

**2019 Transparency Report**  
Deloitte Accountants B.V.

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Audit & Assurance ●

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# Regulatory context

This Transparency Report has been prepared in accordance with Article 13 of Regulation No 537/2014 of the European Parliament and of the Council of April 16, 2014 ('the EU Audit Regulation'). The EU Audit Regulation came into force on June 17, 2016 and requires publication of an annual Transparency Report by audit firms that perform statutory audits of public interest entities.

This Transparency Report relates to the principal activities of Deloitte Accountants B.V. for the financial year ending May 31, 2019, unless stated otherwise.



# Report from the Executive Board of Deloitte Accountants B.V.



For Deloitte Accountants, making an impact that matters means delivering independent audits of the highest quality. And the impact of our work extends beyond our audits. Attesting that financial statements give a true and fair view in all material respects and providing insight into the conduct, controls and “tone at the top” of an enterprise are what give stakeholders the confidence they need to make critical decisions. This trust has been vested in Deloitte by society and it is our duty to live up to society’s expectations.

Based on our purpose and strategy, we work to promote, facilitate and safeguard our quality mindset and culture. We on the Executive Board of Deloitte Accountants B.V. have seen solid evidence of (i) a quality mindset and culture and (ii) involvement and engagement in all parts of our organization. For us this is the evidence of our on-going investments in our Audit Quality Program. And the result of monitoring and measurement of the effectiveness of such measures through various internal and external inspections. As part of our culture program “From good to great”, we are continuing to work towards achieving our aspiration of “undisputed leadership”.

Our goal is aligned with that of our regulator, the Dutch Authority for the Financial Markets (AFM). We are therefore pleased by the positive feedback from the AFM in their report ‘[the contribution of attitude, conduct and culture to the focus on quality of the audit team](#)’. This report handles the assessment performed by the AFM at the Big Four audit firms

on the factors that encourage or hinder an audit team’s focus on quality. This also confirms what we have been experiencing within our firm.

It also pleases us that all daily policymakers of Deloitte Accountants B.V. and Cooperatief Deloitte U.A. have been tested by the AFM and the AFM has confirmed that they are all suitable for their present roles.

We are seeing an improved awareness of the quality mindset and culture at PIE (public interest entities) audit firms, and indeed throughout the entire profession. As a member of the Public Interest Steering Group we have also experienced considerable activity within the Royal Netherlands Institute of Chartered Accountants (NBA) on topics such as relevance, quality, culture and awareness, as demonstrated by the launching of [the Dashboard Accountancy](#) and the studies on [root cause analyses](#) and fraud. But the efforts have not stopped there.

## Building a future-proof approach

While audit quality will always be essential, the methods for achieving quality are evolving before our very eyes. At Deloitte, we are seeking to stay ahead by embedding advanced technology into our audit, and ensuring we have experienced audit teams in place to design and deliver audits tailored to stakeholders needs as their businesses grow and evolve.

We are taking the very same technologies that are transforming businesses—such as cloud, process automation, data visualization and cognitive analytics—and building them into the audit. That, in turn, is powering our ability to deliver insights into the issues of the day—harnessing data, understanding risk, improving processes—even as we prepare for a future of increased investor demands and emerging technologies. Quality is why we innovate and why we focus on delivering with distinction now, while also investing in what we expect to happen next.

## Talent: Being the best place to work

Our talent is of key importance in making an impact on our clients and society. It is the quality, ingenuity and perseverance of our people that ultimately determine our value creation. Our ability



to attract, develop and retain the right people is therefore a key success factor for our business. We are fully aware that to provide superior quality, we need an inclusive culture comprising people from different cultural and educational backgrounds and with differing experiences. We recognize that further improvement is required in respect of diversity and inclusion and we are committed to doing what it takes (see also the section on Talent in this Transparency Report).

### Commission on the Future of Audit

The 2018/2019 financial year saw many developments in the political and regulatory environment. In November 2018 the Dutch Minister of Finance, Wopke Hoekstra, announced that the Commission on the Future of Audit (*Commissie Toekomst Accountancysector*, or CTA) would be set up to research how audit quality can be sustainably improved. The Commission, comprising Prof. A.T. Ottow (chair), Prof. E. Dijkgraaf and M.E. de Vries RA, announced its intended approach in early 2019 and launched internet consultations for stakeholders wanting to contribute their opinions. Besides the consultation the CTA has since organized a survey, several meetings and round-table talks to investigate topics and discuss them with stakeholders.

In [its public contribution Deloitte](#) emphasized the multiple steps taken in the past few years to raise the quality of our work, as well as endorsing the need for further acceleration. This has translated into various additional steps for us as an organization, specifically:

- Seeking to enhance our quality through on-going standardization and by applying new technologies in the core audit procedures;
- Strengthening our organization's learning ability;
- Building our professionals' resilience to the increasing internal and external pressures they face.

In addition to our own efforts, measures will need to be implemented throughout the reporting chain, given that the quality of financial reporting is defined primarily by:

- i) the company's internal controls;
- ii) management's responsibility in this respect;
- iii) the supervisory board responsible for overseeing this, and
- iv) the external auditor who provides an independent opinion on the financial reporting.

We are currently anticipating the consultation document of the Commission. When the document has been published we will analyze the report and the impact this will have on auditors and their work, our organization and the sector. We will prepare our response and share this through the internet portal of the CTA.

In the fall of 2019 we also expect a third report from the Accountancy Monitoring Committee, which has asked us to reflect on the extent to which we have given substance to the points mentioned in paragraph 7.2 (pp. 97-98) of the "*Doorpakken*" report.

The current debate on audit quality is far-reaching, but necessary. We at Deloitte are encouraging this debate and also encourage a dialogue with stakeholders on what the audit "product" should look like in an age of exponential technological transformation, globalization and increasing business complexity. We encourage any additional measures that have a proven positive effect on the quality of the audit.

In this Transparency Report we share insight into the development and activities of Deloitte Accountants B.V. over the past financial year. I trust you will find it both interesting and insightful.

Please contact me at [nlaudit@deloitte.nl](mailto:nlaudit@deloitte.nl) to share any feedback.

Rotterdam, September 27, 2019

On behalf of the Executive Board of Deloitte Accountants B.V.

Bert Albers



# Report from the Supervisory Board of Deloitte Coöperatief U.A.

Again, the year has turned out to be a satisfactory year for Deloitte in the Netherlands. The Supervisory Board is grateful to all Deloitte's who have made this possible. Deloitte's success was not only financial, but its market position has also improved and Deloitte Netherlands has merged into Deloitte North West Europe. Most importantly, Deloitte's ongoing relationships with clients have developed satisfactorily. So-called softer issues have come more to the fore: Company Culture in a broad sense has been an important (agenda) item, not only for the Quality, Integrity and Risk Committee of the Supervisory Board, but also for the Supervisory Board as a whole. Company Culture is also addressed in Deloitte's Audit Quality plans, which are regularly discussed with the firm's Audit Leadership. We have continued to stress Quality in all that we do, not only in Audit, and the Supervisory Board will maintain this as one of our spearheads of attention. A good example of the shift to 'soft themes' at Supervisory Board level is the formal inclusion of Ethics and Integrity in the Board's Quality, Integrity and Risk Committee. We will continue to encourage and support, the Executive Board in their efforts to create a Culture that truly nurtures Quality, even when this may lead to the departure of some long serving practitioners. Overall, we believe that such an orientation will benefit the Quality of Deloitte's services to clients. In the medium and long term.

The year saw further integration into and further expansion of Deloitte North West Europe (NWE). The drive for fewer Deloitte Member Firms is partly driven by the needs of our clients, who are less and less restricted by national borders. It is also partly driven by Deloitte's need for greater conformity, both in terms of client delivery and in terms of Quality, while also driven by the opportunity to reduce costs and the increased capacity to invest at scale to deliver higher quality and sustainable growth in chosen markets. We have made good progress on the first two, and the reduction of national costs and future investments will remain at the forefront of our attention.

Our Audit Practice has consistently and frequently interacted with the Supervisory Board, the only business under strict Regulatory oversight. The Supervisory Board has met once formally, in full,

with the Dutch authority for the Financial Markets and some of its members informally several times. As of July 1, 2018, the new legislation 'Additional Measures for Audit Firms' and the amended 'Besluit Toezicht Accountantsorganisatie' are effective. The Supervisory Board has incorporated the new tasks and responsibilities in its regulations where necessary and will continue to spend as much attention as necessary and required on matters broadly indicated as 'Quality Items'. Our strict adherence to Quality standards and the dialogue with the Dutch authority for the Financial Markets will continue to be focus areas for the Board.

Deloitte has further emphasised its, Global Member Firm Standards. These are instrumental to gauging our relative, qualitative position within the Deloitte network, and have therefore been an additional, useful monitoring tool for the Supervisory Board. The Supervisory Board has been actively engaged by the Executive Board in determining and monitoring execution of the firm's Plan 2020. During a full day meeting of both Boards, the Executive Board has reported on execution progress and sought the Supervisory Board's consent for a number of focused strategy 'sprints' for fiscal year 2018/2019. Individual pillars of Deloitte's Plan 2020, such as Ensure Quality, Become Premier Career Destination and Innovation, have been discussed in regular Board meetings and in meetings of its subcommittees.

Cooperation between the Supervisory Board and the Executive Board has been good. By invitation of the Chairman, (certain members of) the Partnership Council have also joined and will join (parts) of the Supervisory Board and Committee meetings. We will continue to avail ourselves of the knowledge of the members of the Partnership Council.

## Most important Supervisory Board resolutions and discussions in 2018/2019

Most important items on the agenda of the Supervisory Board during 2018/2019 include:

**Future of Audit** - The Supervisory Board has actively participated in the debate on the Future of Audit and its potential implications for Deloitte. Given the importance of the subject matter, two of its members, the SB Chair and the Chair of the



Board's Quality, Integrity and Risk Committee, have closely followed and challenged the firm's Future of Audit working group. The Future of Audit will continue to be a priority item on the Board's agenda for 2019/2020.

### **Management and Supervisory Board**

**Succession** – Due to multiple scheduled rotations in the Executive Board, the Executive Committee and the Supervisory Board in 2018/2019 and 2019/2020, succession has been an important item on the agenda of the Supervisory Board and its Selection and Nomination Committee. The Supervisory Board has regularly discussed succession management, updated relevant profiles and procedures in accordance with changes to the Wta/Bta introduced on July 1, 2018, and directed the selection and nomination process for the appointment of Hans Honig as successor to Peter Bommel as CEO of Deloitte Netherlands as of June 1, 2019. The Supervisory Board has also been consulted on changes to the firm's Executive Committee, the members of which are appointed by the Executive Board. The Supervisory Board has started preparations for rotations in the Supervisory Board and Executive Board scheduled for 2019/2020.

**Execution of the Audit Quality Agenda** - The Supervisory Board has continued to put substantial time and effort in its supervision of the Audit firm with a particular focus on initiatives to further enhance quality and interactions with external regulators and other stakeholders. Execution of the Quality agenda has been on the agenda of all meetings of the Board's Quality, Integrity & Risk Committee (QIRC) and of almost all regular meetings of the Board itself.

**Diversity and inclusion** – The Supervisory Board has challenged the firm's substantial efforts with regards to diversity, both at leadership level and at the level of its partners and senior professionals. This has resulted in a further step-up of the firm's diversity efforts and initiatives.

**Selection external audit firm** – Deloitte North West Europe (NWE) initiated a tender process for the selection of a single firm to carry out the external audit of Deloitte NWE and its constituent firms, including Deloitte NL. The Supervisory Board, supported by its Audit & Finance Committee, participated in this process and concluded that the firm preferred by Deloitte NWE is well qualified to act as external auditor of Deloitte NL. The Supervisory Board has proposed to the Annual General Meeting to appoint BDO Audit & Assurance B.V. for the external audit of 2019/2020.

### **Other important agenda items of the Supervisory Board**

Besides recurring corporate topics like the approval of the Integrated Annual Report and the budget of Deloitte Netherlands and Deloitte Accountants, other important agenda items for the Supervisory Board include: (i) the appointment of Audit partners and directors as external auditor; (ii) the implementation of changes to the Wta/Bta introduced on July 1, 2018 in the firm's Articles of Association and Supervisory Board and Executive Board regulations; (iii) certain incidents and high profile/risk engagements, including the Steinhoff matter; (iv) certain M&A transactions of the firm.

### **Annual performance evaluation of the Supervisory Board and the management of the audit firm**

This year, the Supervisory Board has again made an internal evaluation of its performance, and the performance of its committees and members. This year's evaluation was performed with the expert support of an external boardroom consultant. The evaluation has resulted in a report with findings and recommendations.

In accordance with relevant rules, the Supervisory Board has also evaluated the performance of the Executive Board and the daily policymakers of Deloitte Accountants B.V. in 2018/2019. A committee from the Supervisory Board has held two meetings (i.e. mid-term and year-end) with each member of the Executive Board regarding their individual performance and (long term and short term) objectives, including Quality-related objectives. The Supervisory Board has also provided input for the performance evaluation of the Business Leader Audit & Assurance and has received feedback from the Executive Board with regards to their evaluation of the Business Leader Audit & Assurance as basis for determination by the Supervisory Board of his remuneration.

### **Supervisory Board (Committee) meetings and attendance**

During 2018/2019, the Supervisory Board has held:

- 11 Board meetings (8 regular meetings and 3 additional meetings);
- 25 Committee meetings;
- One Strategy meeting with the Executive Board, focused on achievements to date, the planning of a strategy refresh and the Future of Audit;
- One Education Day, focused on the Audit function.

Agendas of regular Supervisory Board meetings include the following standing topics: (I) a report by the Board's Chair; (II) an Executive Board report on highlights, Executive Board priorities, operations



and a finance update, Deloitte NWE/network topics and M&A related updates; (III) review and discussion of at least one pillar of the strategy; (IV) a review and discussion of one of the businesses; (V) compliance and regulatory topics; and (VI) Committee updates. All meetings are prepared in advance by the Chairman, CEO and Company Secretary. Attendance of all Board and Committee meetings has been excellent with an attendance rate of approximately 98%. All Supervisory Board members have been present in all Supervisory Board meetings.

The Supervisory Board and its members have had regular contacts with the Executive Board, the Executive Committee, the Partnership Council, individual partners and professionals and the Works Council, and had several meetings with Young Audit Professionals. The Chairman and CEO meet frequently face-to-face, preferably twice a month. Three General Meetings have been chaired. All voting proposals were met with approval by the partners during these General Meetings. The Supervisory Board has also invited the AFM to attend one of its Board meetings.

### Members of the Supervisory Board

In 2018/2019 the Supervisory Board comprised five members:

Name	End of term	Current term
Floris G.H. Deckers (Chairman)	July 2020	Second term
Frans E. Eelkman Rooda (Vice-Chairman)	September 2019	Second term
Jacqueline P. Rijdsdijk	September 2019	Second term
Vincent G. Moolenaar	November 2020	First term
Nienke Meijer	July 2021	First term

Based on new legislation that became effective as of July 1, 2018, members of the Supervisory Board may be appointed for a maximum period of four years and can be reappointed once for a maximum period of four years. In accordance with AFM guidance, all current members of the Supervisory Board will be eligible for reappointment for one more term (four years maximum).

On September 6, 2019 the General Meeting has re-appointed Jacqueline Rijdsdijk and Frans Eelkman Rooda for two years.

### Members and Committees

The Supervisory Board has assigned, under its responsibility, a number of its specific tasks to four subcommittees (Committees):

- Audit & Finance Committee
- Quality, Integrity & Risk Committee
- Remuneration Committee
- Selection & Nomination Committee

### Composition of the Supervisory Board Committees

All members of the Supervisory Board are independent within the meaning of paragraph 2.1.8 of the Corporate Governance Code and article 22a.4 of the Wta, and in the opinion of the Supervisory Board, all independence requirements of paragraphs 2.1.8 till 2.1.10 of the Code and the Wta/Bta were met during 2018/2019.

The Committees are comprised of the following Supervisory Board members:

#### Audit & Finance Committee

Frans E. Eelkman Rooda, Chair  
 Vincent G. Moolenaar  
 Jacqueline P. Rijdsdijk

#### Quality, Integrity & Risk Committee

Vincent G. Moolenaar, Chair  
 Floris G.H. Deckers  
 Nienke Meijer

#### Remuneration Committee

Nienke Meijer, Chair  
 Floris G.H. Deckers  
 Frans E. Eelkman Rooda

#### Selection and Nomination Committee

Jacqueline P. Rijdsdijk, Chair  
 Nienke Meijer  
 Vincent G. Moolenaar

### Highlights of the work of the Audit & Finance Committee during 2018/2019

The Audit & Finance Committee (A&FC) assists the Supervisory Board in fulfilling its oversight responsibilities regarding the quality of internal and external reporting, financial risk management and control framework, internal audit, engagement with the external auditor, and financing and tax. In doing so, it considers the outcome of internal audits, the audit report of the external auditor and assessments of compliance with applicable laws and regulations.

