy - taking into account new technologies - as well as the development of innovative services, sustainable actions, our culture and our people.

How successful we are in achieving our short- and long-term goals depends largely on the extent to which we can respond flexibly to new realities, identify risks in time, and link them to opportunities.

Risk management

Risk management entails all activities aimed at keeping the main risks within the Board of Directors' risk appetite framework. Risk management is a key factor to controlling our business operations. It entails identifying, assessing, managing, monitoring and reporting the main risks, including integrity risks, and taking action based on these risks to make sure we achieve our short- and long-term objectives (strategic, tactical and operational) in a careful and controlled manner with a reasonable degree of certainty. In other words, risk management is an activity that should be the responsibility of everyone working at EY.

A robust risk management framework is what makes it possible to embed risk management in an organization. Our risk management framework includes the following:

- ▶ Governance, which consists of:
 - ▶ Risk strategy and policy, including risk appetite;
 - ▶ A clear description of roles and responsibilities outlined in the three lines model of the Institute of Internal Auditors (IIA);
- ▶ Risk culture; and
- ▶ A risk management cycle (identify, assess, control, monitor and report) consistent with the 'plan, do, check and act' cycle (PDCA), aimed at continuous learning and improvement.

Risk strategy and policies, including risk appetite

EY's risk strategy and policies are largely based on the structure and 'policies' that the EY Global network provides and requires from us as part of our affiliation to that network. At EY Netherlands, we have further elaborated on this by also considering the principles of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model and the Dutch Corporate Governance Code. The COSO model provides a structured framework of elements and tools to identify and manage key risks that could affect the achievement of our objectives or affect the control of our business operations and, therefore, negatively affect the trust that our stakeholders have in us.

Three lines model

The model describes the roles, positioning and responsibilities related to managing EY Netherlands' key risks. The aim is to achieve a structured and controlled business and to help strengthen the risk management culture. The three lines model divides responsibilities in risk management as follows:

- ▶ The first line is responsible for the controlled business operations of the primary and support business processes. The first line also oversees the daily implementation of risk management based on the risk management cycle (PDCA cycle) according to the EY (Netherlands) risk management framework.
- ▶ Operating from an independent position, the second line provides the organization with additional expertise, support, monitoring and challenges in relation to the EY (Netherlands) risk management framework and specific risk management issues.
- ▶ In the third line, Internal Audit provides assurance to the EYA Board, BoD and SB on the adequacy and effectiveness of governance and risk management (in addition to controls in the first and second line). Internal Audit can also fulfill a proactive advisory and participative role in projects, keeping its independent position.

Risk culture

EY Netherlands's risk culture describes the values, attitude, behavior and understanding of the key risks identified. EY Netherlands aims to create a constructive and entrepreneurial culture that prioritizes continuous learning and improvement and sets aside a key role for risk management. Risk management increases the likelihood of success (value creation), decreases the likelihood of failure (value protection) and reduces uncertainty about achieving EY Netherlands's objectives. We attach great value to the right attitude and behavior of our people, both in terms of their actions and reflecting on actions that did not have the intended outcome. The tone at the top is key in that respect.

EYNL risk profile

Twice a year, in line with the risk management cycle (PDCA cycle) principles, the service lines, including CBS, and the Board of Directors conduct a risk self-assessment to update our key risks (Risks That Matter). These are the risks that may have the greatest impact on our strategic objectives and our controlled business operations. The aim is to gain an overview and understanding of the management of these Risks That Matter, so senior management can determine whether adjustments are necessary. The Board of Directors compiles the final list of Risks That Matter, which generates a risk profile for EY Netherlands. In this profile, the Risks That Matter are divided into three risk groups: strategic, preventable and external risks, which are also linked to EY Netherlands's long-term values. See the Risk Radar for a visualization of the risk profile. Based on the profile, well-founded decisions can be made for the short and long term, aimed at a sustainable business model.

Risk Radar

Overview of the most important risks that may affect the realization of EYNL's (strategic) objectives

Strategic

Risks that EY chooses to take in order to execute its business strategy and achieve its objectives

Preventable

Risks, arising from within the organization, that are controllable and ought to be eliminated, avoided or mitigated

External

Risks beyond EY's control, with little or no ability to reduce likelihood or occurrence

highest  lowest

overall potential to affect the achievement of the (strategic) objectives



Two Risks That Matter currently requiring extra attention are 'Recruitment & Retention' and 'Regulatory pressure'. COVID-19 has put our people under tremendous pressure these past 18 months, so we are pleased that the vaccination rollout is allowing us to regain much of our freedom. We are currently in a transition phase to a 'new' normal in which working from home is a part of the mix of essential workplaces. It is therefore imperative that we continue to focus on the well-being of our people. That is why we launched the 'Energize & Inspire' vitality program, which contains a number of initiatives to promote well-being. A working group has also been set up to develop a vision of the 'new' normal. The aim is to retain the benefits identified during COVID-19 and to build on them. This new way of working offers more flexibility and autonomy, allowing more scope for a good work-life balance, vitality and teaming. In the context of the one of the Risks That Matter, 'Recruitment & Retention', we believe that initiatives such as these will enhance the appeal and retention potential of our available positions for current and potential new employees.

Moreover, the many complex external laws and regulations (general and professional) that we continuously face, and which we need to incorporate into our processes and procedures, put additional pressure on our people. To minimize this pressure, we continuously focus on optimizing our support organization. This results in better control of the 'Regulatory Pressure' risk.

For more information about our Risks That Matter, see the table on pages 31 and 32.

Risks That Matter

**Our ambition: Create long-term value
as the world's most trusted, distinctive
professional services organization**

Ambition dimensions	Risks That Matter	# Risk Radar	Risk Radar category	Control objective	Control measures
Client value To help clients grow, optimize and protect value	Innovation	1	Strategic	Innovating organization	<ul style="list-style-type: none"> ▶ EY wavespace™ ▶ Audit of the Future ▶ Dedicated board member EY Assurance ▶ European Growth Platform, Growth Drivers ▶ EY Innovate Office EY (NL/ Global), Innovation Board, Innovation Program ▶ Tax Technology & Transformation Group ▶ NL Tax lab
	Operating Model	2	Strategic	Clear roles, responsibilities, and mandates (international) organization	<ul style="list-style-type: none"> ▶ Three Lines model ▶ Policy and procedures ▶ Representatives of service lines and CBS in BoD ▶ Regional teams, support teams ▶ International Standard on Quality Management 1/ In control
People value To create an exceptional experience for EY people	Recruitment & Retention	4	Strategic	Recruiting and retaining talent	<ul style="list-style-type: none"> ▶ Recruitment campaigns/Employer branding ▶ Young Professional Board ▶ High Performing Teams ▶ Talent Plan ▶ Global People Survey ▶ EY Innovate ▶ Remote working scheme/commuting scheme ▶ EY Energize & Inspire vitality program
	Quality-driven and healthy (risk) culture	6	Preventable	Complying with internal standards and values as a learning organization	<ul style="list-style-type: none"> ▶ EY Code of Conduct ▶ Partner leadership training ▶ Diversity and inclusiveness policy ▶ Confidential counselor network ▶ EY Energize & Inspire vitality program ▶ Periodic EY Code of Conduct training ▶ Counselling Excellence
	Supporting professionals	9	Preventable	Optimal (technological) facilities	<ul style="list-style-type: none"> ▶ Digital technology ▶ IT control organization ▶ Energize & Inspire vitality program ▶ Global IT control system ▶ Confidential counselor network ▶ Tech Hub/support, tooling

