

Deloitte.



Transparency Report 2016/2017

Aspire with Assurance

August 2017

About this Transparency report

By means of this Transparency Report 2016/2017 Deloitte Accountants B.V. describes its efforts, progress and results on audit quality. We trust to have provided you with clear insight on our system of quality control and how we have been working to protect the public interest and create value to our stakeholders. Within this report we also share our feedback and insights on subjects like the dilemmas noted by the Monitoring Commission Accountancy and have provided feedback in the chapter Strategy & Audit Quality around four dimensions addressing audit quality (from the Green Paper of the NBA). Furthermore we reflect on the outcome of external inspections by supervisory authorities.

Regulation (EU) No 537/2014

This Transparency Report 2016/2017 has been drafted in accordance with applicable Dutch Regulations (BTA, article 30). Deloitte will publish their Transparency Report 2017/2018 in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council that is applicable for Transparency Reports concerning financial years that started after June 17, 2016.

Approach to assurance

With the implementation of the NBA Quality Factors, we have opted to seek external assurance for these factors. In cases where we believe our internal systems are (at present) unable to provide data that are sufficiently reliable for external assurance, no external assurance has been sought.



The tables with this label have been subject to assurance by our external independent auditor, PwC. For their conclusions, please see Appendix F. In some tables, the historic data have not been subject to external assurance. In these cases we have used a shaded background in the tables.

We welcome everyone's opinion who feels involved in our business.

Executive Board of Deloitte Accountants B.V.

Peter Bommel, Chair

Engelhardt Robbe

Marco van der Vegte (until May 31, 2017)

Bert Albers (as of June 1, 2017)

Mario van Vliet

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Auditors operating in the public interest

Dialogue between Marco van der Vegte, Engelhardt Robbe and Vincent Moolenaar

Inspired by the report from October 2016 “Change in the Public Interest” of the Monitoring Commission Accountancy, Marco van der Vegte (Function Leader Audit & Assurance up to June 1, 2017), Engelhardt Robbe (CQO and member of the Executive Board) and Vincent Moolenaar (member of the Supervisory Board) engaged in a dialogue about the strategic and operational dilemmas that Deloitte faces.



How does an auditor operate in the public interest?

Robbe: The public interest goes beyond just the statutory duty auditors have. Insight into non financial information helps companies take better decisions. This is definitely part of our social responsibility. It turns us into the

confidential counsellor serving in the public interest. In which case there is no conflict between client interest and public interest.

Van der Vegte: Operating in the public interest focuses on performing the statutory duty of auditing financial statements and issuing a

statement on the reliability of financial and non-financial information, with the including duty of considering issues such as fraud and discontinuity. For auditors the latter are the moments that matter where we expect our external auditors to act upon. As an organisation, we have set up checks and balances in this respect, as part of our duty of care, including client acceptance procedures and portfolio risk reviews, in which we assess increased risk factors for individual companies or sectors encompassing issues such as corruption. Likewise, we use horizon scanning to continuously look at socially relevant topics and discussions and where needed we adapt mitigating procedures to them.

Moolenaar: The profession has shown a clear renewed attention for its original role as external auditors and raised the bar. But they should not linger on this for too long, as it can erode their relevance. We could expand our advisory role even more - one of the things we could advise companies about is reporting more extensively about non-financial information. This is in sync with the demands and needs of society. Auditors also have the legitimacy to challenge Executive Boards and Supervisory Boards about providing such non financial information. And society benefits enormously. Because these companies are more than mere employers, society has invested in them, too. Such as for our pensions,

through pension insurers. It is a statutory duty with a major advantage.

Is the budget leading when performing the audit?

Van der Vegte: Really, the budget is not as much an issue when performing the audit than people suspect. We observed a significant mindset change over the past 5 years and external auditors consider quality to be priority #1. External auditors are coached and supported but also reviewed, both internally and externally. Our financial performance proofs that we have invested heavily: the hours spent on engagements have grown significantly (on average by 50%), which is not matched by the increase in audit budgets. Audit teams take great care to bear in mind the public interest when performing statutory audits: including their attention for topics like fraud and continuity issues at clients.

Robbe: Adding to that, on the other way the budget is decisive when choosing the clients we want to serve. The clients we choose should be willing to pay for quality. Sometimes it means we have to depart from clients or sectors.

Moolenaar: Budget should never be an issue when it comes to performing a good audit on the financial statements. But this requires factoring in who the actual client is. Practice shows that Supervisory Boards or Audit

Committees could be more forceful in actively and fully assuming the client role.

Society increasingly expects Supervisory Boards to be genuine countervailing powers. And they have two major instruments at their disposal - the internal audit function and the external auditors - to better challenge the board of directors.

Van der Vegte: Indeed, you can see Audit Committees appointing auditors and signing engagement letters in the business community. Add to this a proper dialogue during Audit Committee meetings on audit planning and the audit performed. The effective performance of the audit, though, involves operational management and this is where a dilemma rears its head. Auditors have raised the bar quite considerably in recent years. Especially in terms of internal control and documenting the operating effectiveness where companies have a hard time meeting that bar.