The A&FC held five regular meetings and one additional meeting during 2018/2019. The findings and comments were reported to the Supervisory Board during the regular meetings of the Board. The Chief Operations Officer, a delegate of the Partnership Council, the Finance Lead, the Risk and Reputation Lead, the controller and the Chief Audit Executive as well as the external auditor, attended the A&FC meetings.





The work of the A&FC during 2018/2019 focused on:

- Structure of the control framework of the group, especially with regards to 'work in progress' balances and IT controls, as well as the redefinition of key controls;
- The adoption of IFRS 9 and 15 concerning revenue recognition and further preparation and impact analysis about IFRS 16 and lease accounting;
- Continuing transformation of the Internal Audit function towards a focus on full operational audits;
- The (realisation of the) annual internal audit plan;
- The work, activities and reporting of the external auditor;
- Internal and external audit findings, including follow-up on previous recommendations made by the internal and external auditors;
- Planning and preparation of integrated reporting, including implementation of new standards;
- Forecasts and financial plans;
- Financial performance of the firm, both at an aggregate level and for the different Businesses of Deloitte;
- Tender process resulting in the proposal for electing a new external audit firm lead by NWE for the group audit, combined with a local evaluation and recommendation for the Dutch statutory audit.

### Highlights of the work of the Quality, Integrity & Risk Committee during 2018/2019

The Quality Integrity & Risk Committee (QIRC) assists the Board in fulfilling its oversight responsibilities regarding quality, integrity and risk management of the Executive Board. Within this scope, the QIRC discusses the principal strategic, operational, financial and compliance risks that the company expects to be exposed to and the steps taken by management to mitigate those risks. During 2018/2019, the QIRC held five regular meetings. Key highlights included:

- Audit Quality has been and will be a recurring topic at QIRC meetings. An update of the Audit Quality Plan is a standing item on every agenda of the QIRC. Besides a regular update on Audit initiatives, the QIRC focuses on one or more challenges or dilemmas in individual components of the System of Quality Control. The QIRC has therefore thoroughly and repeatedly discussed, among others, culture and behaviour, ethics, reports from the AFM and the impact of its conclusions on the aforementioned Audit Quality Plan, continuous improvements of PCAOB and PIE Audits, the process and outcome of internal Practice Reviews and status of other initiatives to improve audit quality (for example, inflight monitoring);
- The QIRC prepared the ratification process of the Supervisory Board regarding the Executive Board's appointment of Audit partners and directors as external auditor. In that context, the QIRC and the Supervisory Board have assessed whether Quality (i) is sufficiently embedded in the nomination procedure and (ii) has been reasonably taken into consideration in the appointment decision by the Executive Board thus satisfying one of the requirements of the Wta/Bta.
- Beside Audit, each Business has provided an in-depth quality and risk management update, in order for the QIRC to fulfil its oversight responsibilities regarding quality and risk management of all Businesses of Deloitte NL effectively;
- The Committee has thoroughly discussed material litigation and risk management cases, based on the contentious matters overview or based on Management's assessment of the sensitivity of certain specific engagements;
- The QIRC monitors the Enterprise Risk Framework of the organisation and has discussed the process and determination of new risk priorities. In addition the QIRC has discussed one or more risk priorities each meeting. For example, the defined risks in Security & Confidentiality, Conduct (including to motivate and sustain ethical behaviour), Portfolio Management and Commercial orientation, Audit Quality and the Multidisciplinary model were discussed in the presence of their respective risk owners;
- The Member Firm Standards, relating to Quality and risk, have been used as an instrument of the QIRC to monitor the performance of the Executive Board and the Netherlands Firm. Member Firm Standards were discussed for Quality, Technology and Risk concerning all functions;
- The outcome of the independence inspection and testing;
- Updates and reports of the Risk and Reputation Lead (for example reports on business continuity management, budget for the RRL department, ethics, independence, internal and external complaints, GDPR and reputational risks), reports of the Compliance Officer Wta, the Director of Independence and the General Counsel of Deloitte Netherlands;
- Integrity and ethics have been important topics of the QIRC. Therefore it monitors the implementation of Deloitte's integrity imperative in the Dutch firm.



### Highlights of the work of the Remuneration Committee during 2018/2019

The Remuneration Committee (RC) supports the Supervisory Board in decisions regarding the remuneration of the members of the Executive Board (who are also daily policymakers of Deloitte Accountants B.V.), including an assessment of their individual performance. Based on new Audit legislation, decisions of the Executive Board regarding the remuneration of daily policymakers of the Audit firm (in case of Deloitte, the Business Lead Audit & Assurance) are subject to approval of the Supervisory Board as well. The RC has held six meetings during 2018/2019.

Highlights include:

- The performance, short and long-term objectives (KPIs) with regards to the remuneration of the Executive Board;
- The RC has discussed the scope and set up of a process to enable the Supervisory Board to fulfil its legal obligations pursuant to new Audit legislation, for example regarding the remuneration of the Business Lead Audit & Assurance and the validation of his personal objectives;
- The RC has evaluated the current remuneration policy and remuneration of the Executive Board members;
- Discussion on (the principles for) the remuneration (policy) for the Finance Lead and Business Lead Audit & Assurance;
- Discussion on the remuneration for members of the Supervisory Board.

In addition to these six meetings, the RC held three meetings with individual members of the Executive Board, concerning their individual performance and assessment of their objectives. The remuneration of the Supervisory Board in 2018/2019 has not been changed compared to 2017/2018.

### Highlights of the work of the Selection & Nomination Committee during 2018/2019

The Selection & Nomination Committee (SNC) is responsible for preparing the selection and

nomination by the Supervisory Board of new members of the Executive Board, daily policymakers of Deloitte Accountants B.V. and the Supervisory Board. The SNC has also addressed succession planning of members of both boards, and is closely involved in succession planning of members of the Executive Committee. Fiscal Year 2019 has been an important and busy year for the SNC due to several changes in both boards and the Executive Committee. Consequently, the SNC has held eight regular meetings.

Key highlights included:

- Supervisory Board succession planning, update of the Supervisory Board profile, and the preparation of the reappointment of Jacqueline Rijdsijk and Frans Eelkman Rooda upon termination of their term in September 2019;
- Succession planning of the Executive Board, update of the CEO, COO and CQO profiles, nomination of Hans Honig as new CEO and Chairman and Oscar Sniijders as new COO of Deloitte Netherlands;
- Succession management and leadership development;
- Rotation of NWE elected Board members.

### Priorities

The Supervisory Board has selected the following priorities for its supervision of the management and affairs of Deloitte Netherlands in 2019/2020:

- Succession management
- Onboarding new Executive Board members and the relationship with the Supervisory Board
- The Future of Audit
- Audit Quality
- Strategy refresh
- Diversity & Inclusion

Rotterdam, September 2019

On behalf of the Supervisory Board,  
F.G.H. Deckers, Chairman



# Deloitte network

## Legal structure and ownership

Deloitte Accountants B.V. is connected to the Deloitte network through Deloitte North West Europe LLP, a member firm of Deloitte Touche Tohmatsu Limited. Deloitte NWE LLP holds practice rights to provide professional services using the “Deloitte” name, which it extends to Deloitte entities within its territory, including Deloitte Accountants B.V. Deloitte Accountants B.V. is authorized to serve as an auditor for entities in the Netherlands. Deloitte NWE – with affiliates in ten geographies across Europe – is registered with the Institute for Chartered Accountants in England and Wales (ICAEW) but is not engaged in professional practice itself. All trading continues through local country practices, including the practices of Deloitte Netherlands.

Deloitte Netherlands is a Dutch Affiliate of Deloitte NWE LLP. Deloitte NWE LLP is a member of Coöperatief Deloitte U.A. (the ‘Cooperative’), with a 2/3 majority of the voting rights in the General Meeting (Deloitte NSE LLP as of June 1 2019). Deloitte Holding B.V. (Deloitte Holding) is the center of the governance structure of Deloitte Netherlands.

The Cooperative and all the (Dutch) Deloitte entities within the group are committed to complying with all applicable laws and regulations. The Board of Deloitte NWE is primarily responsible for ensuring high-quality governance and stewardship of Deloitte NWE. The single elected NWE CEO leads an NWE Executive. The NWE CEO is accountable to the NWE Board to deliver on the agreed long-term strategy of Deloitte NWE. The

Deloitte NWE ways of working are based on the principles of Connected+ Autonomy. Deloitte Netherlands, as well as the other national practices within NWE, maintain a significant degree of marketplace, talent and operating independence.

Deloitte Netherlands has the formal responsibility for the quality of the services of Deloitte Dutch Caribbean. Per June 1, 2019, Deloitte Dutch Caribbean has been included in the financial reporting of Deloitte Netherlands.

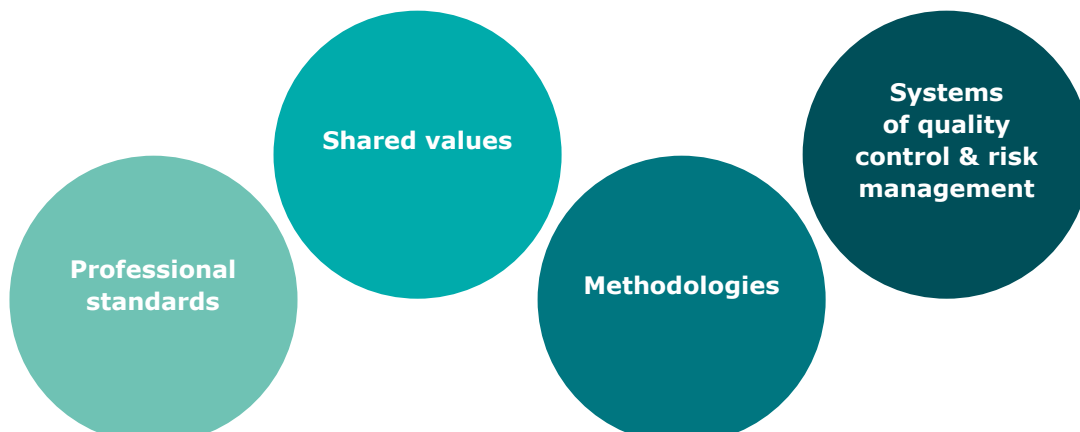
For more information about the Deloitte network, please see: [About Deloitte](#).

## Deloitte North & South Europe (NSE)

Following the inclusion of Deloitte Ireland within Deloitte NWE as of June 1, 2018, and in line with the global strategy of Deloitte, Deloitte NWE has expanded its international footprint with the creation of Deloitte North and South Europe (NSE) LLP. This new firm comprises the activities in thirteen markets: Netherlands, Nordics (Denmark, Finland, Iceland, Norway and Sweden), Belgium, Ireland, UK, Switzerland, Italy, Greece and Malta and over 45,000 people as of June 1, 2019. In the coming years, and as a result of the global strategy of Deloitte, we will continue to look for other combinations within Europe.

## Network description

The Deloitte network is a globally connected network of member firms and their affiliates operating in more than 150 countries and territories across the world. These separate and independent member firms operate under a common brand.





## Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)

Deloitte Touche Tohmatsu Limited is a UK private company limited by guarantee. DTTL plays a coordinating role for its member firms and their affiliates by requiring adherence to policies and protocols with the objective of promoting a consistently high level of quality, professional conduct and service across the Deloitte network. DTTL does not provide professional services to clients, or direct, manage, control or own any interest in any member firm or any member firm's affiliated entities.

### Multidisciplinary model

Audit is the foundation of the Deloitte brand. In addition to Audit & Assurance, Deloitte Netherlands has Consulting, Financial Advisory, Risk Advisory, and Tax & Legal practices. The diversity of five different businesses under one umbrella (multidisciplinary model) is one of the key differentiators of high-quality audits.

The benefits of the multidisciplinary model for audit include:

- The opportunity to develop industry insights through multiple lenses, thus enhancing auditors' understanding of business risks relevant to conducting audits;
- Providing the audit practice with immediate access to specialized resources and expertise in other business lines, while also promoting audit quality by enabling auditors to tap the expertise of advisory professionals skilled in subjects other than those native to auditors;
- Creating a diverse organization to help attract and retain premier talent;
- Ensuring intellectual capital is available within the network to innovate audit processes, technologies and so on.

Negative quality events have the potential to impact on the Deloitte brand as a whole. As such, each non-audit Deloitte business has a shared and vested interest in supporting audit quality initiatives.

Through its set-up as a partner structure and cooperation in a multidisciplinary model (MDM) the accounting professions experiences advantages but also certain challenges and dilemmas. In practice the multidisciplinary nature of firms improves audit quality:

- Large company audits require a broad range of skills and use multiple specialists from non-audit service lines. Many of these people, though critical to the success of audit, spend the majority of their time on their specialism, rather than audits. Deloitte currently employs over 2,000 such specialists in the UK, compared to around 4,000 in the audit practice. The use of specialist skills required to undertake a high-quality audit is increasing as companies, stakeholder requirements and the scope of the audit product itself all become more complex
- Specialists are vital to the conclusions reached in Key Audit Matters ("KAMs") during an audit. We have analyzed the KAMs included in all FTSE350 audit reports. Over 55% of reported KAMs require specialist input from the broader multidisciplinary firm outside the pure audit business
- Being part of a larger firm increases by multiples the capacity for investment in audit quality and innovation and improves resilience
- The view that the culture of delivering non-audit services risks damaging the integrity and quality of the audit practice is misplaced. At Deloitte, audit is the cornerstone of our brand and has been central to the development of our culture of high-quality, critical challenge and a regard for the public interest, which runs throughout the organization
- Our analysis suggests that there is no evidence to link the provision of advisory services with reduced audit quality. In fact there is a slight positive correlation between the relative size of a firm's non-audit business and its Audit Quality Review results
- Create tension around firms' decisions to pursue audit or non-audit appointments, as the separation of profit pools would create "winning" and "losing" profit pools



# Coöperatief Deloitte U.A.: Leadership in action

## General Meeting

The General Meeting brings together the entire partner community and NSE (as of June 1 2019) as participating shareholders. It helps to maintain Deloitte's governance "checks and balances". The company's annual results and long-term policy, as well as certain other matters referred to in the Articles of Association, require the approval of the General Meeting.

## Composition of the Supervisory Board

The Supervisory Board is responsible for ensuring that it performs its duties as effectively and efficiently as possible. It has therefore drawn up guidelines for its size and composition, taking account of the nature of the company and the expertise and experience required of Supervisory Board members. The Supervisory Board consists of two women and three men, all independent external members.

## Tasks and responsibilities

The Supervisory Board oversees and advises the daily policymakers of the Cooperative and Deloitte Accountants B.V. and supervises all general developments at Deloitte. The Supervisory Board is collectively responsible for the execution of its tasks and reports to the General Meeting. In fulfilling its duties, the Supervisory Board focuses on, among other things, the interests of the Audit firm and the public interest in ensuring the quality of statutory audits and always acts in the company's best interests, taking account of the relevant interests of all stakeholders. The Supervisory Board is entrusted with the supervision of the policies and activities of the Executive Board and the daily policymakers of the Audit firm, *inter alia* in relation to the following: (i) The realization of the company's objectives; (ii) The strategies pursued by the company and the risks involved; (iii) The design and implementation of internal risk management, quality and control systems; (iv) Quality, independence, integrity, ethics and other public interest matters; (v) Deloitte's financial reporting process; (vi) Deloitte's compliance with laws and regulations.

## Supervisory Board committees

The Supervisory Board has formed four committees, each with its own rules of procedure, to perform its tasks in the most efficient manner; (i) Audit & Finance Committee; (ii) Quality, Integrity & Risk Committee; (iii) Remuneration

Committee; (iv) Selection & Nomination Committee. The committees prepare the decision-making of and frequently report to the Supervisory Board. We refer to the report from the Supervisory Board for the highlights and reports of the committees.

## Executive Board

The Executive Board is presently composed of three people: Hans Honig (Chief Executive Officer and Chair), Mario van Vliet (Chief Operations Officer) and Engelhardt Robbe (Chief Quality Officer), all of whom are male. The members of the Executive Board are appointed for a period of no more than four years and are eligible for reappointment for further period(s) of no more than four years. The Supervisory Board will continue to look for more balance in the area of diversity in the event of future reappointments. Our diversity programs appear to be successful in that one female business lead now has been appointed to our Executive Committee and one additional female Executive Committee appointment is anticipated in the short term.