Risks That Matter

Ambition dimensions	Risks That Matter	# Risk Radar	Risk Radar category	Control objective	Control measures
Social value To build trust in the capital markets and have a positive impact on communities and the planet	Quality services	5	Preventable	Sustainable quality assurance	<ul style="list-style-type: none"> ▶ Professional support ▶ Engagement quality review/Assurance quality review ▶ Coaching on the job ▶ Root Cause Analysis ▶ Partner Workload Analysis ▶ Quality Management Team ▶ Assessment of service quality consultancy ▶ Project approach to be compliant with recommendations Accountancy Monitoring Committee and Committee for Future of Accountancy Sector reports ▶ Training & development
	Social expectations	8	External	Ability to anticipate social expectations	<ul style="list-style-type: none"> ▶ Stakeholder dialogue politicians and top-level people from business community ▶ Team Public Policy & Regulatory ▶ Monitoring activities regarding developments international bodies ▶ Working group participation in e.g. Corporate Governance and RJ 400 ▶ Tomorrow's Economy
	Regulatory pressure	7	External	Meeting internal and external expectations	<ul style="list-style-type: none"> ▶ Support organization ▶ Quality surveys ▶ Violations/incident reports ▶ Anti-Money Laundering ▶ Independence/Privacy office ▶ Training & Development
Financial value To be the long-term growth leader	Economic circumstances	10	External	Resistant against impact on revenue by volatile, negative or uncertain developments	<ul style="list-style-type: none"> ▶ Monitoring assignment portfolios ▶ Stay in contact with client ▶ Stress scenarios ▶ Tax Transformation program
	Pricing & Margin	3	Strategic	Safeguard sustainability of business model	<ul style="list-style-type: none"> ▶ Pricing & Margin management service lines, BoD, international network ▶ International network ▶ Deal Review Process, pipeline process, tooling

In Control statement

The Board of Directors of Ernst & Young Nederland LLP bears 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 internal control system.

The Board of Directors has regularly discussed risk management and internal control systems. During the past year, the organization has continued to strengthen the evaluation of the effectiveness of the most important processes, risks and control measures. These discussions and evaluations have served not only to (amongst others) strengthen our employees' insights with regard to quality control and risk management but also their awareness and responsibility relevant to their roles around these issues. The organization-wide implementation of the control framework also contributes to continuous improvement with regard to managing risks and achieving our objectives.

Taking into account inherent limitations, the risk management and internal control systems are designed to provide a reasonable, though not absolute, degree of assurance that the significant risks to which the organization is exposed are sufficiently controlled. However, these systems cannot always prevent the occurrence of inaccuracies, fraud, or violations of rules and regulations.

Taking into consideration 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 12 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

Jeroen Davidson, Patrick Gabriëls, Stephan Lauers,
Danny Oosterhoff, Saskia van der Zande

27 September 2021

Future expectations

Although the COVID-19 situation has improved considerably compared with a year ago, many uncertainties remain as we look ahead. While vaccination campaigns are making good progress in many countries, it is still difficult to predict to what extent new variants of the virus may still disrupt society.

We can already say that the pandemic has radically changed our working lives. And in some respects permanently so. Working from home will become a permanent feature.

How EY chooses to operate in the coming years will also depend on the economic situation. Economic reports this past year have become increasingly positive. According to figures from Statistics Netherlands (CBS), the country is officially out of recession. Recent year-on-year growth was even the highest on record.

Of course, economic growth is not the whole story. Indeed, new regulations, at both the national and international levels, are likely to play an increasingly important role for our clients, and therefore also for us. One example is the 15% global minimum corporate tax, on which the G20 finance ministers and the OECD countries have agreed. Tax reform and stability in the tax climate may have a major impact on where multinationals decide to locate their offices, among other things, which raises the question: how attractive will the Netherlands be for foreign investors and multinationals to stay and grow here?

We also face an important task regarding environmental and sustainability regulations. Our clients will be confronted with many issues, such as CO₂ targets, levies and subsidies. They will undoubtedly have to report more on these topics.

We are essentially in the same boat, as we will be dealing with new risks as well. Not only in terms of regulations and compliance, but also in the labor market, for example. In the summer, CBS revealed that vacancies in the Netherlands now outnumber job-seekers. Which means

that supply is not meeting demand. That is the case at EY too. We will have to work hard to attract and retain the right talent in the future. Our demand will also continue to change: given the ongoing digitalization and automation processes, which were given an additional boost by the pandemic, we need more technical people. But our clients' wishes are changing too. Increasingly, they are expecting integrated solutions, and this requires different multidisciplinary teams.

We can take comfort, however, from the fact that in the past year we have shown that we can handle multiple challenges. EY is an organization that can adapt to changing times. Since 1 July, we have even increased our effectiveness: three EY regions have merged to form EY Europe West, which will lead to more intensive collaboration between EY countries and more integrated service to our clients. This is a welcome addition in view of the growing number of cross-border rules.

Perhaps even more importantly, we can rely on employees who, even in difficult times, are 100% committed to our organization and do their utmost to provide high-quality services. That makes it easier to believe in a future that is sometimes hard to predict.

Board of Directors,

27 September 2021

Report of the Supervisory Board



Pauline van der Meer Mohr



Richard van Zwol



Monique Maarsen



Tanja Nagel



Patrick Rottiers

Introduction

For the second year in a row, our Supervisory Board (SB) Report starts by commenting on the impact of COVID-19 on the business operations of both EY and its clients. This single issue dominated the agenda in this exceptional year. A year in which we supervised the general state of affairs and quality of audit services of EY in the Netherlands (EYNL) and monitored the policy of the Board of Directors (BoD) and the Board of Ernst & Young Accountants LLP (EYA Board). A recurring agenda item in each of the regular meetings we held, besides several ad hoc meetings to review strategic and regulatory topics, was an assessment of the status of the organization. And, in particular, how the BoD's prudent policy influenced and impacted service delivery, especially audit activities, carried out by EYA.

Ongoing impact of COVID-19

As the coronavirus pandemic peaked for the second and third time and threatened to do so again, we specifically monitored the consequences of COVID-19 and its impact on the well-being of the employees and partners of EY in the Netherlands. We oversaw the efforts of the BoD and the EYA Board to implement precautionary measures to keep EY's people safe while ensuring business continuity. At a time when EY's offices were basically empty and business travel was more or less at a standstill, the trend of working and serving clients from home continued unabated. We endorsed the appeal by the BoD and the EYA Board to employees and partners to enhance their physical vitality and mental resilience. We monitored the way in which the BoD and the EYA Board were obliged to function as a team of short-term issue managers, helping clients and staff through the crisis while never losing sight of the longer-term strategy. In doing so, we regularly addressed the issue of ever-increasing stakeholder expectations and impact on the services that EY provides, both assurance and non-assurance.