Do the audit firms' business and revenue models match these developments? Maybe there is too much focus on the short term?

Robbe: In my opinion, when you talk about results, you talk about making an impact. Deloitte focuses on making an impact that matters. A financial result in this respect is the outcome of operating successfully in the

market. We focus on delivering the highest quality. Partners are assessed for this in our internal practice reviews: do they meet the standards that we agreed upon together (which involves process, compliance, added value and the public interest)?

Van der Vegte: The partner model does have its limitations. Profit is divided among the partners each year and you start from the bottom up again next year. Obviously this is aimed at the short term. It really has to be in the hearts and minds of the current partner group to drive audit quality and focus on the long term. You must have the ambition to leave behind a better partnership for the next generation. It means having the guts to invest, which requires the partner organisation to be confident. It's basically the parent-child principle. Our Executive Board is very clear about one thing, especially when times are rough: our investments are not meant to be for today only, they are meant to be for the day after tomorrow as well.

Moolenaar: Make no mistake, I don't think there is such a thing as an ultimate business model for auditors. Whatever model is in place, be that a partner model or a corporate model, each has its pros and cons. Executive Boards and Supervisory Boards need to find a proper balance between their short and long-term strategies and internal and external

stakeholders. Introducing a Supervisory Board with external members is one step towards inviting the outside world in. It helps to view the organisation from a different perspective.

Mandatory auditor rotation has put pressure on pricing but audit firms have hefty liabilities. The current auditors' rates do not offer a premium for the litigation risks organisations run. We need to aim for a better remuneration for the risks we run. This will not by definition increase our profit, as we have a continued need to invest in audit quality. This involves quality people, good and adequate teams supported by experts and innovation. Our market might well be disrupted by a certain technology being developed. How do we ensure an effective audit? Do we want to be disrupted? Or do we want to be the disruptor? So we will need to keep up our level of investments. In this respect being part of a global network helps. And we work together in NWE as from June 1, 2017.

Is Audit only an alternative?

Robbe: We have given much thought to a multidisciplinary model (MDM). An MDM allows us to better meet our clients' expectations, also given the nature of our clients and the nature of the issues that they face. Such an organisation will enable us to better train our people too.

Van der Vegte: Auditors have to be sure to offer good quality with the right people and the

proper mindset. Here, too, the MDM ensure a certain attractiveness on the labour market. A career in accountancy sets people up for many other possible paths.

Moolenaar: Apart from the practical objections: what problem do we think to solve with Audit Only? Does this make for a better audit - also in the public eye? I have my doubts. Other MDM functions deliver industry knowledge, information and technology that are needed to perform high quality audits.

How will the audit profession develop?

Van der Vegte: Internally we have also discussed the different quality dimensions. Basically, complying with the statutory duty is the compliance side of quality. That said, through insights you also want to provide the client's Supervisory Board with added value and on top of that adopting new competences and audit techniques as a result of the digitisation of our society. While this requires us to put in a lot of hard work, in the end we will increase our relevance as profession. On the back of the investments made and the progress in the compliance angle of audit quality, this moment has now arrived.

Robbe: The Global Audit Transformation plan perfectly captures our vision. It entails a first time right approach and use of modern technology such as data analytics and robotics.

Moolenaar: We have to get the basics right and we have taken steps in this direction through the mindset on audit quality supported by process improvements such as Deloitte's Audit Delivery Center. The result should be an audit that offers greater insight into the information provided rather than only the traditional insight into whether companies have complied with the relevant reporting requirements. Whilst we should maintain our factual analysis (hindsight), we need to move towards insight and foresight. Using your professional judgment as an auditor, how can you offer your stakeholders insights through which an organisation can have a more predictable performance? That is what society benefits from.

Performing a good audit should not be the sole purpose. Reinforcing and improving the client's organisation should also be part of it. This requires Deloitte to also invest in the leadership qualities of its auditors. You will need to be able to perform a good audit and raise a discussion with the Audit Committee and the Supervisory Board at the same time. This is how you make a long-term and socially relevant impact - also as auditors.



Point of view – Current trends in the Audit Industry

Through its set up as a partner structure and cooperation in a multi disciplinary model the accounting professions experiences advantages but also certain challenges and

dilemmas. In April 2015, the International Forum of Independent Audit Regulators (IFIAR) published the paper, “Current Trends in the Audit Industry.” The paper encouraged audit providers to explore how they could strengthen the audit profession and reaffirm their critical

role in promoting investor confidence and capital formation. At our global organization Deloitte Touche Tohmatsu Limited (DTTL), the IFIAR paper motivated us to examine our current business model, structure, and market environment in light of the trends it discussed.

During this journey, we are identifying challenges and mitigating measures with an open mind as we make improvements, identify areas for further consideration and share best practices across the DTTL network.