## Tasks and responsibilities

Deloitte is managed by an Executive Board that is responsible, among other areas, for creating a strategic and policy framework and objectives, monitoring the implementation of policies and maintaining cohesion between the company's various businesses and service lines. The Executive Board reports to the Supervisory Board and to the General Meeting. The members of the Executive Board are collectively responsible for leading and managing the company. The Executive Board acts in the company's best interest at all times when fulfilling its duties, taking into account the relevant interests of all stakeholders. It is responsible for observing relevant laws and regulations, managing the risks involved in the company's activities and overseeing its financial affairs.

## Structure of the Audit & Assurance function

Bert Albers, Audit & Assurance Managing Partner, is appointed by the CEO of Deloitte Netherlands (Coöperatief Deloitte U.A.) with approval of the Deloitte NSE Audit Leader. He and the senior management of Audit develop and implement the strategy for the Audit & Assurance practice, including related policies and procedures. In all activities, senior Deloitte Netherlands leaders are



responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements. Deloitte Netherlands' strategy is aligned with the overall strategic direction established for the Deloitte network.

The Audit & Assurance management team during the reporting year comprised:

- Bert Albers, Managing Partner
- Rik Roos, National Professional Practice Director & Audit Risk Leader
- Rob Bergmans, Growth
- Theo Jongeneel, Talent & Transformation
- Gera Hamer, Operations

The extended Audit & Assurance management team comprised:

- Remy Maarschalk, Service Line Leader – FSI/International
- Bas Savert, Service Line Leader – Listed/PCAOB
- Albert Jan Heitink, Service Line Leader – Private
- Vincent van Stijn, Service Line Leader – Public

The Audit & Assurance management team members participate in various Deloitte network groups that set and monitor quality standards, and from which various audit quality initiatives originate.

### Compliance Officer

Our Compliance Officer, Wiel Moonen, supervises compliance with the *Wta* regulations, for example, and reports to the Executive Board and the Supervisory Board on compliance (both on request and at the officer's own initiative). For that purpose, the Compliance Officer initiates meetings and provides advice on the design and reinforcement of and compliance with the quality assurance system, the independence policy and the integrity policy. The Compliance Officer is also part of the Audit Quality & Risk Meeting. The Deputy Compliance Officer is Liesbeth Mol.

### Professional Practice Department

The importance that Deloitte attaches to its quality of service is shown by the organization of the Professional Practice Department (PPD). Rik Roos, the National Professional Practice Director (NPPD) and Audit Risk Leader (ARL), supports the Business Leader of Audit & Assurance in the field of quality and manages the PPD. The NPPD/ARL also acts as the first point of contact in the event of claims and disputes in the Audit & Assurance business, defines proposals for strengthening the quality of the

assurance system and provides input for evaluating partners in the fields of quality and risk management.

In our global network, our NPPD/ARL, Rik Roos, is a full member of both the DTTL Global Audit Quality Board and the DTTL Global Steering Committee responsible for the Global Audit Quality Monitoring & Measurement program.

The NPPD is supported by four partners ("service line PPDs") in a quality role designed to further strengthen leadership and agility in the quality agenda. Under the NPPD's management, these partners have authority and responsibility for a wide range of themes in these service lines' quality agenda, including setting targets and evaluating the performance of partners and directors, and motivating teams to implement our Global Audit Imperatives. The service line PPDs, as the deputies of the ARL, are also the primary point of contact for decision-making relating to the acceptance of entities and other engagements with a high-risk profile. In 2018/2019, the four serviceline PPDs were:

- Aad den Hertog (FSI/International)
- Veerle Fruytier (Listed/PCAOB)
- Rob Vervoort (Private)
- George Straatman (Public Sector)

The PPD also includes Ronald Spijker, a Practice Review Director, and Barry Beemer, who manages the EQCR (Engagement Quality Control Review) under the NPPD's supervision.

At the end of the 2018/2019 financial year, the PPD office and Audit Risk department had approximately 49 FTE (2017/2018: 40 FTE). This includes colleagues in the senior manager curriculum, service line PPDs and other staff supporting the quality agenda. In FY19 we also strengthen our team by hiring a US partner with extensive PCAOB expertise. This partner does not primarily perform audit work for clients, but is mainly involved in coaching and guiding teams and further strengthening our policy and its application for PCAOB audits. The technical professionals in the PPD, Audit Risk and the Reputation & Risk Leadership Office account for approximately 6% of the total professional staff in the Audit function.



In addition, colleagues in the audit practice actively contribute to the quality agenda through, for example, the curriculum implemented for senior managers. This provides an ambitious group of senior managers with the opportunity to expand their horizons and invest in the future through a challenging quality role that is contributing to the quality agenda and helping to shape Deloitte's future.

### Reputation & Risk Leadership Office

Employees in our Reputation & Risk Leadership Office manage risks in areas such as reputation, independence, corporate privacy, legal and regulatory compliance. They regularly report their findings and recommendations to the Executive Board and the Supervisory Board. These employees also facilitate the embedding of our independence and compliance policies across all Deloitte businesses. Liesbeth Mol, the Reputation & Risk Leader, is in charge of the Reputation & Risk Leadership (RRL) Office. At the end of the 2018/2019 financial year, the RRL Office had a total of 43.8 FTE (2018: 37.4 FTE).

Table I contains a list of departments and staff reporting to the RRL Office. These departments also work closely with Legal Affairs in the fields of risk management, claims, complaints and disciplinary law.

**Table I: Staffing of PPD and RRL**

	2018/2019	2017/2018
	FTE	FTE
<b>PPD</b>		
Accounting	5.6	5.0
Audit & Audit Risk*	13.8	12.3
Technology	12.9	11.6
Quality (incl. Practice Review)	8.7	4.6
Public Sector	1.0	1.0
Training Placement Bureau	3.7	3.7
Senior Manager Curriculum	3.5	2.0
<b>Total</b>	<b>49.2</b>	<b>40.2</b>
<b>Reputation &amp; Risk Leadership Office</b>		
Reputation & Risk	3.5	3.6
Independence Center	17.0	16.6
Acceptance Center	18.5	12.2
Confidentiality, Privacy and Security	3.8	4.0
Ethics	1.0	1.0
<b>Total</b>	<b>43.8</b>	<b>37.4</b>

**Criteria:** Total number of FTE on May 31 of the financial year in the departments responsible for supporting compliance, independence and auditing. The FTE for Audit & Audit Risk includes 2.0 FTE for the serviceline PPDs.



## Our purpose and commitment: Instilling trust and confidence

At Deloitte Netherlands, our purpose is to make an impact that matters. For Audit & Assurance, this means a focus on delivering independent, high-quality audits and instilling confidence and trust in the capital markets through our reports. This requires us to continuously build capabilities to support the delivery of high-quality audits and make leading contributions to shaping the future of the audit profession.





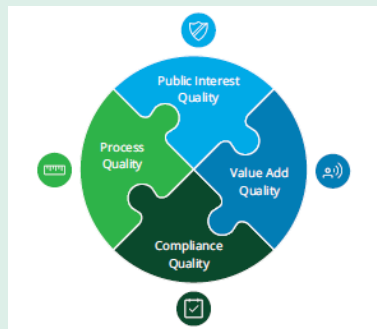


### Multiple dimensions on Audit Quality

Audit Quality is foundational and our number one priority. What is the definition of Good Audit Quality? Is compliance with auditing standards alone sufficient? What about acting in the Public Interest? How do we care about the entity subject to audit and those charged with governance? And to what extent is a smooth process relevant to meet stakeholders' expectations? In our view, Good Audit Quality requires all of the above.

### Public Interest Quality

Acting in the public interest involves living out our social mandate and emphasising what matters most, such as a strong focus on the sustainability of a business model, issues that could affect the going-concern assumptions, risks relating to fraud or corruption and the level of moral leadership. Ethics and integrity are discussed in a separate chapter in this Transparency Report. Acting in the public interest, our Audit Quality Plan includes ongoing programmes to focus on risks relating to fraud and/or the going concern assumption. Combining the monitoring of external developments with our internal portfolio reviews, we continuously identify targeted initiatives as political, social and economic developments evolve over time.



### Value Add Quality

How do we grow the value of our audit for the entity subject to audit and those charged with governance? By constantly innovating, discovering, and delivering insights to deliver a more meaningful and impactful audit experience. It is about delivering on that value promise, for example through recommendations on internal control enhancements, hot topics such as innovation, cyber security, electronic revenue streams, innovative block chain techniques, and responsible tax.

### Process Quality

Driving project management is a priority in our audit quality strategy, as our causal factor analyses show a strong correlation between good process quality, workload pressures and audit excellence. The Audit Quality Milestones (AQM) are a series of targeted dates for the completion of planning, interim and year-end procedures. The AQMs are designed to initiate the earlier timing and sequencing of audit planning and to strengthen audit engagement project management by establishing progress milestones with due dates by which relevant activities and documentation are expected to be completed. Through the application of Audit Quality Milestones, we explicitly proceed to reduce the workload by the use of personalized and tailor-made dashboards with a clear view on the status of running audit engagements.

### Compliance Quality

Full compliance with the applicable Standards on Auditing is foundational in terms of Audit Quality. It is one of the reasons why we invest significantly in training and coaching programmes, in-flight monitoring, Engagement Quality Control Review (EQCR) and internal practice reviews.



# What Deloitte Audit & Assurance brings to capital markets

## Audit & Assurance Transformation

Being a relevant profession of the future and a sustainable practice that evolves with the pace of change in technology and society is critical. Driving this goal is the Deloitte Audit & Assurance Transformation initiative, which is currently being developed and deployed across the Deloitte network, including at Deloitte Netherlands.

Audit & Assurance Transformation represents an important shift across the network in the way Deloitte professionals work and includes:

<p>The Deloitte Way: Standardization of audit processes supported by our global technology suite</p>	<p>Real-time audit quality monitoring</p>
<p>Enhanced talent model, including learning, rewards and recognition, centers of excellence, and delivery centers</p>	<p>Agile deployment of tools and technologies to respond to changing environments</p>

## Deloitte Global Leadership

The Global Audit & Assurance Leadership Team is led by Jean-Marc Mickeler, Global Managing Director of Audit & Assurance. Global Audit & Assurance responsibilities include:

- Developing and driving Audit & Assurance strategy;
- Setting audit methodology standards and approving audit policy and methodology changes, with the objective of enhancing audit quality across the Deloitte network;
- Driving key audit quality initiatives and policies across the Deloitte network.

## Audit engagement acceptance and continuance

As a part of the Transformation efforts, global initiatives are underway to promote a standard approach to audit engagement acceptance across the Deloitte network, resulting in consistent decisions and consideration of risks.

Deloitte Netherlands has detailed policies and procedures in place for accepting prospective clients and engagements and assessing engagement risk.

The process of client and engagement acceptance comprises five steps performed by practitioners, Lead Client Service Partners, relationship managers (the first two steps) and the RRL Office (the last three steps):

- Identification of prospective clients
- Client risk assessment
- Adding client data
- Background check
- Approval

These policies and procedures are designed to ensure that Deloitte Netherlands accepts engagements only where it:

- Is able to perform the engagement and has the capabilities, including time and resources, to do so;
- Can comply with all relevant ethical requirements and professional standards, including independence and conflicts of interest assessments and considerations;
- Has considered the integrity of the potential client’s management team, as well as the provisions in the legislation on preventing money laundering and terrorist financing (*Wwft*).



### Audit innovation

The “Deloitte Way” is Deloitte’s way of bringing innovation into the core of how we audit. It includes automation that improves our performance of routine tasks, analytics that yield a deeper and more insightful understanding of the data, and artificial intelligence that enhances human discovery and problem-solving. As a result, clients get an experience that is less burdensome, but that provides greater transparency and deeper insight.

Innovation is an expectation in today’s fast-changing business environment, and this expectation holds true for the audit profession as well. Today’s complex business environment requires an audit to be dynamic, multidimensional and insightful. There is a demand for real-time, relevant information, and clients expect audits to evolve as they innovate their businesses and processes. While traditional procedures still have a place in auditing, Deloitte Netherlands auditors are enhancing procedures by making more use of, for instance, technology-based analytics, artificial intelligence, and cognitive and cloud-based technologies. This is fueled by the increased automation and effectiveness that such data analytics and other tools may provide, but also the need for Deloitte Netherlands to stay at the forefront of the advanced technologies used by the entities that we audit.

Innovation is an integral part of the entire audit delivery process. Deloitte is committed to continued investments in emerging technologies and in the diversity of thought needed to ensure we can deliver enhanced quality, insights and value to our clients and the markets. These innovations include Illumia, our global analytics platform, as well as an integrated suite of innovation-enabling tools connected in the cloud. We are also developing Omnia, our next-generation cloud-based audit delivery platform, in addition to Levvia, a solution to support our small audits.

### Our contribution to academic research

The Foundation for Auditing Research (‘FAR’) represents a unique collaboration between the academic world and practice. The primary goal of the FAR, which was founded in 2015, is to provide the auditing profession with academic information on developing and improving audit quality. In seeking to achieve this important goal, Deloitte financially supports this foundation and provides researchers involved in FAR projects with archival data and access to its professionals for research purposes. During the past financial year Deloitte collaborated in several research projects, varying from survey-based research to archive-based research or a combination of the two. Deloitte gathered over 400,000 unique data fields for the archival-based research projects that it was involved in last year, spending over 3,500 hours on our contribution to academic research.

Besides supporting the FAR, Deloitte also contributes to auditing research by investing in its own people. In 2018, Deloitte developed a program to allow an annual selection of professionals looking for an intellectual challenge to pursue a PhD in the field of auditing. This PhD program aims to encourage audit quality research in line with the FAR’s objectives and to facilitate part-time academic careers for selected Deloitte professionals. In addition, it aims to enable these selected professionals to make academic knowledge available to Deloitte’s audit practice, while also allowing them to utilize their own practical experience to contribute to academic literature. To achieve these goals, the selected candidates are given the opportunity to spend 50% of their working hours on their research project for up to five years. The first candidate joined the program, under the supervision of an academic member of the FAR Board, in September 2018, and has since spent just under 400 hours working on a research proposal to identify and measure audit quality drivers. Deloitte expects a further two candidates to join the program in 2019.



### Deloitte's contribution to first survey phase CTA

In our public reaction towards the CTA Deloitte emphasizes two causes that should be addressed to improve audit quality and the reinforcement of trust towards (the work of) the auditor:

1. Quality inspections show there is still room for improving audit performance, despite the demonstrable progress already achieved in recent years.
2. Society's expectations of the auditor's role, e.g., relating to fraud and continuity, are different from those required under the current standards for statutory audits.

Although the positive impact of the recent measures implemented will be more apparent in future, we endorse the need for acceleration. This translates into additional steps, aimed at:

- *Strengthening our organisation's learning ability.* This is about finding a proper balance between striving for high audit quality while creating a culture of being allowed to make mistakes, sharing them, and learning from them
- *Building our professionals' resilience* against the increasing internal and external pressures they face. In terms of realising quality, causal analyses show the absolute necessity for professionals not to be afraid to pause if audit information still proves to be insufficient. This likewise applies if audit clients exert pressure to quickly finalise an audit. And all the more so if a suspicion of fraud or corruption is involved or doubts about the going concern.
- Quality is enhanced through ongoing standardisation and by applying new technologies in the core of our audit procedures. This includes analytics, robotics and artificial intelligence. The use of Audit Quality Indicators (AQIs) increases the foreseeability of quality.

In addition to our own efforts to achieve long-term quality enhancements and regain trust, measures will need to be implemented throughout the reporting chain.

- The role and responsibility of managing and supervisory directors for financial reporting should be embedded more strongly in legislation and regulations, e.g., in a proportional equivalent of the Sarbanes-Oxley act.
- The roles of the Netherlands Institute of Chartered Accountants ("NBA") should be split up, e.g., by restricting the NBA's role to that of a representative body for the members. The role of regulator and supervisor can be transferred to an independent body.
- The design of the AFM supervision should resemble the PCAOB supervision in the US, including (i) a focus on PIEs and (ii) preparing a stricter standards and review framework.

### A future-proof approach

Society's expectations relating to fraud and corruption, continuity, and assessing non-financial information are growing. Therefore we engage our stakeholders to actively innovate our product. We do so individually and as a sector, nationally and internationally. We envisage even more fundamental changes due to the great speed of technological developments. Technologies like Robotic Process Automation ("RPA"), Artificial Intelligence ("AI"), Data Analytics, and Blockchain result in changes to business models, processes and controls at audited entities. The same technologies are being applied to enhance audit quality.