Executive transitions

One of the key responsibilities of the SB is appointing members of the BoD and the EYA Board. On the BoD, Country Managing Partner Coen Boogaart reached

retirement age on 30 June 2021. Jeroen Davidson was appointed as his successor as Country Managing Partner and Chair of the Board of EY Netherlands. Davidson was Vice-chair of the BoD and also Managing Partner Tax & Law Netherlands and Tax Leader for the Western Europe & Maghreb (WEM) region. In his place, Danny Oosterhoff was appointed to the BoD as Chairman of Ernst & Young Belastingadviseurs LLP. Rob Lelieveld, Managing Partner Assurance and Chairman of Ernst & Young Accountants LLP, retired from EY on 30 June 2021 as well. Patrick Gabriëls was appointed as his successor and member of the BoD effective 1 July 2021. Mirjam Sijmons, Talent Leader & CBS Board member, also left EY. Saskia van der Zande was appointed as her successor on the BoD effective 1 April 2021. Hanneke Overbeek was appointed as successor of Mirjam on the EYA Board. And finally, BoD and EYA Board member Nico Pul stepped down at the end of his three-year period, following completion of the Step Change to Quality initiative.

Step Change to Quality

In the course of the year under review, the Step Change to Quality (SC2Q) project was rounded off. SC2Q was EY's transition program aimed at raising quality to a consistently higher level. We monitored the completion of this initiative as well as the results of an evaluation undertaken by Internal Audit. This evaluation mapped the achievement of the projected objectives and the anchoring of the ongoing activities in day-to-day business operations. We saw to it that the twin outstanding themes of cultural sensitivity and behavioral drivers were embedded in the daily activities of EY's organization. We closely monitored the execution of this perhaps never-ending process. A process that would remain in constant flux as new people with fresh ideas and other core competences joined and grew EY's organization. We supervised the efforts of the BoD and the EYA Board to focus fully on continuous learning and quality improvement, from the perspective of both public interest and professional standards.

SB and EYA

The SB held four regular meetings with the full EYA Board throughout the year under review, discussing the future of the sector and innovative developments on that front, as well as the quality imperative. Enhancing the appeal of EYA's profession was the key challenge, and we monitored the way in which the EYA Board implemented structural measures to stimulate and safeguard the recruitment and retention of EYA's knowledgeable professionals. We oversaw the efforts undertaken by the EYA Board to further improve the quality of audit services, the cornerstone for strengthening stakeholder confidence in EYA's performance. And we closely followed the responsibility borne by the accountancy sector to issue audit certificates for the recognition of advance payments.

SB and EYNL

During the year, the SB met with the full BoD on four occasions as well, reflecting on an array of EYNL issues. We held in-depth discussions regarding succession planning in this year of transition in which three new members stepped up to the BoD. A standard item during these meetings was the efforts of the BoD to ensure that *NextWave* – EY Global's strategy refresh introduced in 2019 – continued to be implemented locally throughout EYNL. Evolutionary developments like the future of the audit, digital transformation and cyber security were part of the agenda. But the main thrust of each of these meetings was our monitoring of the BoD's aspiration to deliver exceptional client service, despite the various precautionary measures taken to mitigate the impact of COVID-19 on the performance of EY clients and of EY's own internal organization.

Stakeholder Dialogue

COVID-19 was the recurring theme in EY's ongoing dialogue with stakeholders. As the SB, we talked regularly to stakeholders in the sector as well as to other third parties, concerned as we were about the impact of the corona restrictions together with the intense pressure of work on many of EY's clients. We monitored how EY continued to help clients by advising on and supporting their businesses and in the auditing of their financial

statements. Equally important was EY's drive to maintain contact and where necessary reconnect with key stakeholders in EY's community. Engaging the public in stakeholder dialogue and identifying, acknowledging and managing potential reputational risk and public interest-related risk was an intrinsic part of our role as SB members.

Building a better working world

We also felt a responsibility to oversee how the BoD and the EYA Board fulfilled their purpose of building a better working world by creating long-term value and protecting as well as preserving our planet. In this respect, we welcomed the EY Global ambition to be carbon negative in 2021 and reach net zero in 2025 across all of their footprints by offsetting or removing more carbon from the atmosphere than EY emits.

Other initiatives

We were highly involved with and invested considerable time and energy in monitoring the progress of various inquiries and AFM investigations. We paid particular attention to the signals and incidents process and cases. We closely followed developments on governmental subsidies to hard-hit multinationals and small & medium-sized enterprises. We followed the progress and coherence of the specific measures proposed by delegated Kwartiermakers who were appointed by the Ministry of Finance following publication of the CTA report. We regularly discussed process and purpose with the BoD and the EYA Board, anticipating new guidelines and regulations where possible and monitored the implementation where practicable.

Meetings and assessments

The SB EYNL and the SB EYA held a series of joint formal meetings in the year under review, all online, and met regularly with both the BoD (four times) and EYA Board (four times as well) on a wide range of topics. All members of the SB EYNL and the SB EYA attended these digital meetings, with no member being frequently absent. In our discussions with the external auditor, we focused on both the audit approach and resulting Board report. As we do every year, we met with the Works Council. SB members logged into a variety of EY-related virtual events. We reviewed our own performance as a Board and as individual members with the help of an external self-evaluation tool that benchmarks the performance of peers across the supervisory board spectrum. Recurring annual topics for review were the profile and composition of the SB EYNL and the SB EYA. Individual performance evaluation interviews were held with the BoD and EYA Board based on criteria amongst which quality is the leading criterion.

Composition Supervisory Board and Committees

SB Profile

The SB is composed in such a way that a combination of experience, expertise, competencies, professionalism, background, diversity with respect to gender, age and personality, and independence enables us to fulfil this role. We outline how we organized our supervisory duties below.

Vice-chair Steven van Eijck reached the end of his second term on 1 February 2021. He was not eligible for reappointment and was succeeded on the same date as SB member and vice-chair by Richard van Zwol. Tanja Nagel was reappointed for a second and final term as of 31 August 2021. As per 30 September 2021, the SB consists of four independent members and one non-independent member and is fully in line with the SB profile.

Duties and powers

The duties and powers of the SB are set forth in the Charter of the Supervisory Board of Ernst & Young Nederland LLP (SB EYNL) and the Charter of the Supervisory Board of Ernst & Young Accountants LLP (SB EYA), as adopted on 18 December 2019 and 12 February 2020 respectively. The personal union formed by the SB EYNL and SB EYA means that the members of both corporate bodies mirror one another. In compliance with some elements of the Dutch Corporate Governance Code, the composition, procedures and mandate of the SB are taken into consideration. The findings of the review of the previous charter have been incorporated and include the desired regulatory and legal changes.

The SB consists of the following members as per 30 September 2021:

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

¹ Patrick Rottiers is the non-independent member.

Committees

Audit & Risk Committee

The Audit & Risk Committee (ARC) assists the SB in fulfilling its supervisory activities for internal and external reporting, significant capital investment, tax, budget preparation, the external audit function, and the design and operation of the internal risk management controls. Additional tasks include the supervision of compliance with relevant rules and regulations governing the provision of EYNL information, both financial and non-financial. Five online meetings were held in the year under review as well as one additional meeting with the full SB to discuss the process to select an external accountant. The ARC devoted particular attention to policy, budget, risks and measures as well as results development and the impact of the pandemic on the organization. The ARC also focused on In Control and the arrival of ISQM1. Another area of attention was ongoing monitoring of the investigations at Internal Audit and Risk Management as well as execution of the follow-up. The committee also met with the external auditor to discuss the auditors' reports.

Talent & Remuneration Committee

The Talent & Remuneration Committee (TRC) is the only SB committee in which all Supervisory Board members are

represented, and gathered online four times during the year under review. Succession planning with regard to various short-term leadership positions and the supervision of longer term management development was a key agenda item, particularly with regard to ensuring diversity in the candidate pipeline. There was plenty of attention from the BoD and EYA Board for the well-being of employees throughout the organization in this exceptional year, particularly the outcome of the employee satisfaction survey. Another focus area for the TRC was assessment of the time spent by policymakers on additional functions and monitoring the follow-up to the leadership program initiated in the previous fiscal year.

Assurance Quality Committee

The Assurance Quality Committee (AQC) is responsible for advising on and monitoring audit quality. This committee held four online meetings in the year under review, considering amongst others the annual plan, reports and follow-up by the Wta Compliance Officer. The AQC also followed the process and progress of the delegated Kwartiermakers and kept a close watch on the impact of COVID-19 during the execution of audit duties.

Public Interest Committee

The Public Interest Committee (PIC) supports the SB in monitoring compliance with the public interest while focusing on the intensification and ongoing implementation of the stakeholder dialogue. This committee held four digital meetings in the year under review, and the FY21 stakeholder dialogue plan was on the agenda of each of them. Committee members reviewed and endorsed the results of the materiality analysis as well as the translation of the *NextWave* global strategy to focal areas such as dialogue and communication. The PIC also devoted time to external developments, particularly in the media, and their impact on EY.

Independence and training

Independence

The duties and powers of the SB determine the position of its members under prevailing independence rules. As described in its charters, independence in both fact and appearance is required. The Independence Officer of EY monitors both the financial and personal independence of SB members. As set forth above, all SB members except one qualify as independent in accordance with the regulations. No decisions were rendered by the SB in which conflicts of interest occurred in compliance with the relevant articles of its charters.

Training

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

Annual reports

Financial Statements

The BoD prepared the 2020/2021 Integrated Report and Financial Statements of EYNL, and the EYA Board prepared their Financial Statements. The Financial Statements were audited by BDO LLP, the external auditors. The SB discussed the findings with the external auditor of EYNL and EYA in the presence of the BoD, including its EYA representatives. The SB approved the Financial Statements of EYNL on 27 September 2021 and of EYA on 29 September 2021.

Transparency Report

Together with EYA policymakers, we reviewed the content of the 2020/2021 Transparency Report, to be published in October 2021. In our view, the developing text and tone of the report is in line with our observations during the past year and representative of the way the EYA Board has embedded *Step Change to Quality* within the organization as well as a broad range of socially relevant topics related to quality.

Outlook

The year under review was a period of significant turbulence and we are gratified by the encouraging results in line with expectations that the BoD and the EYA Board reported at the end of the financial year. However, we anticipate that the year ahead will be just as uncertain with respect to the development of both the COVID-19 pandemic and the economy at large. As the support and assistance initiatives implemented by the government during this crisis are gradually withdrawn, we are confident that the BoD and the EYA Board will continue to pursue a prudent policy. We believe that the public debate with regard to the future of the accountancy sector will continue unabated and we will follow these discussions closely, remaining responsive to the signals issued by the relevant regulatory bodies. In our supervisory role, we will continue to monitor the commitment of the BoD and the EYA Board to nurturing and fostering cultural change as well as overseeing the execution of audit quality improvements that reflect the role of the organization in serving the public interest.

We would like to express our sincere appreciation to Coen Boogaart and Rob Lelieveld for their decisive leadership in recent years in their roles as Country Managing Partner and Chair of the EYA Board. Their contribution and commitment to EY's organization have been immense and we wish them well in retirement. We would also like to express our gratitude to Nico Pul for leading the SC2Q initiative and to Mirjam Sijmons for leading the transformation process over the last three years.

We were deeply involved in the appointment of their seasoned successors - Jeroen Davidson (with EY since 1990), Danny Oosterhoff (with EY since 1996), Patrick Gabriëls (with EY since 2002) and Saskia van der Zande (with EY since 1994). Together with Stephan Lauers, appointed to the BoD last year and with EY since 1987, we have every confidence in the experience and company know-how of the new Board members and wish them well in their new executive positions. And we warmly welcome Hanneke Overbeek as a member of the EYA Board.

We would also like to welcome our new colleague on the SB, Richard van Zwol. Richard joined the SB as Vice-chair on 1 February 2021, succeeding Steven van Eijck, who reached the end of his second term and was ineligible for reappointment. We would like to thank Steven for his tireless efforts on behalf of our Board and in particular his considerable contribution to the stakeholder dialogue.

We continue to see tangible evidence that EYNL and EYA are well positioned to address the challenges ahead as the economy in key markets sets out on the road to recovery and the pandemic gradually subsides. The culture of EY is one of connecting and being connected, and we see this reflected in the ongoing flexibility and sensitivity of EY's organization, underpinned by the will to adapt to the new normal. The tone and content of this Integrated Report is fully in line with how we perceive EYNL and EYA. The partners and employees of EY's organization, working together in dedicated, multidisciplinary teams, are proud of their work because it has been performed effectively and in accordance with EY's standards. We would like to express our sincere appreciation and gratitude to the BoD, the EYA Board as well as all partners and employees for their commitment to EY stakeholders.

Pauline van der Meer Mohr

Richard van Zwol

Monique Maarsen

Tanja Nagel

Patrick Rottiers

29 September 2021

Financial statements

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

for the year ended 30 June 2021 | In thousands of euros

	Notes	2020/2021	2019/2020
Revenue			
Rendering of services	6.1	819,211	821,947
Other income	7	35,846	37,817
		855,057	859,764
Operating expenses			
Services provided by foreign EY member firms and third parties	8.1	112,459	123,225
Employee benefits expenses	8.2	374,245	380,411
Amortization of intangible assets	11	999	1,434
Depreciation and impairment of property, plant and equipment	12	6,775	4,854
Depreciation and impairment of right-of-use assets	13	32,691	28,513
Other operating expenses	8.3	160,238	173,061
		687,407	711,498
Operating profit		167,650	148,266
Finance income	9.1	4	1
Finance expenses	9.2	-6,340	-3,958
Profit before tax		161,314	144,309
Income tax expense	10	-508	-751
Profit for the financial year		160,806	143,558
Profit attributable to members of EYNL		160,806	143,558

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

for the year ended 30 June 2021 | In thousands of euros

	Notes	2020/2021	2019/2020
Profit for the financial year		160,806	143,558
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Net loss on equity instruments designated at fair value through other comprehensive income		-312	-
Actuarial gains and (losses) on defined benefit plans	21.2	65	68
Other comprehensive income for the year, net of tax		-247	68
Total comprehensive income for the year, net of tax		160,559	143,626
Total comprehensive income for the year attributable to members of EYNL		160,559	143,626

Consolidated statement of financial position of Ernst & Young Nederland LLP

as at 30 June 2021 | In thousands of euros

	Notes	30 June 2021	30 June 2020
Assets			
Non-current assets			
Intangible assets	11	23,630	24,536
Property, plant and equipment	12	20,258	22,271
Right-of-use assets	13	101,831	123,479
Other non-current financial assets	14	6,625	6,926
		152,344	177,212
Current assets			
Trade and other receivables	15	260,526	252,853
Prepayments	16	85,378	87,443
Other current financial assets	14	140	131
Cash and cash equivalents		170,442	82,882
		516,486	423,309
Total assets		668,830	600,521
Equity and liabilities			
Current liabilities			
Trade and other payables	17	203,263	154,542
Interest-bearing loans and borrowings	18	32,249	36,438
Provisions	20	923	1,106
Employee benefits	21	44,227	28,515
Income tax payable		1,341	1,712
		282,003	222,313
Non-current liabilities			
Interest-bearing loans and borrowings	18	150,999	167,482
Other non-current financial liabilities	19	250	731
Provisions	20	2,280	3,410
Employee benefits	21	23,390	24,448
		176,919	196,071
Total liabilities		458,922	418,384
Equity			
Members' capital	22	107,628	112,038
Reserves	23	102,280	70,099
Total equity		209,908	182,137
Total equity and liabilities		668,830	600,521

The financial statements of Ernst & Young Nederland LLP, registered no. OC335595, were signed on 27 September 2021 by J.L. Davidson on behalf of Mr. J.L. Davidson B.V.