The capacities required from auditors will also change. Future auditors will need to be skilled in working with new technologies and extensive data flows. This likewise sets higher requirements for skills, such as critical and analytical thinking. Finally, we see the product evolve from auditing historical financial information to safeguarding responsible business practices. We anticipate a future need for more assurance, including reports on sustainability and continuity indicators. The latter will vary from climate change risks to cyber security and the attitude and behavior of management.

The Audit & Assurance profession is crucial to a properly functioning financial system, to which we are committed. Our additional measures are based on causal analyses. We support any measure that demonstrably enhances quality. Many measures have been implemented in recent years. The results are starting to appear, representing an upward trend. The reporting chain is where opportunities can be found for further improvement of reporting and audit quality. Joining efforts in reinforcing the roles of management, Supervisory Board/Supervisory Council, the auditor, the AFM, and the NBA will be beneficial to quality.



# Developing Leadership: Talent

Being the undisputed leader for our talent is crucial. Our ability to attract, develop and retain the right people is therefore a key success factor for our business. Within Audit & Assurance, the focus is on keeping the work diverse and attractive while reducing the workload.

## Global Audit Talent Standards: Differentiation in career tracks

Delivering a globally uniform service of exceptional quality is a key priority for Deloitte. Last year we introduced the Audit Talent Standards to enhance the talent experience for our professionals, while also helping them to develop their careers and skill sets in order to serve their clients across Deloitte more effectively and consistently. The Talent Standards developed define the most critical skill sets and capability expectations required of Deloitte professionals, based on the roles they perform. These standards provide Deloitte professionals with guidance and tools to build their personal portfolio of skills to a world-class level. They set a high bar to help professionals plan their development at each stage of their career. The standards will also make preparation for the next level more transparent than ever before. During the reporting year, we developed two additional talent models, alongside the Audit Talent Standards, to reflect the differentiation in roles we have within the Audit & Assurance business. These are:

- The Audit Assurance Talent Standards, in which we defined the Assurance skill set for the Audit Advisory practice;
- A career track for Audit specialists providing depth of knowledge in a specialized skill set, area or sector. This model allows us to attract and retain key talent wanting different career paths.

These talent models will be implemented during the coming year.

## Culture

During the year under review we continued focusing on our culture program, and specifically on

Deloitte's shared values. Within Audit we continued working on our three chosen cultural challenges: providing honest feedback, pursuing personal development and "walking the talk". In 2019 we also added 'reward behavior'.

Upward feedback sessions were held in some parts of Audit, with all partners and directors completing a 360-degree survey report on their leadership skills and asking for 360-degree feedback.

Personal development is very important for Audit & Assurance professionals and represents a significant element of our culture program. During the year under review, we offered a variety of training courses on, for example:

- Coaching and feedback skills;
- Negotiation skills (this year for partners and directors, and next year for managers);
- Project management;
- Leadership in the boardroom;
- Vitality and energy;
- Unconscious bias training for hiring managers;
- Business chemistry;
- High-impact leadership.

Deloitte sets great store by professional and leadership development and, to this end, we operate our Director Development Program in support of a selected group of senior managers' ongoing development. During the year we also invested in professionalizing this program for senior managers seeking to become directors.

Our aim is for this program to add value by:

- Devoting attention more specifically to personal and career development;
- Focusing on building and strengthening leadership capabilities;
- Ensuring proper preparation for potential participation in the director nomination process;
- Preparing senior managers for the next step in their career.

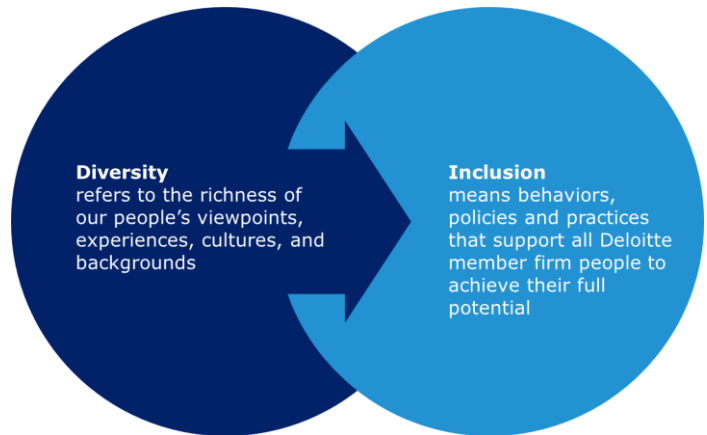


We have also introduced a development program for directors seeking to become a partner. The Partner Development Program supports directors in developing towards the level of partner. The focus is on personal development, with special attention for the differentiators of inspirational leadership and strategic direction. The program comprises a series of compulsory and optional modules and various different ways of learning. All participants work on their own personal development and plan at their own pace.

**Diversity and inclusion**

Strength from diversity is one of the core values of Deloitte. This value is rooted in our belief that diversity drives quality and innovation and, with that, the overall performance of the Audit function. Teams built on diversity have better listening abilities. And these, in turn, result in higher quality audits.

As well as business chemistry profiling the psychological differences of leadership, we also have a KPI for gender diversity in our workforce: 60% male and 40% female by 2020. The present composition is the same as last year: 67% male and 33% female. To meet this KPI, we have defined four focus areas: recruitment, promotions and succession, experience and exposure, and inclusive leadership.

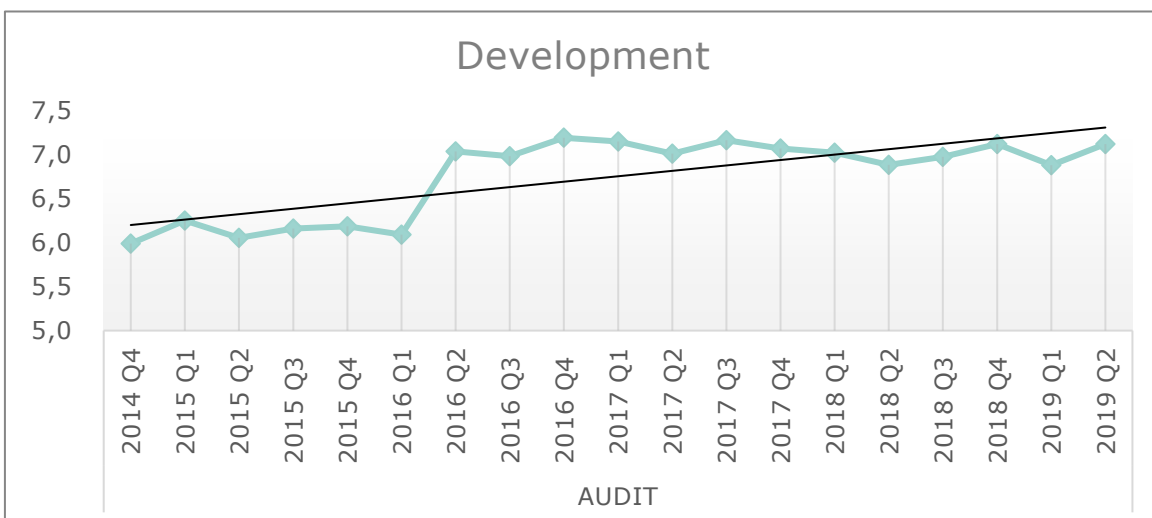


During the 2019 Diversity & Inclusion week we provided our employees with the opportunity to participate in a host of activities organized by our Group Support Center, GLOBE<sup>1</sup>, the Deloitte Women’s Network and the Cultural Diversity Network, with the aim of learning more about how we can all contribute to benefiting from diversity and creating an inclusive workplace.

**Retention of talent**

We aim to provide a truly distinctive experience by offering career-enhancing assignments and broad development. Our talent is given the opportunity to work on assignments with a range of clients to discover for themselves what type of clients suits them best: public sector clients (such as universities or municipalities), private sector clients (such as family businesses) or listed entities (large multinationals).

The Talent Surveys show that “development” has been on an upward trend since the base-line measurement in 2014.



<sup>1</sup> GLOBE is an initiative within Deloitte that connects people who share affinity around LGBT (Lesbian, Gay, Bisexual and Transgender)

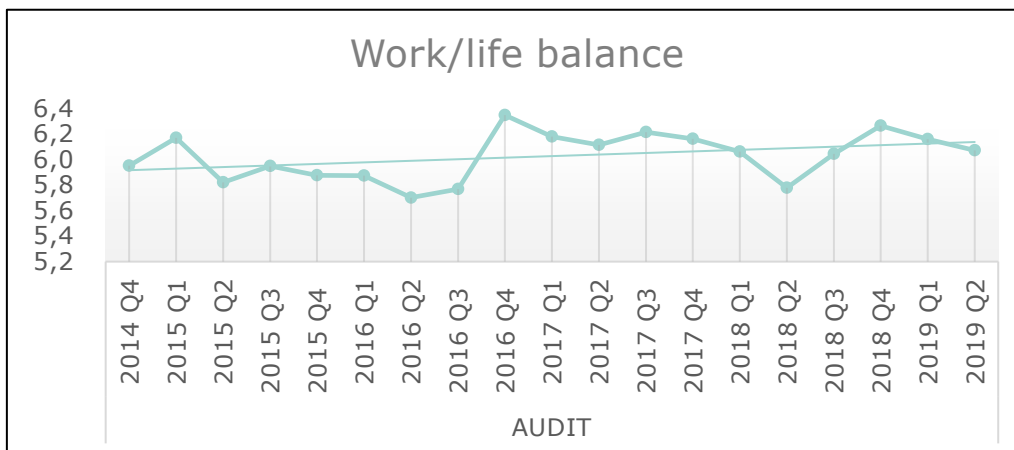


During the reporting year, we focused on retaining our talent by analyzing the departures not only in terms of numbers, but also the reasons why people left our organization. As well as improving our exit surveys, we talked to leavers themselves and held round-table discussions with community leaders. In addition, we discussed with our professionals why they have chosen to stay with us and what they find attractive in working for Deloitte Audit & Assurance. Based on that information, we have since created a “retention intervention library” in which we have assembled details of best practices and the various opportunities available for interventions. These and other action contributed to the leaving rate falling from 14.5% to 11.0% during the year under review.

**Work/life balance**

In terms of improving quality, causal factor analyses show the absolute need for professionals not to be afraid to pause if audit information continues to be insufficient. This likewise applies if audit clients exert pressure to quickly finalize an audit, particularly if fraud or corruption is suspected, or doubts exist about the entity as a going concern. This explains our specific focus on diversity and complementarity when staffing our audit teams, where we seek to create teams of people who challenge each other, as well as to strengthen teams’ critical and reflective capabilities. This requires us to invest in skills training and resilience coaching. The appropriate attitudes and behaviors are also major criteria in the appointment, assessment and remuneration of our professionals.

Our professionals’ evaluation of their “work/life balance” underlines the importance of this theme. While pressure is experienced as high, certainly in the “busy season” (Q2 measurements), the 2014-2019 quarterly measurements show a positive development. But we also realize that work/life balance remains a continued area of focus and attention.



On the one hand, we have sought to reduce the workload by (i) the targeted acceptance and termination of work, and (ii) standardization through our Global Audit Transformation Program and (iii) centralization of work through our regional delivery centers. In 2019 we also have implemented a new planning process and tooling to better fit the needs of our talent. We are also focusing on increasing our professionals’ resilience to internal and external pressure, including by providing coaching on project management skills. To this end, we have been strengthening the role of the team leaders and coaches so that they are better able to recognize signs of (i) avoidant goal orientation, (ii) working excessively or compulsively, and (iii) an imbalance between work and private life.

Team leaders, business leaders and coaches can help by:

- Clearly communicating their expectations regarding their employees’ roles (tasks/responsibilities);
- Discussing wellbeing (work/life balance, working overtime etc.) during “check in”;
- Providing guidance on developing competencies and building self-confidence;
- Increasing resilience;
- Providing their employees with more opportunities for self-direction;
- Expressing appreciation and providing employees with social support.



<b>Table II: Employee turnover by level</b>	<b>2018/2019</b>		<b>2017/2018</b>	
		<b>%</b>		<b>%</b>
Partners	6	7,9%	5	6,7%
Directors	5	7,1%	7	11,1%
Senior managers	8	6,3%	16	13,0%
Managers	19	9,2%	20	10,9%
Senior and other staff	135	12,7%	133	12,7%
Support	2	5,6%	3	9,7%
<b>Total turnover</b>	<b>175</b>	<b>11,1%</b>	<b>184</b>	<b>12,1%</b>

**Criteria:** Employee turnover within Deloitte Accountants B.V. over the previous 12 months as at May 31, 2019 This excludes turnover of employees in our non-Assurance practice. The attrition rate is based on the headcount within Deloitte Accountants B.V. at 31 May 2019.





### Learning and development initiatives

Various enhancements to the Deloitte talent and learning experience are central to the Audit & Assurance Transformation initiative. These include Deloitte's transformed approach to audit delivery, which is enabling our professionals to use more advanced analytics, to apply the latest tools and technologies and more critical thinking, to spend more time applying professional judgment, and to gain a deeper understanding of a client's business and industry—all of which contribute to enhanced audit quality and to an improved experience for our people.

Deloitte has made substantial investments in our talent and learning strategies and transformed our technical audit curriculum in order to build the proficiency required at each level of the organization. At the core, we have a mandatory Audit technical learning curriculum for all Deloitte auditors around the world. This targets learners by level, using a dynamic blend of live instructor-led and digital on-demand courses and on-the-job activities.

Deloitte has also established specific learning opportunities for specialists working on audit engagements to support their knowledge and understanding of the audit process. Enhanced project management, a key capability for executing audit engagements, is included in our annual development programs. The objective of the Deloitte Netherlands professional development program is to help partners and other professionals to maintain and enhance their professional competence and ensure audits are consistently executed. To supplement on-the-job development, Deloitte Netherlands provides formal continuing professional development programs in relevant subject areas consistent with the Deloitte Global Audit Learning Curriculum. The mandatory Global Audit Learning Curriculum consists of e-learning, webinars and classroom courses:

- Milestone programs:
  - Jump In
  - Go the Distance
  - Raise the Bar
  - Accelerate the Pace
- Audit excellence (ISA/PCAOB-accredited professionals)
- Internal controls & fraud
- Project management
- Group audits
- IFRS learning
- Analytics

### Audit Learning Experience 2018

The classroom courses on the Global Audit Learning Curriculum are being rolled out in the Netherlands via the Audit Learning Experience. During the reporting year we hosted a major learning event at a single central venue in the Netherlands in Nieuwegein. We also released three milestone programs—Go the Distance, Raise the Bar and Accelerate the Pace—for our assistants and senior staff. These coach-led programs are mandatory and aimed at practitioners in both ISA and PCAOB engagements.

The Audit Excellence program adopts a continuous approach to learning, including just-in-time flexible learning and in-depth application workshops, with the overall aims being to equip participants to identify key issues and develop action plans to continue enhancing and driving audit quality.

### Optional courses

This year, we added five optional courses to the learning experience. These courses complement the Global Audit Learning Curriculum and were selected in a gap analysis of the Global Talent Standards. Two of the courses also link to the performance experience launched in September 2017. The five optional courses also link directly with our Culture Program:

- Project management
- Communication – Influencing
- Management reporting
- Feedback skills
- Coaching skills

### Digital learning

Deloitte provides various learning resources to aid employee development and growth. **Harvard Business Publishing** allows our professionals to access the Harvard Business Review Channel, which offers over 400 short videos on a broad array of business topics and an HMM portal with over 40 e-learning courses and other online resources.

The **LinkedIn Learning Platform** is an ideal learning resource for Deloitte professionals seeking to increase their skills as it provides unlimited access to on-demand courses, consisting of "bite-sized" videos focusing on key topics of interest.



**GetAbstract** is a book abstract/summary service that allows our professionals to read 5-page summaries of leading business books in a magazine-page format. All Deloitte professionals also have free access to **Skillsoft**, a global leader in providing resources on business, IT and desktop e-learning skills, as well as courses and books on a wide range of business topics.

#### **Bizquiz: COS knowledge test**

Employees within the Audit function in the Netherlands can also voluntarily take part in the Battle of the Brains. This is a weekly online COS knowledge test facilitated by the PPD. Battle of the Brains 'specials' are also organized on specific subjects. Each week, a stable group, averaging

about 300 colleagues, fanatically participate in these sessions.