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

for the year ended 30 June 2021 | In thousands of euros

	Members' capital	Profit available for distribution	Retained earnings	Total reserves	Total equity
At 1 July 2019	84,407	131,877	-72,965	58,912	143,319
Profit for the financial year	-	128,087	15,471	143,558	143,558
Other comprehensive income	-	68	-	68	68
Total comprehensive income	-	128,155	15,471	143,626	143,626
Profit distribution 2018/2019	-	-131,877	-562	-132,439	-132,439
Contribution of capital from current members	35,598	-	-	-	35,598
Repayment on retirement	-7,967	-	-	-	-7,967
At 30 June 2020	112,038	128,155	-58,056	70,099	182,137
Profit for the financial year	-	146,353	14,453	160,806	160,806
Other comprehensive income	-	-247	-	-247	-247
Total comprehensive income	-	146,106	14,453	160,559	160,559
Profit distribution 2019/2020	-	-128,155	-223	-128,378	-128,378
Contribution of capital from current members	3,230	-	-	-	3,230
Repayment on retirement	-7,640	-	-	-	-7,640
At 30 June 2021	107,628	146,106	-43,826	102,280	209,908

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 negatively 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 2021 | In thousands of euros

	Notes	2020/2021	2019/2020
Operating activities			
Profit for the financial year		160,806	143,558
Adjustment for:			
Amortization of intangible assets	11	999	1,434
Depreciation and impairment of property, plant and equipment	12	6,775	4,854
Depreciation and impairment of right-of-use assets	13	32,691	28,513
Finance income and expenses	9	6,336	3,957
Losses/(gains) on leases and the sale of assets		520	-257
Increase in employee benefits	21	14,679	1,988
Decrease in provisions	20	-1,408	-2,973
Income tax charge for the year	10	508	-
		221,906	181,074
Working capital adjustments:			
(Increase)/decrease in trade and other receivables and prepayments		-9,727	34,505
Increase/(Decrease) in trade and other payables		24,566	-20,479
Income tax paid		-810	680
Net cash flow from operating activities		235,935	195,780
Investing activities			
Purchase of intangible assets	11	-93	-125
Disposals of intangible assets	11	-	750
Purchase of property, plant and equipment	12	-5,275	-2,197
Disposals of property, plant and equipment	12	513	344
Additions to other non-current financial assets/loans		-52	-50
Repayment/disposals of other non-current financial assets/loans		139	1,077
Net cash flow used in investing activities		-4,768	-201
Financing activities			
Payment from/(to) current and retired members (current account)		23,510	-40,036
Prepayments to current members	16	-57,351	-61,483
Payment of profit distribution 2019/2020 (2018/2019)		-66,895	-70,956
Contributions of capital from current members	22	3,230	35,598
Repayment of capital contributions on retirement	22	-7,640	-7,967
Repayment of lease liabilities	13	-30,938	-30,423
Proceeds from interest-bearing loans and borrowings	18	8,690	27,121
Repayment of interest-bearing loans and borrowings	18	-12,087	-13,507
Interest paid		-4,126	-3,291
Net cash flows used in financing activities		-143,607	-164,944
Net cash flow		87,560	30,635
Net cash and cash equivalents 1 July		82,882	52,247
Net cash flow		87,560	30,635
Net cash and cash equivalents 30 June		170,442	82,882

Other information

Assurance report of the independent auditor

To: the board of directors of Ernst & Young Nederland LLP

Report on the Annual Review 2020/2021

Our opinion

We have examined the Annual Review (further: "the Integrated Report") of Ernst & Young Nederland LLP (further: "EY"), based in Rotterdam, for the year ended 2 July 2021. The references in the Integrated Report (to www.ey.com/nl, external websites and other documents) are excluded from our engagement.

In our opinion, the Integrated Report for the year ended 2 July 2021 is prepared, in all material aspects, in accordance with the applied criteria. This opinion is subject to the inherent limitations 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 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 section 'About this report' 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 Report, 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; and
- ▶ in order to obtain reasonable assurance on the Integrated Report, we performed substantive procedures to determine the correctness and completeness of the reported information.

Rotterdam, 27 September 2021

For and on behalf of BDO Audit & Assurance B.V.,

C.M. Steehouwer MSc RA

Annex

About this report

Our reporting approach

The integrated annual review published by Ernst & Young Nederland LLP covers the fiscal year running from 1 July 2020 to 30 June 2021. In this report, we report on activities taking place in the Netherlands.

The report entails the broad outlines of the most relevant information and our contribution to the long-term value creation. Throughout the report, we provide an overview of the main developments, financial and non-financial performance in the last fiscal year.

In the integrated annual review, we report on material themes that are connected to our strategy, our performance, our impact on society, 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.

For more detailed information on financial statements we refer you to the annual review website. The most important financial statements can be found in this integrated annual review.

Reporting criteria

During the preparation of the integrated annual review, we followed the guiding principles and content elements of the International Integrated Reporting Council (IIRC). The IIRC framework enables us to communicate about how our strategy, governance, performance and clients/prospects, within the context of external developments, lead to value creation. We updated our value creation model, based on IIRC principles, by further integrating our core business activities and corporate responsibility activities. We therewith elaborated on our corporate responsibility achievements in this integrated report, and no longer in a separate Corporate Responsibility report. The value creation model structures the content of this Integrated Annual Review.

The process for defining the material topics and report content, as well as the list of material topics, is described in the materiality analysis and stakeholder dialogue section of this document. The results of this assessment, a list of material topics for EY Netherlands are set out in this report together with indicators to measure the progress on these topics. We developed our own reporting criteria for a number of KPIs (see section Basis of preparation). The financial statements were prepared in accordance with IFRS (for more information, see the notes to the financial statements) and can also be downloaded from the annual review section of our corporate website.

Reporting ambitions

Ernst & Young Nederland LLP adheres to several reporting guidelines and the Transparency Benchmark. In this way, our performance and way of reporting can be compared to peers and expectations from the industry and other stakeholders. Reporting ambitions for the coming years are: to keep reporting in accordance with the (developments of the) Integrated reporting framework of the Value reporting Foundation (recent merger of SASB and IIRC); to keep reporting on high material topics; to report more on qualitative and quantitative long term value (our Next wave strategy). Next to that, we are aware that we will be subject to the EU Corporate Sustainability Reporting Directive (CSRD), which will be adopted by October 2022. In order to comply with these non-financial reporting standard, it is our ambition to start implementing this over the course of next fiscal year and report on the progress in our next integrated annual review.

Boundaries and scope

The reported information 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., 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. Given their strategic alliance, the key figures of HVG Law LLP were included in the key figures of EY Tax. As no 'control' can be exercised over the activities of HVG Law LLP, the financial figures of HVG Law LLP were not included in the (consolidated) financial statements.