#### **Learning hours**

Deloitte Netherlands has set minimum levels of continuing professional development to be completed by partners and other professionals within specific periods of time. Besides the mandatory technical audit learning there are a lot of learning and training possibilities. Not all of the hours of training are captured in the financial administration. Therefore we added in table III the amount of mandatory technical learning with the hours recorded in our financial systems. You cannot add these two variables directly together because it contains a certain degree of duplication.

<b>Table III: Learning hours</b>	<b>2018/2019</b>	<b>2017/2018</b>
Mandatory Technical Audit Learning Hours	108	113
Average hours recorded in the financial administration per headcount	138	133

**Criteria:** The mandatory technical audit learning hours based on the curriculum provided by DTTL and the hours spent by Deloitte Accountants B.V. employees (partners and fee earners) on internal and external training courses as recorded in the financial administration during the reporting year.

#### **Deloitte University**

Deloitte actively cultivates the collective knowledge and skills of its professionals around the world by continuing to invest in Deloitte Universities. These are state-of-the-art learning and development centers focused on Deloitte culture and rooted in the principles of connectedness and leadership in a highly inclusive learning environment.



The Deloitte University curriculum is vital for the development of professionals within Audit & Assurance. It offers a variety of soft-skill training courses on, for example, (i) becoming a manager or senior manager, (ii) high-impact leadership, (iii) boardroom and negotiation skills, and (iv) programs tailored to specific industries.

Deloitte University EMEA (Europe, Middle East & Africa) has two locations: i) La Hulpe, Belgium and ii) Chantilly, France. In 2018/2019, over 7,700 colleagues from all over Deloitte EMEA participated in one or more of the 128 different offerings provided at these locations, involving over 900 facilitators from the various member firms.



## The high-quality audits we deliver

The experience of a high-quality audit, delivered well, will provide the audit committees, investors and other stakeholders of the companies with (but not limited to):

- An audit report that is appropriate to the circumstances;
- Innovation in how we do the audit;
- More insights about their company than they had at the outset of the process.

Deloitte is proud of its role supporting the capital markets, protecting investors and the public trust.





# Message from Rik Roos, Head of Audit Quality & Risk Management

The world is in a state of flux, with shifting balances in global economic powers, a new political era and evolving stakeholder expectations. As we rapidly move into a new industrial reality, driven by technological innovation and an inspiring energy transformation, hyper-connectivity is allowing people to have a global impact at the click of a mouse and is leading public debates on themes such as diversity, equality and inclusiveness.

In this state of flux, we are observing continued scrutiny of the Audit profession, while the profession itself and Deloitte also have to respond to this scrutiny, debate with stakeholders about the services they want, adapt as required and produce consistently high-quality audits.

As the Head of Audit Quality and Risk Management, I believe that culture and mindset are the most impactful drivers of audit quality. I am pleased, therefore, to see that we have been able to push the incentives applied to our practitioners to a next level of maturity by setting clear behavioral expectations and steering away from a compliance-driven exercise. What does this mean in real life?

We expect our professionals to demonstrate courage in seeking to protect the public interest. Our engagement teams continued their efforts in this respect by performing over 1,500 statutory audits in the past financial year. These led to 414 reports to the Financial Intelligence Unit (FIU) for possible fraud, corruption or other types of unusual transactions being identified and reported. The number of transactions identified has continued to increase over time and is contributing to the integrity of our capital markets. My eyes lighted in this respect on the annual partners and directors meeting, when an entire engagement team was rewarded for its robust challenge of the effectiveness of an audit entity's corporate governance structure that lacked the specific checks and balances needed to protect the interests of minority shareholders and bondholders. While the audit was turbulent from a client relationship perspective, the engagement team was explicitly rewarded for its courage in standing by its view that the public interest has to come first. This led to additional enhancements of the entity's governance structure and to public disclosures of areas in need

of improvement and this is explicitly recognized by stakeholders in the financial markets.



As, however, stakeholders' expectations are evolving over time, we expect our professionals to display agility and an adaptive mindset in developing innovative solutions that contribute to high-quality audits. Examples of this seen during the reporting year include an increased use of robotics in the way, for example, that cash balances are audited or in the procedures used to audit a real estate portfolio and assess rental contracts. We have also developed globally standardized workflow packages and prioritized the concept of in-process inspections on the most relevant audits to ensure we can remediate any quality-related observations before opinions are issued.

As John Lennon sang, "Life is what happens to you while you're busy making other plans." In that spirit, and from a culture and mindset perspective, we encourage our professionals to "run into the fire" by volunteering their experience to assist other teams when difficult and challenging auditing issues unexpectedly arise. One praiseworthy example is that of the audit partner who put in extra effort in providing audit knowledge to an engagement team involved in navigating an audit of complex financial statements in a highly litigious multi-stakeholder environment with competing priorities. Although some would point out that this is surely us just doing our job—and they would be right—the effort expended in the name of public interest can be substantial, albeit remaining invisible in our published opinion. Every day, on every level, every professional can make a distinctive contribution to



audit quality. In the spirit of driving a culture and mindset of quality, I am happy to see promotion candidates explicitly reporting on their personal contribution to driving diversity, equality and inclusiveness as part of their individual quality assessment. I believe that creating an environment where professionals can be their true selves has an invaluable positive impact on audit quality. It is my experience that driving diversity, equality and inclusiveness helps to encourage professionals to speak up and to explore different perspectives, even if those are off the beaten track or inconvenient, and that this has a positive impact on growing the ability to apply professional skepticism and to challenge the status quo. Although this is an area where it is hard to objectively measure progress, I do see us becoming more diverse and recognize an increasing purpose-led and stakeholder-centric mindset in discussions with our Young Audit Board members.

Is there a flipside? Of course there is. During the reporting year we saw isolated instances of old-school behaviors that are unacceptable in today's world. These had nothing to do with human error or a learning organization, but more with a reluctance to change or a tendency to apply quantitative rather than qualitative benchmarks. Although dealing with these instances can be demotivating and time-consuming, I do appreciate the rigor with which our firm has been able to respond to such culture and behavior-related incidents. When it comes to dilemmas relating to culture and mindset, it is encouraging—from a stewardship perspective—to see that we have chosen to focus our efforts on enabling our young professionals to flourish in their purpose-led ambitions and do not tolerate intentional old-school behavior. We must, therefore, and will continue to invest in quality by seeking to understand the causal factors and by equipping and supporting our teams appropriately.

Were there any other challenges we faced in seeking to drive a culture and mindset that puts the public interest first? The absence of a fixed set of rules, mathematically defining appropriate quality behavior, can lead to discussion, to interpretation differences and, sometimes, to pushback. This is all, however, for a good cause. It also adds value as, in my view, such discussions demonstrate our professionals' commitment to and trust in having a positive medium-term impact by collectively redefining who we are and whom we represent in the public debate. Does this lead to an increased inspection rate in the immediate term? Probably not. I do believe, however, that continuing to consistently set a tone of voice that puts the public interest first is foundational. This helps build trust with our professionals and they will experience the firm's backing when applying the concepts of "courageous actions to protect the public interest" or when "running into the fire" and feel they will be supported to experiment, make mistakes and learn from developing the innovative solutions that contribute to high quality.

In doing so, we should not be shy to move away from audit entities that are unable or unwilling to step up in the quality journey. In an eco-system involving multiple parties, quality audits are more difficult where entities that are subject to such an audit lack appropriate internal controls or where an objective and professional challenge from those on the Supervisory Board is lacking. I consequently welcome the public debate on how to best enhance entities' internal controls and corporate governance structures and we have continued to execute our "improve-or-exit" strategy in line with this.

While the profession remains under scrutiny, the message I read between the lines is encouraging: we share similar overall interests and objectives, including the objective of stable financial markets operated by organizations that are well controlled and governed and the objective of producing insightful financial and non-financial information to which an audit opinion based on a robust and independent assessment adds credibility.



## Young Audit Board in 2018/2019

Deloitte Netherlands maintains policies and procedures to promote an internal culture based on the recognition that quality is the top priority. In this respect, our Young Audit Board acts as a differentiator. The purpose of this Board, a group of five ambitious professionals, is to act as an intermediary between Deloitte's young professionals and others in the organization who are interested in quality, both within and outside Deloitte.

The Young Audit Board has existed since 2013 and is intended to serve as a bridge for communications between the audit leadership and young professionals. The Young Audit Board activities have included participating in the dialogue with outside stakeholders such as the Accountancy Monitoring Committee and the AFM, as well as with the audit leadership, including Executive and Supervisory Board members.

In the past year the Young Audit Board (YAB) achieved the following:

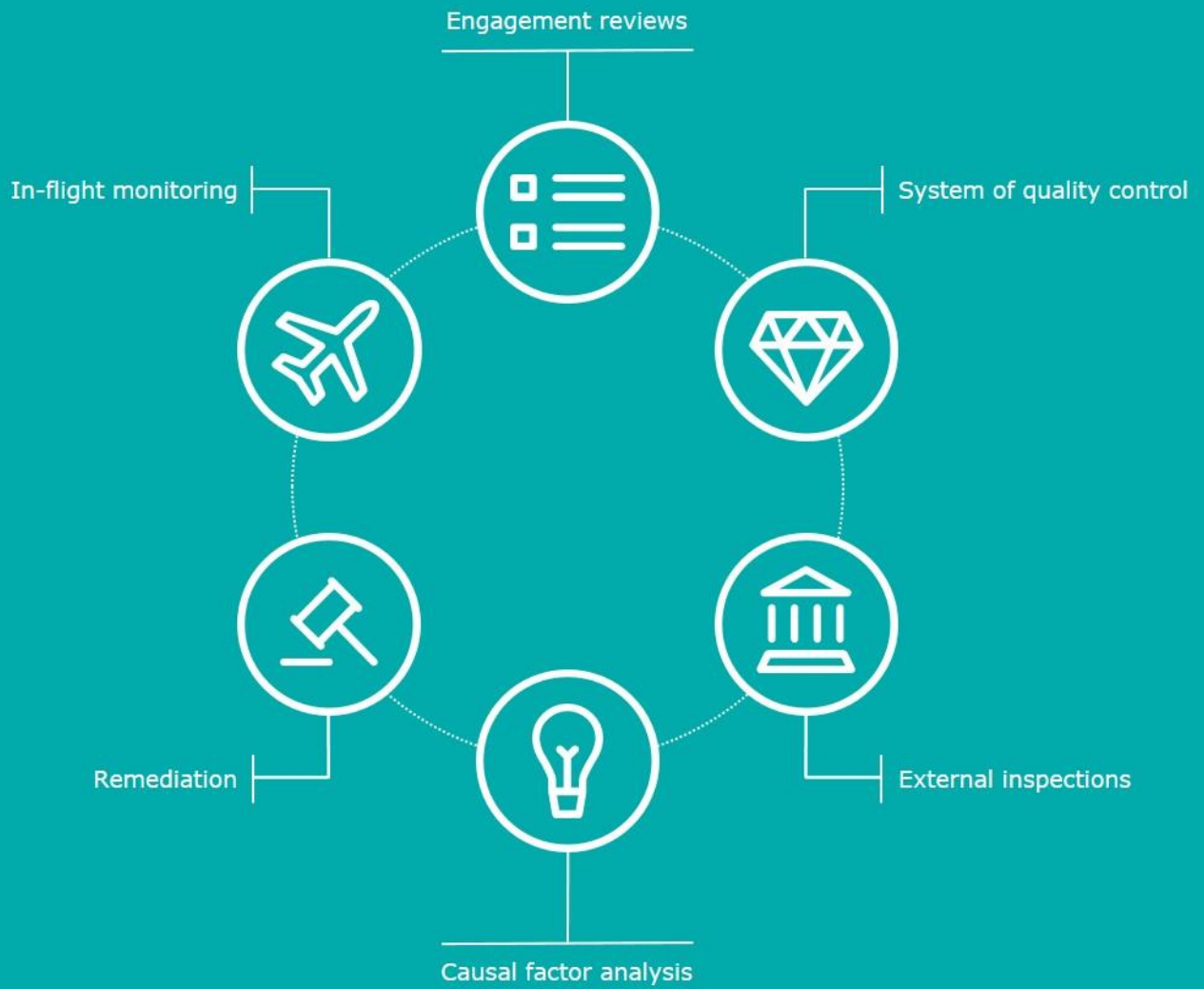
- It introduced the roadshows initiative into our existing program. This involved holding roadshows with young professionals at almost every office, including discussions on themes such as culture, workload, audit quality, work environment, remuneration policy and the performance system. The output of these roadshows has since been included in multiple reports and used in discussions with audit leadership and the Talent partners;
- In October 2018, it hosted an inspiring event with Roger Dassen (Chief Financial Officer at ASML and previously CEO of Deloitte) as the main speaker. The event was staged in a "College Tour" setting, where Dassen shared his experience as an auditor with the young professionals;



- In June 2019, YAB held a second "College Tour" event with the current CEO, Hans Honing. This was a great opportunity for young professionals to meet and have a dialogue with the new CEO. As well as questions of a more personal nature, the topics discussed included his vision for Deloitte and more specifically the future of audit; It held periodic meetings with several stakeholders involved in managing the organization, including the Supervisory Board and the Audit & Assurance management team;
- It published a manifesto that it shared with the Commission on the Future of Audit. This manifesto was written with other Young Boards of PIE audit firms and provides the YAB's shared views on topics such as alternative business models, workload, innovation and the attractiveness of the profession;
- It periodically shared a newsletter with our young professionals on various topics relating to audit quality, innovation and learning, as well as stories about colleagues involved in activities in addition to their audit work for Deloitte.



# Audit Quality Monitoring & Measurement





# External and internal audit quality monitoring

## Audit Quality Monitoring & Measurement

A continued focus on audit quality is of key importance to the Deloitte brand. It is of critical importance for a Deloitte audit to be consistently executed and of high quality, wherever in the world it is performed.

The objectives of the Global Audit Quality Monitoring & Measurement (AQMM) program are to:

- Transform the way audit quality is monitored and measured and audit deficiencies are resolved; and
- Enhance the internal system of quality control applied by all Deloitte network firms.

The AQMM program focuses on driving:

- Continuous, consistent and robust monitoring of completed and in-flight engagements;
- Fundamental understanding of deficiencies and timely execution of corrective actions by all member firms consistently;
- Greater transparency and consistency in reporting key measures of audit quality.

## In-flight monitoring

Continuous audit quality monitoring by Deloitte Netherlands drives a faster response to audit issues on "in-flight" engagements, thus driving identification, timely solutions and real-time corrective actions through:

- The deployment and monitoring of a series of core diagnostics, enabling engagement partners and teams, as well as Deloitte Netherlands audit quality leader(s), to continuously monitor audit quality and take immediate action;
- A program of subject matter-specific "health checks" to assist Deloitte Netherlands audit quality leader(s) in assessing progress and identifying potential issues on in-flight engagements.

## Engagement Quality Control Reviews (EQCR)

Internal inspections in previous years showed that our EQCR policies could be improved. With this in mind, the EQCR plan for 2018/2019 was built around our assessment of quality risks ("What could go wrong in the execution of a proper EQCR?"), our proposed responses to these risks and our monitoring activities.

Our EQCR initiatives have concentrated on four focus areas: i) scope of the EQCR, ii) allocation and sufficiency of resources, iii) recognizing and rewarding good EQCR performances quality, including the culture and mindset of the EQCR, and iv) documenting and monitoring the effectiveness of EQCR and (v) leveraging the strength of the North South European Firm in the context of EQCR.

Throughout the year we continued focusing on the robustness of the EQCR procedures applying to (i) engagements for PIE and (ii) other complex engagements with an increased risk profile owing to their nature, size or complexity. Examples of actions performed included:

- Distributing periodic updates on EQCR in newsletters and separate correspondence to all our EQC reviewers;
- Increased attention for recognizing and rewarding good EQCR performances as part of the "tone at the top" in newsletters, personal e-mails from our Chief Quality Officer and attention and recognition for EQCR in periodic update calls and at various events;
- Reinforcing the process for assigning EQC reviewers to specific engagements, both in terms of the allocation itself and in the documentation used to establish whether a reviewer has the appropriate experience and knowledge and sufficient available time to perform this EQCR;
- Introducing new EQCR documentation forms, with clear procedural descriptions and guidance, linked to our latest policies and insights;
- Monitoring the timeliness, time spent and quality of the EQCRs performed by our professionals through monthly monitoring of hours, as well as assessments ("deep dives"), and accompanying action to embed this in the formal practice reviews (internal inspections) over the coming year.