Preparation of the reports

The Board of Directors (BoD) is ultimately responsible for the contents of the integrated Annual review. Brand, Marketing & Communications department with support from an external consultant and in cooperation with the relevant functions developed a content of the publications. The data for the financial KPIs in the integrated annual review were consolidated by the Finance department and the data for the non-financial KPIs by the sub-service line Climate Change and Sustainability services (CCaSS). The representatives from the service lines and support departments were involved in the development of integrated annual review, thereby functioning as a sounding board group. The BoD company secretary and the BoD are responsible for the contents of the Supervisory Board report. The CFO is responsible for the financial statements and the accompanying notes. The integrated 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.

External assurance

We requested 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. The assignment also comprised the audit of the contents of the report, the non-financial performance indicators and IIRC principles. The assurance report can be found on page 48. BDO LLP has issued an unqualified auditor's report for the financial statements.

The In Control statement did not fall within the scope of the assurance assignment.

For the preparation of the integrated 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, procedures were performed to ensure the reliability of the non-financial information in the integrated annual review.

2. Materiality Analysis and Stakeholder Dialogue

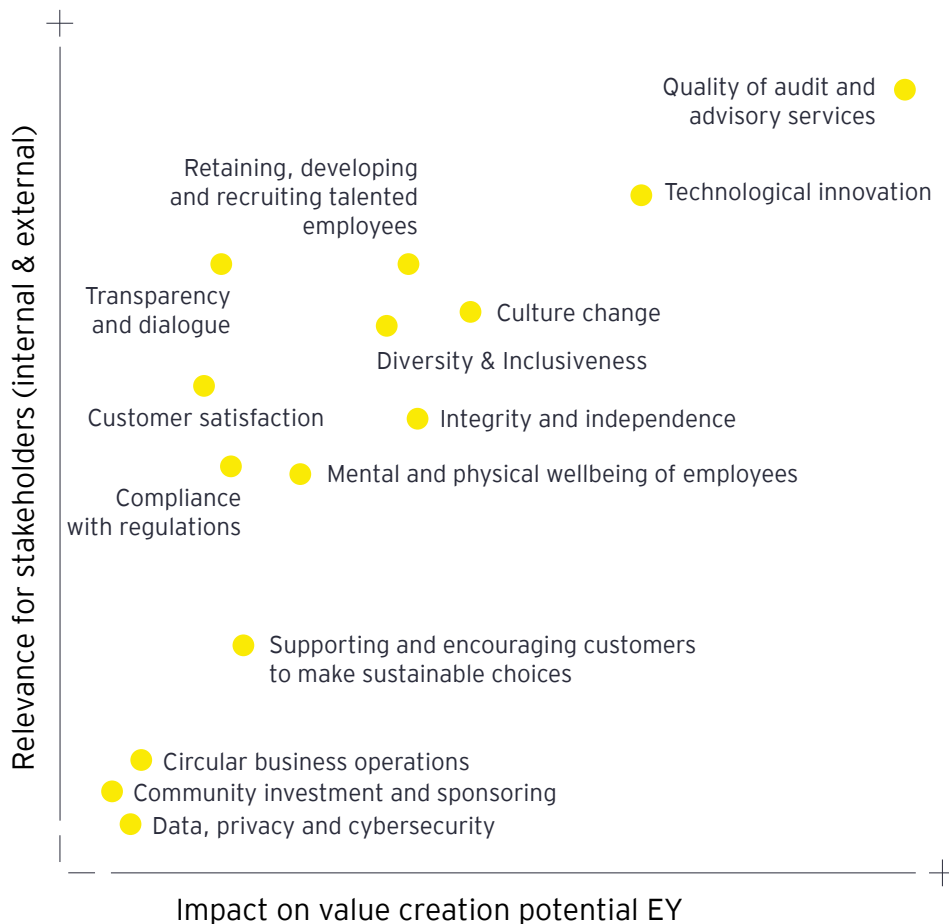
Stakeholder engagement

We attach great importance to the views of our stakeholders. To stay relevant, we maintain an ongoing dialogue with our key stakeholders. These dialogues take place on different levels within our organization and are often a part of our day-to-day operations.

EY Management is involved in the most important stakeholder dialogues: People Pulse, Tomorrow's Economy sessions, interactions with legislators and regulatory bodies. In 2018, the EY Stakeholder Dialogue steering group was set up. This steering group evaluates the dialogues, monitors and formulates improvement measures, and adapts the strategy where necessary.

We have identified the following most important stakeholder groups that are material to the success of our business in short, medium and long term:

- ▶ Clients
- ▶ Employees
- ▶ EY Partners
- ▶ Board members and Supervisory Board members
- ▶ Legislators
- ▶ Regulators
- ▶ Politicians
- ▶ NGOs
- ▶ Universities
- ▶ Investors



Continuous engagement with our stakeholders allows us to create, deliver, and capture value, as well as identify new risks and opportunities.

We developed a stakeholder engagement framework that consists of two pillars: 1) the EY Materiality Analysis, in which stakeholder opinions are important input to determine our firm's strategic and reporting focus areas, and 2) the EY Stakeholder Pulse, a periodic survey to get insights from our stakeholders on specific topics that we believe are going to have a significant impact on the economy of tomorrow and, as such, on EY Netherlands.

The EY Stakeholder Pulse was conducted in May and June 2021. As a result of a desktop review, a few critical topics that we believe will be important drivers of the economy of tomorrow, were selected:

- ▶ Business in post-COVID-19 world
- ▶ Climate change
- ▶ Biodiversity

The Board will discuss the results of the Pulse with the relevant stakeholders during one of the Tomorrow's Economy sessions.

Materiality

In 2020, in line with our stakeholder engagement framework, we conducted a materiality analysis. This analysis ensures EY Netherlands is aware of what is happening around us, where we can have an impact, and how we can add focus to our efforts. We analyzed materiality in three stages: 1) determine potential material topics; 2) stakeholder consultation to prioritize topics from stakeholders' perspective; and 3) a board session to determine material topics.

1. Determine relevant material topics

The first stage analyzed EY's strategy, the results of the previous materiality assessment, peer and media analysis, and the results of the ongoing stakeholder dialogues. In the end, 19 potential material topics were identified. The list has been corrected according to current developments, but it remains similar to the 2018 list to allow a comparison between the different stakeholder

dialogues. Also, new topic, Quality of audit and advisory services, was added to the current list.

2. Stakeholder consultation

During the second stage, we conducted interviews with stakeholder representatives from our most important stakeholder groups. During the interviews, the representatives were asked to indicate which of the 19 potential material topics they consider most important in terms of relevance and impact. In addition, a survey was carried out among employees to rank the 19 potential material topics in order of importance from their perspective. Furthermore, an online roundtable was organized with students to get a better understanding of the topics they deem important.

Based on the outcome of the interviews, the survey, and the roundtable, the potential material topics were ranked in terms of importance. Out of 19 topics, 4 topics (Corporate Governance, Cooperation with worldwide network, Environmental management, and Healthy financial performance) were assessed as less relevant compared to the other 15 topics. The 15 most relevant topics and their level of priority are reflected in the materiality matrix below. The horizontal axis of the matrix represents the impact on EY's value-creating capability. The relevance of these themes to stakeholders is indicated by the vertical axis.

3. Determination of material topics

During the final stage, a sessions was held with the members of the Board to discuss and validate the results of the stakeholder consultation. Based on the respective contribution of the selected material topics to EY's economic, environmental, and social impact, the board determined the top-6 most material topics.