In terms of hours, we observed that the number of EQCR hours compared to the number of team hours was slightly lower than in the previous year (1.7% in 2018/2019 compared to 1.9% in 2017/2018). The actual absolute number of EQCR hours per individual engagement increased, indicating an upward trend in the EQCR involvement per engagements. The fact that this upward trend of EQCR involvement is not reflected in the percentage is caused by the base number of total audit hours on individual engagements of the engagement teams as a whole also increased.





<b>Table IV: EQCRs performed and hours spent</b>	<b>2018/19</b>	<b>2017/18</b>
Mandatory EQCR (OKB)	198	207
Voluntary EQCR	315	580
# EQCRs at statutory audits	513	787
% of total statutory audits	38.8%	42.1%
% of hours spent on EQCRs for statutory audits with EQCR	1.7%	1.9%

**Criteria:** Total number of EQCRs and hours spent (based on hours registered in financial administration) for statutory audits with a normal, greater than normal or much greater than normal assignment risk

### System of Quality Control (SQC)

SQC includes numerous elements such as documenting key areas of the SQC processes and controls and performing procedures for testing the operating effectiveness of the SQC, including execution of a comprehensive SQC review program.

When used in conjunction with other metrics, Audit Quality Indicators (AQIs) assist Deloitte Netherlands to further develop and monitor audit quality action plans and report on the progress achieved in its audit quality journey. We have integrated our AQIs into on-going AQMM activities.

In addition, proper timing and sequencing of audit activities, including timely reviews of work performed and resolution of matters identified, are closely associated with high-quality audits. Audit Quality Milestones have been set to drive engagement teams' consistency in project management, the timing of work and to ensure the necessary focus on engagement staffing, including the sufficiency and expertise of assigned resources.

<b>Table V: Number of consultations in the field of accounting and auditing</b>	<b>2018/2019</b>	<b>2017/2018</b>
Audit	532	345
Reporting	163	202
Legitimacy	6	1
Other	32	13
<b>Total</b>	<b>733</b>	<b>561</b>

**Criteria:**

1. The number of written mandatory and non-mandatory consultations submitted to the PPD in the financial year.
2. In cases in which a consultation relates to more than one advice category, it is classified on the basis of the category to which the query primarily relates.
3. "Consultations" are formal queries from professionals on interpreting legislation, regulations and procedures in the field of audits and reporting.



### Causal factor analysis and remediation

Focusing on continual improvement is essential to driving improvements in audit quality, while understanding why audit deficiencies occur is vital for designing effective actions to remediate findings. Action is taken whenever deficiencies in the performance of an audit engagement are identified. Engagement-level remediation is imperative for driving continual improvements in audit quality and avoiding similar findings in the future. In preparing for an audit, Deloitte Netherlands compiles an Audit Quality Plan and provides for effective implementation and monitoring of key audit quality priorities.

Last year we enhanced our causal factor analysis-process by adopting a new methodology. We included systems thinking in our approach and deepened our process by a broader desk research, a new team assessment, involve more audit team members in the process and enhanced the use of behavior specialists in the whole causal factor analysis process. With this new methodology we were able to dive deeper in the casual factors of both good en to be improved quality. We also broadened our scope by performing more thematical research (for instance we currently are performing an analysis on the learning ability of the organization) than only focusing on audit file inspection results.



### External inspections

In addition to Deloitte Netherlands' own monitoring of audit quality, we are subject to external inspections by the NBA, AFM, PCAOB, the Central Government Audit Service (ADR) and the Dutch Ministry of Education, as summarized in table VI.

In 2018/2019, a limited number of external inspections took place (table VI). The Ministry of Education and the Dutch Central Government Audit Service performed external inspections of 8 (non-statutory) audits (2017/2018: 12), all of which were rated "compliant". Please note that the external inspections performed by the Dutch Authority for the Financial Markets, PCAOB and NBA are not performed on an annual basis.

In the period between November 2017 and May 2018 the AFM held several interviews with colleagues from Deloitte to monitor the implementation and embedding of the change process within the Audit & Assurance Function of Deloitte. In December 2018 the AFM informed us on the closing of the 'tussenfase Monitoring'.

Currently (August / September 2019) the AFM is conducting inspection on the system of quality control at Deloitte Accountants B.V (consultations / EQCR). Next to the annual inspections by the Ministry of Education and the Dutch Central Government Audit Service we also expect external inspections from the PCAOB on several files in September/October 2019.



### Engagement reviews (internal practice reviews)

The key components of engagement reviews (internal practice reviews) include:

- Risk-based engagement selection and consideration of all major industries served by Deloitte Netherlands;
- Mandatory moderation panel to drive consistency in findings and engagement ratings;
- External partners and deputies who oversee practice reviews to increase global consistency;
- Identifying appropriate resources (within Deloitte Netherlands and other Deloitte geographies) with the right experience and industry expertise, including establishing central review teams.

To enable ourselves to drive a meaningful Audit Quality Plan, we enhanced our approach to quality monitoring as we believe that quality improvement starts with an objective level of self-assessment to identify the areas where there is room for further improvement. In this spirit, we consistently challenge the robustness of our approach to performing and evaluating internal inspections based on various external benchmarks, such as the annual results published by the International Forum for Independent Audit Regulators to ensure our internal quality monitoring program at least equalize the bar applied by leading global regulators.

In 2018/2019, 31 statutory audits were reviewed in the internal Practice Review Program. Of these, 20 (64.5%) were regarded as "compliant" (2017/2018: 77.3%), while 6 (19.4%) were regarded as "non-



compliant" (2017/2018: 15.9%) and 5 (16.1%) were regarded as "requiring improvement" (2017/2018: 4.5%).

From a substance perspective the themes identified through our practice review align with the focus

areas reported by IFIAR. On an engagement level, all relevant findings are being remediated and included in a personalized Quality Improvement Plan for the professionals involved. Common trends are also incorporated into our national Audit Quality Plan.

**Table VI: Number of internal and external inspections** **2018/2019** **2017/2018**

<b>External inspections – statutory audits</b>		
• Dutch Authority for the Financial Markets (AFM)	n/a	n/a
• PCAOB	n/a	n/a
• SiSA	n/a	3
Total external inspections on statutory audits	0	3
Total statutory audits	1,592	1,870
	n/a	0.2%
<b>External inspections – non-statutory audits</b>		
• Ministry of Education	7	9
• SiSA (incl. WNT)	1	3
• NBA	n/a	n/a
<b>Internal inspections</b>		
Statutory audits*	31	44
* Of which PIE audits	8	8
Non-statutory audits	7	10

Criteria:

1. The number of internal and external inspections of statutory audits as a percentage of the total number of statutory audits.
2. The publication of the final inspection results is leading in attributing an inspection to a financial year.



### Acting in the public interest

To encourage and support our professionals in their focus on the public interest, we have clarified the behavior we expect. This is because we see strong correlation between culture, mindset and professional skepticism. An example of this can be seen in the Quality Commitment, which has been signed by our professionals registered as external auditors, and which is based on our core values and an unwavering focus on the public interest. We are also encouraging dialogue on the behavior we consider appropriate for achieving audit excellence and on potential dilemmas in our day-to-day practice that could hinder such behavior. Our efforts relating to fraud risks have resulted in a steady increase in the number of unusual transactions being reported by our professionals to the Financial Intelligence Unit. The key components of our efforts include:

- Continuous learning for all professionals through different channels, customized to level or experience, industry and trends;

- Increased involvement of fraud experts;
- Horizon scanning of external developments and continuous monitoring and analysis of client portfolio;
- Actively carrying out the goal and importance of a focus on fraud risks by way of “ambassadors” and general communication of local leadership;
- Sharing examples of fraud, corruption and unusual transactions to increase awareness on a weekly basis;
- Analyzing and benchmarking the number of reported unusual transactions per service line and per office;
- Rewarding and recognizing professionals with good examples of acting in the public interest.

In the financial year 2018/2019, one set of financial statements audited by the organization was found to contain a fundamental error (2017/2018: 1).

**Table VII: Number of unusual transactions reported**      **2018/2019**      **2017/2018**

Number of unusual transactions reported	414	259
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**Criteria:** The number of unusual transactions reported by Deloitte Accountants B.V. to the FIU.



### Lessons learned from good practices and deficiencies (summary as referred to in Bta art. 24.1)

We believe in the concept of continuous improvement and recognize the value of insights derived from deficiencies identified through our internal monitoring procedures. It is those insights that help our professionals reflect and learn in an on-going effort to improve our products, services and processes. To enable our professionals to benefit from such lessons, we centrally log occurrences in cases where we have concluded that compliance with the requirements of the Dutch Auditors' Supervision Act could be enhanced. This log is a standardized source of information we can use to perform causal factor analyses and as input for the development of training materials and coaching programs. In our efforts to create a learning organization, we differentiate systematic, repetitive or other significant deficiencies from instances of a more isolated nature or that are clearly trivial in nature or impact. By transparently communicating the lessons learned, next steps, and our considerations in this respect, we aim to create an environment where professionals feel free to debate the concept of audit quality, openly share potential dilemmas in day-to-day practice, and help each other to do the right thing from a public interest perspective.

#### Examples of observations related to financial accounting

#### Example of the next steps

A situation where the entity's calculation of a provision for employee pensions was mistaken in relation to the rates applied for the employers share of pension premiums and social charges.

In this engagement we performed remedial procedures to ensure we had an appropriate understanding of all relevant facts and circumstances. In addition, the entity adjusted its financial statements, and transparently disclosed that such a situation had occurred and how this had been addressed.

In a situation with an immature internal control environment, the entity mismatched revenue income and rental contracts in a non-core segment of the business.

In this engagement we performed remedial procedures to ensure we had an appropriate understanding of all relevant facts and circumstances. In addition, the entity adjusted its financial statements, and transparently disclosed that such a situation had occurred and how this had been addressed.

#### Examples of observations related to auditing

#### Example of the next steps

From a quality control perspective, Deloitte performs Engagement Quality Control procedures before an auditor can sign an auditor's opinion. In an isolated situation, an auditor issued an opinion before EQCR approval, while there were still open queries, including questions on the follow-up of an unusual transaction outside the normal course of business.

As a firm, Deloitte withdrew consent to use this audit opinion to protect external stakeholders. Additional audit procedures have been performed, including a third-party investigation and additional disclosures have been included in the financial statements. A new audit opinion has been issued upon completion of these additional procedures.

Auditors are required to perform detailed testing of journal entries. Our system of quality control revealed this to be an area where we can improve in, for example, the way professionals apply the relevant methodology and the rationale for selecting certain journal entries.

In this engagement we performed remedial procedures to ensure compliance with the Standards on Auditing. As this is an area where we see repetitive findings, our Audit Quality Plan now includes a firm-wide initiative to leverage the use of data analytics in testing journal entries and to increase consistency in how we do so.

Auditors are required to obtain sufficient appropriate audit evidence related to management assumptions. Our system of quality control revealed that some of our professionals struggle with the sufficiency of directing and supervising the review of component auditors.

In this engagement we performed remedial procedures to ensure compliance with the Standards on Auditing, including an additional visit to the respective component auditor to follow-up on these inspection findings and obtaining additional audit evidence. As this is an area where we see repetitive findings, our Professional Practice Department updated available tooling and templates to guide professionals to sufficiency in terms of the nature, timing and extent of their involvement and the documentation of such. The documents have been explored in detail through the annual summer school to ensure familiarity with the approach and to collectively set expectations in this area.



In all occurrences where we concluded that compliance with the requirements of the Dutch Auditors' Supervision Act could be enhanced, we took measures to rectify the situation that had arisen and to prevent any recurrence. Our consideration in this context is that we see it as our role and responsibility to follow up on areas in need of improvement and to do our utmost to learn from such situations by enhancing our overall system of quality control to avoid any reoccurrence. In this respect we always evaluate how our EQCR process can contribute to the timely identification of such a situation prior to the issuance of an auditor's opinion. From the perspective of the individual's performance, we consider the relevance of providing additional support and developing tailored training courses, based on the outcome of the causal factor analysis and an appropriate evaluation of the level of accountability. In evaluating the level of accountability of the professionals involved, we strongly focus on mindset and behavioral aspects, combined with an assessment of the severity of the issue in terms of its nature and/or impact and the overall track record of the relevant professionals. We primarily drive quality by recognizing and rewarding audit excellence and applying financial incentives that positively contribute to acting in the public interest. Utilizing this concept, we have also seen instances of non-compliance as a result of an internal practice review or external inspection where we considered it appropriate to reduce the overall income of a respective partner to indicate the importance of audit quality and overall remuneration. Looking forward, and based on the outcome of causal factor analyses, there have also been situations where we considered it to be in the best interests of the professionals involved to reassess the nature, composition and/or volume of the individual's client portfolio.

### Partner remuneration

Execution of high-quality audits is expected from all professionals and is embedded across the Deloitte network. Audit quality is built into performance standards at every level and is the standard against which professionals' overall evaluations are measured.

In accordance with global policies, the performance of Deloitte Netherlands partners is evaluated annually and, depending on the outcome of the evaluation, partners' remuneration may increase or decrease. Partner evaluations take specific account of: (i) the results of practice reviews and external inspections, (ii) the contribution to set objectives, and (iii) the competencies and behavior expected from partners within the relevant Equity Group. The NPPD, Reputation & Risk Leader (RRL) and Director of Independence all provide input to this process. The remuneration received by a partner depends on the Equity Group to which the partner is assigned, the number of NWE units allocated to that partner and the value of each NWE unit. The value of the NWE unit is based on Deloitte's financial results and is determined after the end of a financial year. Deloitte has three Equity Groups, each comprising a range of units. Before the start of each financial year, each partner is assigned to an Equity Group. At the end of a financial year, each partner is allocated a number of units, based on the partner's performance in that financial year. That number of units multiplied by the value of the units constitutes the remuneration that the partner receives (retroactively) for that financial year. We take the quality assessment into account as the leading performance evaluation criterium. The Equity Group and unit allocation are discussed and approved in a unit level meeting, which is a meeting of the Executive Board and Executive Committee and is attended by the NPPD of the Audit & Assurance Function and the RRL. After that meeting, the Supervisory Board's Selection & Nomination Committee performs a marginal review of the meeting results to ensure recognizability, consistency and careful execution of the process. The Executive Board then adopts a resolution and submits the unit allocation for all Deloitte Netherlands partners to the Deloitte NWE Board for final approval.



As part of the NBA recommendations on “In the Public Interest” [*In het Publiek Belang*], Deloitte has implemented a claw-back scheme with a six-year term for profit-sharing partners who serve as external auditors and are involved in statutory audit engagements. These partners either have to deposit a lump sum or, over a six-year period, accrue an amount adding up to the average annual profit-sharing received during the most recent six-year period. If it becomes apparent, before the relevant expiration date under the claw-back scheme, that the auditor has made a serious mistake that resulted in an incorrect opinion being issued on a statutory audit and that this, in turn, resulted in damage to society, it may be decided that the amount accrued under the claw-back scheme should not be paid out to the audit partner and that he or she may lose all or part of the entitlement to this amount. The remuneration received by directors and salary partners consists of a fixed element, a variable element (profit-sharing) and, in the event of exceptional performance, a personal excellence bonus. The amount of the profit-sharing is determined by three factors: the number of profit points for the job classification, the assessment score (including the multiplication factor) and the fixed value per profit point.

In 2019 Deloitte has also implemented NBA recommendation 6.4.

### Audit Quality Reward & Recognition

As from 2018/2019, the Global DTTL Audit Quality Reward and Recognition Program distinguishes “Foundational Audit Quality Behaviors” from “Exceptional Quality Behaviors in the partner reward and remuneration model”. **Foundational audit quality behaviors** are required of all professionals in order to execute high quality audits. Demonstration of these behaviors is a basic or foundational requirement for continued participation in the performance of audits and included topics such as having thorough knowledge of accounting principles and auditing standards, proactively managing compliance with independence requirements, receiving a compliant rating from an external/internal inspection and meeting archiving deadlines.

**Exceptional audit quality behaviors** go above and beyond the required foundational quality behaviors of our professionals that are consistent with our values and core beliefs. In this spirit, we expect our professionals (i) to demonstrate courage in seeking to protect the public interest and (ii) to run into the fire using expertise /experience to

voluntarily assist partners/teams in difficult and challenging auditing matters that arise. As stakeholders’ expectations are evolving over time, our partner reward and remuneration model encourages professionals to (iii) display agility and an adaptive mindset in developing innovative solutions that contribute to high-quality audits and to (iv) build or develop deep knowledge/eminence and teaching or instilling that knowledge in others.

### Considerations when defining “next steps”

When defining the next steps to be taken after a quality-related incident, we take various elements into consideration:

- The mindset and behavioral aspects of the professionals involved;
- The public interest, and specifically the extent to which non-compliance could harm trust in Deloitte Accountants B.V. or the financial markets;
- The nature and severity of the non-compliance: for example, non-compliance with an internal rule versus non-compliance that leads to actions with external effects, such as the withdrawal of an issued auditors’ opinion;
- The extent to which non-compliance impacts on or causes damage to Deloitte Accountants B.V.’s relationship with its audit entity or with supervisory bodies and regulators;
- The impact of the proposed disciplinary measure(s);
- The level and position of the professionals involved;
- The level of cooperation demonstrated during the follow-up.

Failure by the person concerned to immediately follow up on the non-compliance, or a lack of cooperation in answering questions truthfully or providing any necessary information, may result in more severe disciplinary measures. An individual’s track record, repeated non-compliance within a short period or non-compliance that results in the entity concerned incurring a material loss, as well as non-compliance of material or essential importance to the party or entity concerned, may result in more severe disciplinary measures being imposed.



**Table IIX – Distribution of relative expenditure of time for partner/director hours** 2018/2019 2017/2018

The leverage on audit assignments by the number of partner/director hours as a percentage of the total number of hours	7.1%	7.2%
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**Criteria:** The hours recorded for partners and directors in the financial administration for statutory audit engagements of Deloitte Accountants B.V. in relation to the total number of hours recorded for these engagements. The hours recorded include hours spent on these engagements by other Deloitte Netherlands businesses contributing their expertise to audit engagements.

**Table IX – Number of hours per FTE spent on audit and other engagements in total and by position** 2018/2019 2017/2018

	P/D	(Sr.) Mgr.	Other	P/D	(Sr.) Mgr.	Other
Hours spent per FTE on auditing	659	771	910	659	796	885
Hours spent per FTE on other assignments	256	426	430	305	402	458
<b>Total direct hours per FTE</b>	<b>915</b>	<b>1,197</b>	<b>1,340</b>	<b>963</b>	<b>1,198</b>	<b>1,344</b>

**Criteria:** The hours recorded per FTE (from Deloitte Accountants B.V.) in the financial administration, divided between activities on statutory audits and other activities. Recorded hours of other Deloitte companies are excluded.

**Table X – Deployment of specialists in audit assignments, divided into PIEs and non-PIEs** 2018/2019 2017/2018

	PIE	Non-PIE	PIE	Non-PIE
Risk advisory (incl. IT specialists)	13.0%	6.5%	7.9%	3.8%
Other				
• Tax & Legal	1.5%	0.8%	0.7%	0.6%
• Financial advisory	8.0%	1.7%	3.8%	1.1%
• Miscellaneous	0.3%	0.2%	0.4%	0.4%
<b>Total</b>	<b>17%</b>	<b>5.9%</b>	<b>12.7%</b>	<b>5.8%</b>

**Criteria:** The hours of specialists, based on the company that provides support on the audit engagement, recorded in the financial administration and divided between activities on statutory Deloitte Accountants B.V. audits on PIE and non-PIE engagements.

As of the financial year 2018/2019 the calculated hours include those hours of specialists spent on sub assignments set up in other entities linked to the statutory audit performed by Deloitte Accountants B.V.





## Incidents in 2018/2019

In 2018/2019, Deloitte reported four incidents to the AFM.

One incident related to a potential breach of the Money Laundering and Terrorism Financing (Prevention) Act (or *Wwft*). In 2014, Deloitte reported an unusual transaction to the Financial Intelligence Unit. According to the Public Prosecutor's Office, this report was not made promptly and Deloitte was as a result suspected of having violated the *Wwft*.

In July 2018, the Public Prosecutor's Office offered Deloitte the opportunity of payment of a non-material amount to settle the investigations, which offer was accepted

The second incident related to an independence threat identified by the auditor in the audit of a public interest entity ("OOB") following acts by a tax advisor from another DTTL member firm. It was subsequently decided to terminate the audit engagement. We have received an instructive letter on compliance with standards from the AFM on this matter.

The third incident related to the breach by a manager of the internal procedures implemented for the use of electronic signatures when using a partner's electronic signature prior to finalization of the audit process.

The fourth incident related to an auditor who issued an opinion before EQCR approval, while there were still open queries, including questions on the follow-up of an unusual transaction outside the normal course of business. The audit opinion was subsequently withdrawn, additional audit procedures were performed and a new audit opinion was issued.

## Update on cases reported as incidents in previous years

During the 2018/2019 reporting year, the following developments took place in respect of incidents reported from previous financial years:

### Steinhoff

The audits of the consolidated group financial statements of Steinhoff International Holdings N.V. ("Steinhoff") for the financial years 2016/2017 (including restatements for previous financial years) and 2017/2018 were completed in May and June 2019, with a disclaimer of opinion being issued in

both cases. The investigation by the AFM regarding the incident reported by Deloitte Netherlands in December 2017 is still pending.

The group action on behalf of shareholders that the Association of Stockholders [*VEB*] initiated against Deloitte at the Rotterdam District Court in June 2018 is still pending.

### Vestia

In 2016, Vestia initiated civil proceedings against Deloitte, requesting the District Court to rule that Deloitte is liable for damages allegedly suffered by Vestia, and damages to be established in subsequent separate proceedings. These proceedings are still pending.

## Complaints procedure

Recourse was sought to the complaints procedure on eighteen occasions during the year. Eight of these cases concerned internal complaints. Two of these internal complaints concerned talent-related issues (Times & Expenses) and were resolved within the Talent function. Five of these complaints concerned facilities and ICT matters: two relating to a fine imposed following the loss of an iPhone or laptop (found not to be justified), two relating to fleet support issues (referred), and one relating to a malfunctioning iPhone (referred). The remaining complaint was in the category "Other" (sustained).

Ten external complaints were registered. Two of these related to services provided by Deloitte Accountants B.V. and both were found not to be justified. Three related to services provided by Deloitte Belastingadviseurs B.V. The first of these was referred to and dealt with by the service line, the second was found not to be justified, and the third, concerning professional services, is still pending. One complaint concerned Risk Advisory and was referred. Of the remaining four complaints, one concerned recruitment/talent, specifically the selection procedure, and was referred. Two complaints concerned the Deloitte website, one of which was referred to Marketing & Communications, while the other, concerning the privacy notice, was found to be justified and was rectified by Marketing & Communications. The final complaint concerned a request for insight into company information and was found not to be justified.

## Disciplinary complaints

During the 2018/2019 financial year, a disciplinary complaint was filed against an auditor currently affiliated to Deloitte Accountants B.V. in connection with services provided by Deloitte Accountants. This



complaint concerned an audit of a company that went into insolvency and related to various issues in the annual financial statements and the audit.

### **Civil proceedings**

During the 2018/2019 financial year, no new civil proceedings were instituted against Deloitte Accountants B.V. or against current or former external auditors affiliated to Deloitte Accountants B.V. in connection with statutory audits.

## The organizational capabilities we build

Deloitte culture and the design of our learning programs place our people at the forefront. Deloitte professionals are technically proficient with high levels of ethics, integrity, professional skepticism, and objectivity, and continuously enhancing.

Deloitte is committed to developing its people and accelerating their careers by creating a life-long learning environment. We are advancing audit education, skillsets and flexible career options that appeal to future auditors.

In addition, operational discipline, effective management of our business, and the development of a singular approach to doing audits known as The Deloitte Way, provide the foundation for our commitment to bring consistency to our audits.

We are driving a sustainable audit and assurance business that compensates its people fairly and funds on-going investment in our business.





# Independence, ethics and additional disclosures

## Deloitte Global Independence



Sets **independence policies and procedures** based on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and the independence standards of the US Securities and Exchange Commission and the Public Company Accounting Oversight Board. Performs full reviews of independence quality controls in a three-year cycle, annual focused reviews for the off-cycle years and in-depth follow-up reviews as needed.



Performs **on-going monitoring** activities of firms—enabling continual enhancements to global policies, quality controls, tools and practice support activities.



Delivers **global systems** to provide professionals with entity information to support compliance with personal and professional independence requirements, including financial interests and scope of service approvals.



Supports **independence awareness** across the Deloitte network through active engagement with independence and business leadership groups, periodic communications and alerts, and development of guidance, learning and instructions.

## Deloitte Netherlands independence

Deloitte Netherlands has policies and procedures designed to address compliance with applicable professional standards that relate to independence. These policies and procedures are based on Regulation (EU) 537/2014, the Audit Firms Supervision Act [*Wet toezicht accountantsorganisaties, Wta*], the Audit Firms Supervision Decree [*Besluit toezicht accountantsorganisaties, Bta*], the Dutch Regulation on Auditor Independence [*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten, ViO*] and the Deloitte Global Independence policy. Deloitte Netherlands leadership reinforces the importance of compliance with independence and related quality control standards, thereby setting the appropriate tone at the top and instilling its importance into the professional values and culture of Deloitte Netherlands. Strategies and procedures to communicate the importance of independence to partners, other professionals and support staff have been adopted. These emphasize each individual's responsibility to understand and meet the independence requirements.

The key elements of the quality control system that Deloitte Netherlands has implemented in accordance with global policies include:

- Engagement acceptance and monitoring;
- Monitoring of rotation requirements;
- Business relationship assessments and monitoring;
- Use of independence business process tools, including the Deloitte Entity Search and Compliance System and the Global Independence Monitoring System, annual independence confirmations and consultation procedures to monitor compliance with independence requirements;
- Procedures to identify and analyze non-compliance with independence requirements and apply related disciplinary measures and actions;
- Independence-related learning and communications;
- Assignment of responsibility for independence systems and controls;
- Annual review of independence compliance.



### Inspection and testing procedures of personal independence

Deloitte performs an annual assessment on a selection of partners, directors and senior and other managers in order to establish whether they observe the independence rules and compliance requirements relating to personal independence. All individuals holding a leadership position are tested annually. Based on the DTTL requirements, all partners and directors are assessed at least once every five years. On an annual basis, in accordance with DTTL instructions, a percentage of the senior and other manager population is tested.

Additionally, Deloitte performs inspection and testing procedures on all candidates for partnership and directorship and for new hires. The Director of Independence annually reports the outcomes of these procedures to the Reputation & Risk Leader, the Executive Board, the Supervisory Board and DTTL Global Independence.

### Firm transactions

Deloitte Netherlands has policies and procedures in place to ensure—among other things—that potential independence concerns related to transactions, such as acquisitions or divestments, are identified and resolved in a timely manner.

### Rotation of key audit partners and professionals

Deloitte Netherlands complies with the applicable rotation requirements of the *Wta*, *ViO*, IESBA Code of Ethics and the US Securities and Exchange Commission, where required.

Monitoring of rotation requirements and overall threats to independence arising from the long-term association of senior members of the audit team is an integral part of the independence practice reviews performed on a selection of audit files. Approval from the Director of Independence is required if a member of the Audit/Assurance team has been involved in a senior role in the provision of assurance services to the Audit/Non-audit Assurance Client and/or its affiliates for seven or more consecutive financial years and the engagement team concludes that there is no independence threat.

### Non-compliance with applicable policies

Deloitte Netherlands has a disciplinary policy targeting non-compliance with independence policies or procedures. During 2018, Deloitte Netherlands performed 225 personal independence assessments of partners and employees (2017: 260 assessments). These resulted in 58 situations where disciplinary action was taken based on the Deloitte Netherlands disciplinary policy. These findings involved instances of non-compliance with the applicable policies on timeliness and accuracy of the registrations in the Global Independence Monitoring System. Deloitte Netherlands did not find any breaches of external independence rules during these proceedings. The number of disciplinary actions is relatively high as a result of the strengthened disciplinary policy that became effective in 2017.

Regarding the combination of services, disciplinary action was taken against an individual in one case regarding prohibited services provided to an audit entity. We refer in this respect to the “External and internal quality monitoring” section in this report regarding this incident.

### Deloitte Netherlands ethics

Our commitment to quality and integrity underpins everything we do—day in, day out—as we seek to make an impact that matters for clients, our people and our communities. Our Global Principles of Business Conduct (or “Global Code”) outline the commitments that each of us makes.

These principles are based on our shared values and reflect our core belief that, at Deloitte, ethics and integrity are fundamental and not negotiable. In 2018/2019 we fully met all the requirements set by DTTL and continued implementing the integrity imperative in close collaboration with the NWE ethics team.

Our most visible action was the launch of Deloitte Speak Up and our non-retaliation policy. Deloitte Speak Up is a service enabling Deloitte staff to report any suspected misconduct or raise any ethics-related queries, 24 hours a day, 365 days a year. It can be accessed from any location and is administered by a third party in order to maintain confidentiality and, when requested, anonymity.



Within Deloitte we are committed to taking clear action in the face of identified misconduct and to providing a work environment that promotes on-going and open communications on ethics and encourages reporting of potential violations. We consequently have a policy in place to ensure that colleagues who report any actual or suspected misconduct in good faith are protected against retaliation.

### Governance

The ethics program provides support for building ethical judgment and decision-making skills across Deloitte. An Ethics Leader has been appointed in the Netherlands with responsibility for ethics within the entire NWE firm. The Ethics Leader is supported by a Deputy Ethics Officer and a team consisting of three confidential counselors. We measure the effectiveness of the ethics program in an annual survey. The Ethics Leader periodically reports on ethics issues and the program's progress to the Executive Board and Supervisory Board. In 2018/2019, several ethics ambassadors, across all functions, were appointed to assist the team and to help broaden the program's scope by reaching out to all partners and Deloitte professionals and promoting our core values at a local level.

### Ethics survey

In summer 2018 we conducted our annual ethics survey. With a response rate of almost 40% and a good division of respondents across functions, we obtained a clear view on how partners and employees see Deloitte as an ethical employer. The survey results were discussed by the Executive Board and the Supervisory Board and the highlights communicated to all employees.

### Anti-corruption

Anti-corruption is one of our Global Key Commitments and requires the attention of all our partners, employees and external hires. We are committed to standing firm against bribery so as to contribute to good governance, economic development and the improvement of social welfare wherever we do business. In November 2018 we launched the refreshed Deloitte NWE Anti-Bribery and Corruption training course for our partners and employees, thereby driving consistency across all NWE geographies. The provisions of the UK Bribery

Act became directly applicable to Deloitte in the Netherlands when we became part of Deloitte NWE, a UK entity. Our partners and employees are therefore required to observe the UK Bribery Act in all engagements and activities. In September 2018, we set up an Anti-Corruption Committee to enhance our governance regarding anti-corruption. Members of this Committee are all subject matter experts and relevant stakeholders in the anti-corruption program. The Committee is responsible for actively overseeing the program, including:

- Making a judgment on the progress of items in the action plan and the effectiveness of results, based on periodic reporting by the anti-corruption champion;
- Discussing and approving the program's strategy, objectives and action plan, all of which result from our anti-corruption risk assessment.

In the annual risk assessment (as part of the Annual Integrated Report), which covers our entire organization, we defined "the loss of reputation as a result of corruption-related publicity at a key client for whom we performed assurance/advisory services" as a high risk in the anti-corruption framework. However, we believe sufficient mitigating measures are in place in our consistent client and engagement acceptance process to prevent this risk from occurring. In addition, seven risk schemes were identified as medium (but no significant) risk. Testing and monitoring are an important part of the anti-corruption program. They include reviewing the effectiveness of the program and testing key process level controls and certain transactions, such as compliance with our policies and guidelines, gifts and entertainment, third-party due diligence, charitable and political contributions, client engagements and hiring of referrals.

### Customer Due Diligence

We identified room to further enhance procedures for Customer Due Diligence, such as the identification of Ultimate Beneficial owners and or the legal representatives, primarily in situations where there is a long-lasting relationship. Improvement areas have been prioritized through a firm-wide action plan.



<b>Table XI: Ethics incidents</b>	<b>2018/2019</b>	<b>2017/2018</b>
Sexual harassment	5	4
Intimidation	7	10
Stalking	0	1
Corruption	0	0
Other disrespectful treatment of colleagues (incl. bullying)	38	71
<b>Total</b>	<b>50</b>	<b>86</b>

*Please note that the number of reports as shown in the overview relate to Deloitte Netherlands as a whole rather than Deloitte Accountants B.V.*



### Statement on the effectiveness of the functioning of the internal quality control system

The Board of Deloitte Accountants B.V. recognizes its responsibilities for setting up and maintaining a system of quality control and related monitoring. Partly in response to the continuous internal evaluation that Deloitte Accountants B.V. performs, as described in this report, i) our system of quality control and the performance of our professionals has been further strengthened in the past year and ii) we see reason to continue that strengthening in the coming year.