In addition, due to the impact of the pandemic, it was decided to prioritize the importance of the mental and physical well-being of employees.

Considering that the Sustainable and responsible business operations topic has been identified as material in relation to the EY Global Climate ambition and the Next Wave

strategy, we are also reporting on progress related to Community investment and our environmental footprint in this integrated annual review as well.

The connectivity table in the next section shows our management approach on the material topics, how they relate to our long-term value strategy, and how we monitor our performance.

Material topics

Material topic	Definition
Mental and physical well-being of employees <i>new material topic</i>	Taking care of the vitality of employees, paying attention to physical health, as well as to emotional and mental health.
Retaining, developing and recruiting talented employees	Investing in engaged and loyal employees. The focus lies on recruiting the best employees in a tight labor market and meeting the expectations of a new generation of employees.
Culture change	Investing in a culture of high-quality teamwork, trust, integrity, and quality.
Diversity and inclusiveness	Maintaining/stimulating teams with a diverse and inclusive composition so that complex issues are viewed from various perspectives and knowledge backgrounds. Ensure that everyone within EY, regardless of gender, religion, sexual preference or origin, for example, has equal opportunities with regard to promotions, study opportunities and rewards.
Technological innovation	Investing in 'new' technology and digitalization to improve the range and quality of services and to develop new products and services.
Quality of audit and advisory services	Providing exceptional and high-quality services with which we exceed the expectations of our clients and clearly demonstrate the added value of our services to our clients and working in accordance with applicable laws and regulations and anticipating the increasing restrictions imposed by supervisory bodies.
Integrity and independence	Providing services that satisfy our ethical standards. Central issues in this context are anti-corruption, sound due diligence when accepting clients, and (personal) independence during assurance assignments.
Emissions of own operations <i>added as material to report on with EY Global focus</i>	Taking responsibility for your own footprint as part of the drive to reduce EY's global carbon emissions.
Community investment <i>added as material to report on with EY Global focus</i>	Sharing knowledge and expertise on a pro-bono basis and concluding strategic partnerships with civil society organizations and social start-ups.

3. Connectivity table

Our management approach to material topics

Long-term value	Reference	Material topic	KPIs	Result 20-21	19-20	18-19	Impact SDG
People	<i>Exceptional work environment</i>	Mental and physical well-being of employees <i>new material topic</i>	<ul style="list-style-type: none"> ▶ People Pulse engagement score ▶ Percentage sick leave 	71% 4.11%	n/a* 3.87%		
		Retaining, developing and recruiting talented employees	<ul style="list-style-type: none"> ▶ Retaining top talent ▶ Hours spent on training and education ▶ Euro's spent on training and education 	91% 428,000 8.2 million	94% 487,000 15.8 million	91%	  
		Culture change	<ul style="list-style-type: none"> ▶ Percentage of overtime ▶ Number of attendance HPT sessions 	3.5% 2,033	3.7%		
		Diversity and inclusiveness	<ul style="list-style-type: none"> ▶ % of female employees ▶ % female partners and associate partners ▶ % intake female employees 	42% 18% 44%	41% 17% n/a	42%	
Client	<i>Service Innovation & Quality of our service</i>	Technological innovation	<ul style="list-style-type: none"> ▶ Number of hours spent on innovative services 	14,823	16,730	13,308	
		Quality of audit and advisory services	<ul style="list-style-type: none"> ▶ Customer satisfaction score ▶ Engagement quality reviews 1 and 2 	95% 97%	97% 96%**	92% 96%	 
		Integrity and independence	<ul style="list-style-type: none"> ▶ Number of violations regarding non-assurance services at audit clients ▶ Number of independence compliance reviews partners ▶ Personal independence violations partners 	0 72 0	0 48 0	2 57	
Society	<i>Sustainable and responsible operations</i>	Emissions of own operations <i>added as material to report on with EY Global focus</i>	<ul style="list-style-type: none"> ▶ Emissions measured in tCO₂ per FTE 	1.7	3.1***	4.4	 
		Community investment <i>added as material to report on with EY Global focus</i>	<ul style="list-style-type: none"> ▶ Number of colleagues participated in community services ▶ Number of hours spent on community services 	807 15,040	780 20,473	- 10,548	 

* People Pulse was not conducted last year due to the pandemic. The approach and questions were changed in 2020.

** The data for 19-20 is restated.

*** Emissions 19-20 are restated.

4. Basis of preparation

Data quality and completeness

To ensure the accuracy of non-financial information, the consolidated data is first reviewed internally.

The information is sourced from both inside (primary data) and outside (secondary data) the organization. Therefore, there is an inherent level of uncertainty in our calculations.

Energy use

To improve the data quality of energy consumption and minimize calculation errors, we decided to collect the data for the calendar year instead of the usual financial year.

Often, the utilities/facility managers are only able to provide invoices or overviews for the calendar year and not the financial year, and as a consequence, data was often extrapolated in previous years.

Carbon footprint

EY measures the emissions of its operations by following the guidelines of the Greenhouse Gas Protocol.

Scope 1 - direct CO₂e emissions includes natural gas consumption in EY's buildings and fuel consumption in lease cars.

Scope 2 - indirect CO₂e emissions resulting from electricity consumption (buildings and electrical lease cars) and district heating.

Scope 3 - other CO₂e emissions related to activities not owned or controlled by EY Netherlands are reported on for our business travel and waste streams.

The emission factors are sourced from www.CO2emissiefactoren.nl. For waste including paper, we adopt the emission factors of Suez (Sita).

Due to a change in method for calculating energy use, we have restated our 2019-2020 carbon footprint from 15,231 tCO₂e to 14,802 tCO₂e.

People Pulse engagement score

In 2020, EY changed its approach on how to measure the People Pulse engagement score. People Pulse is a survey that is sent to all EY employees in November, March and July. Employee experience is evaluated in each people Pulse and Employee engagement score during the survey in July and in November. The employee engagement score disclosed in this report is based on the results of the People Pulse conducted in November 2020.

Engagement quality reviews 1 and 2

Internal engagement quality reviews are conducted on the basis of risk, focusing on clients that are large, complex, or of significant public interest. The primary goal of the review is to determine compliance with quality control systems, policies and procedures, professional standards, and regulatory standards. The quality reviews are performed on the basis of a questionnaire prepared by EY Global for each service line. The partners are assessed independently at least once every three years. The engagements are selected on the basis of both a risk analysis (for example, a first-year assignment or an engagement that received a rating of 2 or 3 in the previous year) and on the basis of engagements that are randomly selected for quality reviews.

Each engagement quality review gets a rating from 1 to 3, determined in consultation with the team leader. Rating 1 results in no or minor findings, rating 2 includes non-material findings and rating 3 is related to material findings.

A rating of 1 or 2 in an engagement quality review is based on the consolidated number of engagement quality reviews with a rating 1 and 2 to the total number of engagement quality reviews for each service line.

Due to the change in materiality, this KPI was moved from Compliance to Quality of audit and advisory services.

In addition, we identified a discrepancy in the representation of the number of engagement quality reviews. The restated figure for 2019-2020 is as follows:

Rating 1

There were no or minor findings - 102 instead of 92 (76% vs 79%).

Rating 2

The findings were more than minor, but less than material - 28 instead of 21 (21% instead of 18%).

Rating 3

There were material findings - 5 instead of 4 (4% vs 3%).