Taking the above into account, we hereby declare that we evaluated the quality assurance and internal quality monitoring system on September 2019, 27 and established that:

- In our view, the quality assurance system of Deloitte Accountants B.V., as outlined in this report, performs effectively;
- Internal supervision of compliance with the independence regulations was performed;
- The technical professional knowledge of the employees and partners is of an adequate level and their knowledge of the developments in their professional field is up-to-date.

Rotterdam, September 27, 2019

Executive Board Deloitte Accountants B.V.

Peter Bommel

Bert Albers

Hans Honig

Engelhardt Robbe

Mario van Vliet



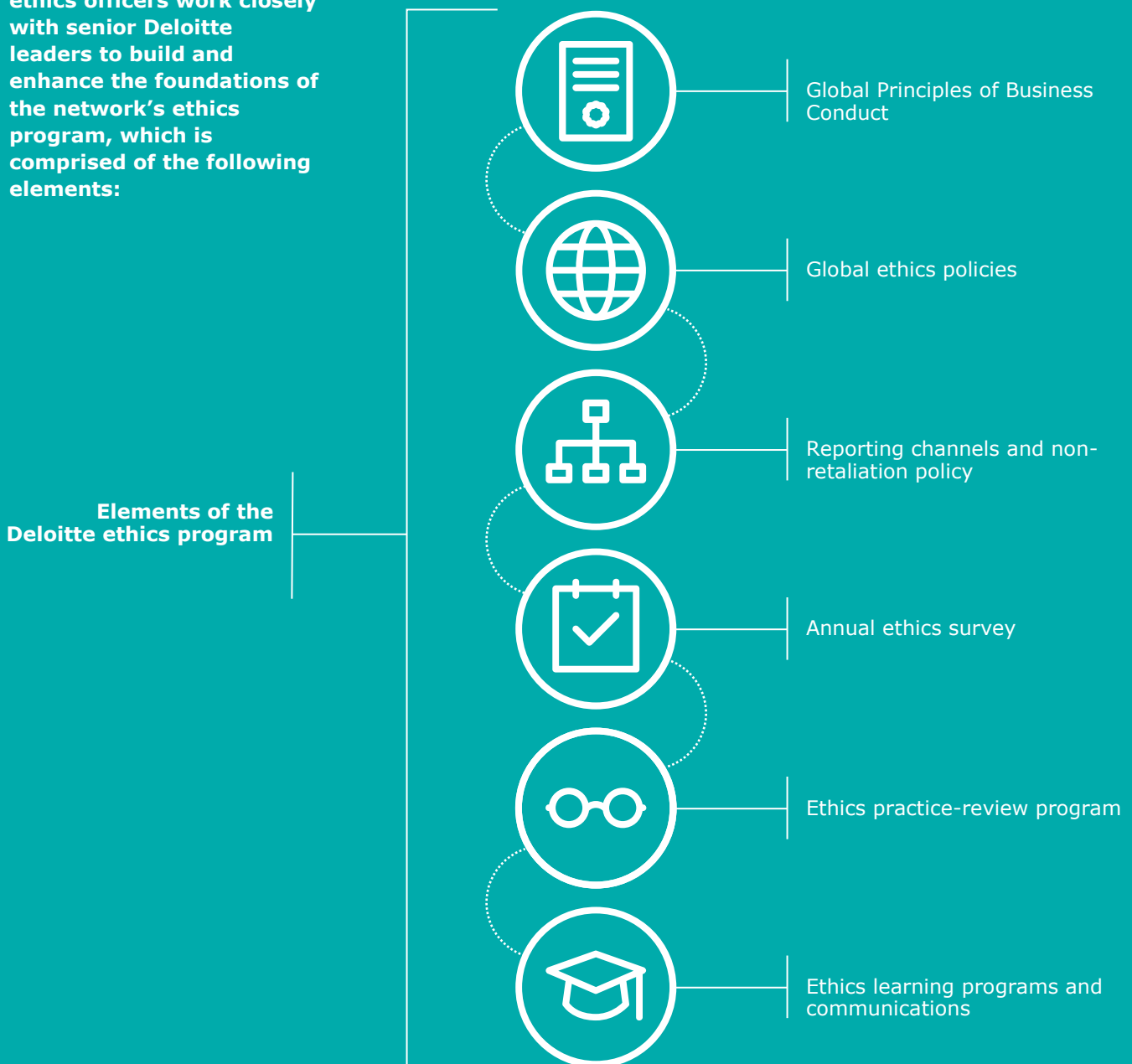


# Deloitte Global Ethics and Integrity Imperative

Deloitte is committed to conducting business with honesty, distinctive quality, and high standards of professional behavior.

Deloitte's Global Principles of Business Conduct ("Global Code") outlines Deloitte's ethical commitments as a network and expectations for Deloitte's approximately 286,000 people, giving a strong, principled foundation. The Deloitte Integrity Imperative amplifies the Global Code across the network by empowering leaders to set a strong tone from the top; encouraging people to speak up when they witness anything that runs counter to the Global Code; and helping Deloitte act quickly and appropriately in the face of misconduct.

The Deloitte Global Ethics team and member firm ethics officers work closely with senior Deloitte leaders to build and enhance the foundations of the network's ethics program, which is comprised of the following elements:





## Shaping the future of the audit profession

Management teams, audit committees, investors, regulators, and standard setters all play critical roles in shaping the environment in which audits are performed. We strive to engage with these parties, both formally and informally, to share, offer and debate ideas with the objective of ensuring the relevance of audit and assurance to the capital markets.



# Appendices



## Appendix A | EU/EEA audit firms

EU/EEA Member State <sup>2</sup>	Name of audit firms carrying out statutory audits in each Member State <sup>3</sup>
Austria	Deloitte Audit Wirtschaftsprüfungs GmbH
	Deloitte Burgenland Wirtschaftsprüfungs GmbH
	Deloitte Niederösterreich Wirtschaftsprüfungs GmbH
	Deloitte Oberösterreich Wirtschaftsprüfungs GmbH
	Deloitte Salzburg Wirtschaftsprüfungs GmbH
	Deloitte Tirol Wirtschaftsprüfungs GmbH
	Deloitte Wirtschaftsprüfung Styria GmbH
Belgium	Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises CVBA / SCRL
Bulgaria	Deloitte Audit OOD
Croatia	Deloitte d.o.o. za usluge revizije
Cyprus	Deloitte Limited
Czech Republic	Deloitte Audit s.r.o.
Denmark	Deloitte Statsautoriseret Revisionspartnerselskab
Estonia	Deloitte Audit Eesti AS
Finland	Deloitte Oy
France	Deloitte & Associés
	Deloitte Marque & Gendrot
	Deloitte Marque Gendrot
	Audalian Commissaire
	BEAS
	Cisane
	Constantin Associés
	Constantin Entreprises
	Consultants Auditeurs Associés
	DB Consultants
	Durand & Associés
	ECA Audit
	Jacques Serra et Associés
	Laurens Michel Audit
	Opus 3.14 Audit Et Conseil
	Pierre-Henri Scacchi et Associés
Revi Conseil	
Germany	Deloitte GmbH Wirtschaftsprüfungsgesellschaft
	Deutsche Baurevision GmbH Wirtschaftsprüfungsgesellschaft

<sup>2</sup> EU transparency reporting requirement: the countries in which each audit firm that is a member of the network is qualified as a statutory auditor or has its registered office, central administration or principal place of business.

<sup>3</sup> EU transparency reporting requirement: the name of each audit firm that is a member of the network.



	SüdTreu Süddeutsche Treuhand GmbH Wirtschaftsprüfungsgesellschaft
Greece	Deloitte Certified Public Accountants SA
Hungary	Deloitte Könyvvizsgáló és Tanácsadó Kft.
Iceland	Deloitte ehf.
Ireland	Deloitte Ireland LLP - Republic of Ireland
Italy	Deloitte & Touche S.p.A.
Latvia	Deloitte Audits Latvia SIA
Liechtenstein	Deloitte (Liechtenstein) AG
Lithuania	Deloitte Lietuva, UAB
Luxembourg	Deloitte Audit
Malta	Deloitte Audit Limited
Netherlands	Deloitte Accountants B.V.
Norway	Deloitte AS
Poland	Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa Deloitte Audyt spółka z ograniczoną odpowiedzialnością
Portugal	Deloitte & Associados, SROC S.A.
Romania	Deloitte Audit S.R.L.
Slovakia	Deloitte Audit s.r.o.
Slovenia	Deloitte Revizija d.o.o.
Spain	Deloitte, S.L.
Sweden	Deloitte AB
United Kingdom	Deloitte LLP Deloitte Gibraltar Limited Deloitte NI Limited

#### Disclosure in accordance with Article 13.2 (b)(iv) of the EU Audit Regulation

The total turnover achieved by the audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements: €2 billion.<sup>4</sup>

<sup>4</sup> Amount represents an estimate determined based upon best efforts to collect this data. Certain Deloitte audit firms registered to perform statutory audits in respective Member States provide statutory audit services as well as other audit, assurance and non-audit services. While Deloitte endeavored to collect specific statutory audit turnover for each EU/EEA Deloitte audit firm, in certain cases turnover from other services has been included. The turnover amounts included are as of May 31, 2019 except for a limited number of instances where a Deloitte audit firm has a different financial year-end or has not finalized its reporting for such period. In these cases, turnover amounts are for the relevant financial year or preceding financial year. Where currency other than euros is used in the Member State, the amount in euros was translated using an average exchange rate in effect for the period June 1, 2018 to May 31, 2019.



## Appendix B | Financial information

### Overview: Revenue of Deloitte Coöperatief U.A. in the reporting year 2018/2019 (in € million)

Type of services	Type of services			Subtotal	Other Services	Total
	Statutory audits of financial statements	Other audit and assurance engagements	Assurance related services			
Statutory audits of entities financial statements (PIEs)	26 (21)	4 (3)	1 (1)	31 (25)	0 (0)	<b>31 (25)</b>
Other statutory audits of entities financial statements	113 (103)	13 (16)	5 (6)	131 (125)	25 (25)	<b>156 (150)</b>
Non-statutory audits of entities financial statements	0 (0)	35 (43)	0(1)	35 (44)	6 (6)	<b>41 (50)</b>
Other assurance entities	0 (0)	8 (7)	55 (52)	63 (59)	51 (28)	<b>114 (87)</b>
Non-assurance entities	0 (0)	0 (0)	24 (25)	24 (25)	601 (560)	<b>625 (585)</b>
<b>Total</b>	<b>139 (124)</b>	<b>60 (69)</b>	<b>85 (85)</b>	<b>284 (278)</b>	<b>683 (619)</b>	<b>967 (897)</b>

#### Criteria

- The 'revenue' of Deloitte Coöperatief U.A. refers to the revenue of Deloitte Coöperatief U.A. and its consolidated subsidiaries in the reporting year 2018/2019, as shown in the financial statements of Deloitte Coöperatief U.A.
- This revenue is categorized according to the nature of the services provided by Deloitte and according to the category of the relevant entity:
  - The sub-division by the type of service is made on the basis of the service classification of the engagement number under which the relevant revenue is shown in the financial accounts, with these service types being classed in four categories;
  - The sub-division by entity category is based on the classification of the entity, which is linked to the engagement number under which the relevant revenue is shown in the financial accounts, with these entities being classed in five categories.
- The sub-division is consistent with the generally accepted terms in legislation and regulations, as recorded in the Accounting Regulations Guide.
- The revenue amounts shown relate to the reporting year 2018/2019. Revenue amounts for the 2017/2018 financial year are shown in brackets for the purpose of comparison.

In the table above revenues are presented in a more detailed way - in line with the definition of a statutory audit in Article 1, paragraph 1, paragraph p of the Audit Firms Supervision Act [Wet toezicht accountantsorganisaties], including attachments. This definition is more comprehensive from the definition of a statutory audit in Article 13 (2) (k) of EU Regulation 537/2014.



## Appendix C | Public interest entities

### PIEs audited for Statutory Purposes by Deloitte Accountants B.V. in 2018/2019:

#### Name

Aalberts Industries N.V.

AFC Ajax N.V.

Algarve International B.V.

Alliander N.V.

Altice N.V.

Anadolubank Nederland N.V.

Arcona Property Fund N.V.

argenx N.V.

ARQ P Notes B.V.

Bayer Capital Corporation B.V.

BinckBank N.V.

bunq B.V.

Citco Bank Nederland N.V.

DCDML 2016-1 B.V.

DELA Natura- en levensverzekeringen N.V.

Delft 2017 B.V.

DPA Group N.V.

Dutch Star Companies ONE N.V.

E.O.C. Onderlinge Schepenv verzekering U.A.

EDML 2017-1 B.V.

EDML 2018-1 B.V.

E-MAC DE 2005-I B.V.

E-MAC DE 2006-I B.V.

E-MAC DE 2006-II B.V.

E-MAC DE 2007-I B.V.

E-MAC NL 2004-I B.V.

E-MAC NL 2004-II B.V.

E-MAC NL 2005-I B.V.

E-MAC NL 2005-III B.V.

E-MAC NL 2005-NHG II B.V.

E-MAC NL 2006-II B.V.

E-MAC NL 2006-NHG I B.V.

E-MAC Program B.V.

E-MAC Program II B.V.

E-MAC Program III B.V.

EMF-NL 2008-2 B.V.




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 EMF-NL Prime 2008-A B.V.
 

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 Eurosail-NL 2007-1 B.V.
 

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 Eurosail-NL 2007-2 B.V.
 

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 FAB CBO 2003-1 B.V.
 

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 Ferrovial Netherlands B.V.
 

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 Harbourmaster CLO 9 B.V.
 

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 Harbourmaster Pro-Rata CLO 3 B.V.
 

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 Heineken Holding N.V.
 

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 Heineken N.V.
 

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 Hof Hoorneman Investment Funds N.V.
 

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 IMCD N.V.
 

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 Intereffekt Investment Funds N.V.
 

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 IZA Zorgverzekeraar N.V.
 

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 Kendrion N.V.
 

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 Koninklijke VolkerWessels N.V.
 

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 Koninklijke Vopak N.V.
 

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 Koninklijke Wessanen N.V.
 

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 LafargeHolcim Sterling Finance (Netherlands) B.V.
 

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 Leidsche Verzekering Maatschappij N.V.
 

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 Louis Dreyfus Company B.V. (previously: Louis Dreyfus Commodities B.V.)
 

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 Mizuho Bank Nederland N.V.
 

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 Morgan Stanley B.V.
 

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

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 Munda CLO I B.V.
 

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 N.V. Bever Holding
 

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 N.V. Koninklijke Delftsch Aardewerfabriek "De Porceleyne Fles Anno 1653"
 

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 Odeon ABS 2007-1 B.V.
 

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 Onderlinge Verzekering Maatschappij ZLM
 

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 Onderlinge Verzekeringsmaatschappij Univé Samen U.A. (previously: Onderlinge Verzekeringsmaatschappij "Midden Drenthe" U.A.)
 

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 Merger between:
 

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 -Onderlinge Verzekeringsmaatschappij "Midden Drenthe" U.A.,
 

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 -Onderlinge Waarborgmaatschappij Univé Westdrenthe U.A. and
 

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 -Onderlinge Waarborgmaatschappij Univé Ruinen U.A.
 

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 Onderlinge Waarborgmaatschappij Zorgverzekeraar Zorg en Zekerheid U.A.
 

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 Opel Finance International B.V.
 

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 Pharming Group N.V.
 

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 Randstad Holding N.V.
 

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 Renoir CDO B.V.
 

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 Repsol International Finance B.V.
 

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 Roeminck Insurance N.V.
 

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 SL Bidco B.V.
 

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**Name**

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Sligro Food Group N.V.

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Stad Holland Zorgverzekeraar Onderlinge Waarborgmaatschappij U.A.

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Stedin Holding N.V.

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Steinhoff International Holdings N.V.

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Succes 2015 B.V.

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Takeaway.com N.V.

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Univé Noord-Nederland Verzekeraar N.V.

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Urenco Finance N.V.

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Vesteda Finance B.V.

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VGZ voor de Zorg N.V.

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VGZ Zorgverzekeraar N.V.

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Waard Leven N.V.

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Waard Schade N.V.

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Waha Aerospace B.V.

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Wolters Kluwer N.V.

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## Appendix D | Status of implementation of NBA measures

Deloitte has embraced the 53 NBA measures to improve audit quality. These measures require it *inter alia* to provide an update on the implementation of the individual measures through the annual Transparency Report. Deloitte has provided this detailed status in its previous two reports.

For the current status, please refer to the [online NBA Monitor](#), which Deloitte frequently updates.

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