The change resulted in a total of 96% of engagement quality review assignments 1 or 2 instead of the reported 97%.

Customer satisfaction score

This concerns an internal program that measure the quality of our services 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. The score is a combination of the percentage rate of the following indicators:

- ▶ relationship with the client improved
- ▶ relationship with the client remained the same

HVG Law LLP, with whom Ernst & Young Belastingadviseurs LLP has a strategic alliance, does not participate in this program.

Independence review partners

This concerns the outcome of our annual Personal Independence Compliance Testing (PICT) program for EY Partners. This program evaluates compliance with personal independence confirmation requirements.

There are two types of personal independence compliance violation:

Independence violation - cases where a partner has not disclosed his/her interests (or those of his/her spouse) in relation to an engagement to which he or she is the partner.

Administrative violation - cases where the partner has not completed the reporting process.

In the fiscal year 2020/2021 testing cycle, the independence of 72 partners was tested. No breaches were identified.

Violations regarding non-assurance services relate to the number of violations with regard to the provision of non-assurance services to OOB/PIE audit clients that are prohibited on the basis of the 'Regulation regarding the Independence of Accountants performing Assurance Engagements' (Verordening inzake de onafhankelijkheid van accountants bij assurance opdrachten, ViO).

Employee-related data

Employee numbers are expressed in this report in FTE and year-end head count. Percentage of female employees, female partners and associate partners is based on the head count.

Retention rate of top talent - percentage of employees with a personal performance score of 3 (on a scale of 1 to 3) in the previous financial year and who are still employed in the current financial year.

High-Performing Teams (HPT) sessions - this EY Global program is designed to make a team work more efficiently and effectively by driving consistent positive team experiences.

Percentage of overtime - The total number of accounted for hours based on time sheets as a percentage of the total number of contract hours.

Percentage sick leave indicates which part of the work capacity in the reporting period due to absenteeism has been lost.

Hours spent on training and education - The number of hours spent on training and the corresponding expenditure in euros recognized during the fiscal year.

Community investment hours - hours spent on social activities consist of pro bono advisory, skills-based volunteering and Corporate Responsibility (CR) related staff hours. The number of engaged colleagues is determined per project and reported on an aggregated level.

Number of hours spent on innovative services - the total number of accounted for hours on assignments related to the EY and HVG Law Innovate programs in the fiscal year 2020/2021.

5. EY's Contribution to the UN Sustainable Development Goals

With our services, we aim to contribute to sustainable and inclusive growth. We are aware of our important social role and provide steering through both our strategy and our services. We see the United Nations Sustainable Development Goals (SDGs) as an opportunity for our ecosystem to drive growth, manage risk, raise social capital and create a vision to form value.


On top of the contribution we make to the SDGs through our core activities, we also make an impact through our Corporate Responsibility activities. We have considerable in-house knowledge and experience to contribute more broadly to the challenges we face as a society. We are committed to addressing these challenges through the EY Ripples program, which demonstrates that we go beyond serving our customers.

In addition to making our customers more sustainable and achieving long-term value, EY faces the same challenges




as everyone else in these times of transition. With our size, we can make a significant impact. Therefore, we have set global targets regarding sustainable and responsible operations, which EY NL is implementing as well.

We have identified SDG 4, SDG 8, SDG 12 and SDG 16 as our core focus areas due to their direct impact on our people, clients, and society.

We focus on the sub-goals which we can have the greatest impact on and can generate positive change through our services and corporate responsibility program. The table below shows EY's contribution to the sub-goals of the Sustainable Development Goals in more detail.

SDG	Relevant sub target	Link to EY activities
 <p>4 QUALITY EDUCATION</p> <p><i>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</i></p>	<p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p>	<ul style="list-style-type: none"> ▶ We attach great importance to creating an optimal learning and development environment for our talent. For example this year we have introduced an EY Tech MBA programme and EY Badges. EY Badges give EY people the opportunity to earn digital credentials in future-focused skills (in domains such as analytics, innovation, purpose, digital, sustainability) that will help accelerate their growth and differentiate them in the market. ▶ We promote education by supporting young and underserved people to develop the mindsets and skills they'll need to find and sustain meaningful work through the EY Ripples programme (our Corporate Responsibility programme). This year we organised Social Impact days where 516 primary school kids participated.

SDG	Relevant sub target	Link to EY activities
 <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.	<p>► We have set the ambition to be a long-term growth leader and we aim to grow our income that reflects continued investments and appropriate returns.</p>
	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors.	<p>► We invest in technological innovation to guarantee the quality of our services and strive for sustainable growth. As example, we have an Innovate EY team that is in charge of EY's bottom-up corporate innovation programmes.</p>
	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.	<p>► Through our 'EY Ripples' programme we are working with impact entrepreneurs. With their knowledge and skills, EY people are helping scale small and growing businesses that are driving progress toward the UN Sustainable Development Goals.</p>
	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10 Year Framework of Programs on Sustainable Consumption and Production, with developed countries taking the lead.	<p>► EY has committed to the ambition to be carbon negative in 2021 and net zero in 2025.</p> <p>► EY offers sustainable solutions focused on helping our clients to create value from sustainability.</p>
	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	<p>► SROI.</p>
 <p>Ensure sustainable consumption and production patterns</p>	12.2 By 2030, achieve the sustainable management and efficient use of natural resources.	<p>► EY offers sustainable solutions focused on helping our clients to create value from sustainability.</p> <p>► EY has committed to the ambition to be carbon negative in 2021 and net zero in 2025.</p>
	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	<p>► In close cooperation with our facilities and catering partner we are taking measures to reduce waste and recycle.</p>
	12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	<p>► EY publishes annually an integrated report, including our activities and initiatives related to sustainable and responsible operations.</p> <p>► EY supports many large and multinational companies with reporting about sustainability information.</p>
	12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.	<p>► As part of the 'EY Ripples' pillar accelerating environmental sustainability we initiate activities that drive adoption of behaviors, technologies and business models that protect and regenerate the environment.</p>

SDG	Relevant sub target	Link to EY activities
 <p><i>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</i></p>	<p>16.5 Substantially reduce corruption and bribery in all their forms.</p> <p>16.6 Develop effective, accountable and transparent institutions at all levels.</p>	<ul style="list-style-type: none"> ▶ EY has an Anti-Bribery Global Policy and have established a robust client acceptance, independence and AML processes to ensure our integrity and the highest quality services. ▶ EY people follow obligatory ethics related webbased learnings, such as 'Anti-bribery and you'. ▶ We fulfill an important social role through our audit activities. Through our work, we contribute to the reliability of financial and non-financial information and to calm and stable financial markets.
<p>In addition to the four SDGs described above, there are two more SDGs where we contribute as well, although to a limited extend.</p>		
 <p><i>Reduce inequality within and among countries</i></p>	<p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p>	<ul style="list-style-type: none"> ▶ EY leadership has signed a Diversity & inclusiveness Statement to demonstrate our commitment to inclusive leadership and our increasing responsibility for Diversity & Inclusiveness (D&I). ▶ We organise events that unite all EY people in solidarity with our LGBT+ community.
 <p><i>Take urgent action to combat climate change and its impacts</i></p>	<p>13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</p>	<ul style="list-style-type: none"> ▶ As part of the 'EY Ripples' pillar accelerating environmental sustainability we contribute to awareness raising and education by organising Climate Action workshops and Climate Ideation Clinics for students, EY people, NGOs and others.

EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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