Trend	Point of View	Threats	Safeguards	Actions/considerations
<p>Operating Model - Multi Disciplinary Model (MDM)</p>	<ul style="list-style-type: none"> • The audit practice has immediate access to specialized resources and expertise in other business lines. It promotes audit quality because we can tap the expertise of Advisory professionals who are skilled in subjects that often aren't native to auditors. Examples are our Think Tank and our collaboration with restructuring services around going concern issues. • A thriving and diverse organization helps attract and retain premier talent. • It is possible to develop industry insights through multiple lenses, which enhances auditors' understanding of business risks relevant to conducting audits. • Different parts of our business grow at different rates during different time periods in different markets. Our MDM provides a hedge against market volatility that is important to long-term viability of the network, and makes significant investments in audit quality and innovation possible, even in times of financial pressures on the audit business. 	<ul style="list-style-type: none"> • Growth of Advisory could result in leadership paying less attention to Audit, reducing investments, and driving behavior that is more focused on the success of the other business lines with a resulting deterioration of audit quality. • Increasingly complex rules, specifically around independence, vary between Jurisdictions. As the rules become more complex and the advisory practices become larger, the risks of violations increase. • Potential internal frictions between businesses or personal interests of professionals from different business lines around clients served, competition for talent, and managing compensation may be perceived by some as distractions from audit quality. 	<ul style="list-style-type: none"> • Each member firm Audit business has its own leader, and the Global Audit business leader is a member of the DTTL Executive • Certain member firms have Supervisory Bodies with independent Board Members. • Deloitte has policies and systems in place to help ensure independence that often are more stringent than professional standards or regulations require. • Deloitte policies require the metrics used to evaluate audit partners include audit quality (and prohibit metrics based on sales of non-audit services). • A Global Audit Oversight Committee (GAOC) was created to provide formal oversight of audit quality monitoring, remediation, continuous improvement activities, and transformation strategy related to audits of Public Interest Entities (PIEs) globally. 	<ul style="list-style-type: none"> • DTTL is considering its and member firm governance models and evaluate whether/how we could enhance the focus on public interest and audit quality. • Continue developing initiatives that can drive both quality and profitability to support achievement of the highest possible quality in the smartest-possible way.

Trend	Point of View	Threats	Safeguards	Actions/considerations
Partnership model	<ul style="list-style-type: none"> The global network structure bolsters resources available to partnerships in the network. Partnerships can and should address the challenges of aligning incentives to appropriately foster consistently high audit quality. This can be accomplished through careful and thoughtful governance structures and management. 	<ul style="list-style-type: none"> Partnerships, as compared to public companies, have limited avenues for raising capital, which may constrain their ability to make expensive investments in audit quality. Partners may be incentivized to distribute earnings and/or make shorter-term investments rather than commit capital to long-term strategies, such as initiatives aimed at improving audit quality. 	<ul style="list-style-type: none"> The partnership model has certain safeguards built in. Partners are personally invested in the enterprise, which creates powerful incentives to work toward success and avoid reputational damage, such as through regulatory action or litigation. Member Firms are challenged on current policies and guidance for member firms' design and oversight of remuneration schemes to further incentivize audit quality 	<ul style="list-style-type: none"> To overcome potential hesitancy among member firm partners to undertake longer-term audit-quality investments in the face of pressure of short-term profit distribution, DTTL considers to expand and bolster its role in supporting audit quality and creating additional appropriate incentive structures.
Quality through talent	<ul style="list-style-type: none"> The increasing complexity of the business environment; the nature of transactions in which companies are engaging; regulations impacting our clients and our professionals; and accounting, reporting, and auditing standards mandate that the skill sets, diversity, and backgrounds of our professionals need to evolve. Talent is critical to our success. In order to deliver high-quality audits, we must have highly trained professionals with the right skills deployed to the right member firm engagements. 	<ul style="list-style-type: none"> Auditing may be less appealing to today's workforce because the work may not be seen as interesting, creative, or relevant as other job opportunities. The "busy season" and work/life balance continue to be issues for audit professionals. In fast-changing and evolving capital markets, there may be a shortage of future audit partners who have the appropriate technical and leadership skills to manage increasingly complex and global audit client engagements. 	<ul style="list-style-type: none"> Global Audit has developed and launched a mandatory Global Audit curriculum to assist in improving consistency of execution of high-quality audits across the Deloitte network. Global Audit has launched the Global Audit Talent Advisory Council (GATAC) to set the Global Audit talent agenda and establish priorities across the network, collaborating to articulate and drive Deloitte's long-term vision. The GATAC works with member firms to understand common talent challenges and develop an appropriate response to them. DTTL has launched the auditor of the future programme with a focus on a more strategic and innovative way of working. It improves work-life balance and tailors career paths and increases mobility opportunities. 	<ul style="list-style-type: none"> The next generation of auditors may include engineers and data scientists, who all need to be appropriately trained to deliver quality audits. Unfortunately, current university audit curriculums do not include training in STEM (science, technology, engineering, mathematics) and other non traditional business fields. Improving and enhancing Deloitte's global mobility program is one of Deloitte's top priorities.

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

At Deloitte we believe that audit is about much more than the numbers. Those numbers tell a story. Of accomplishments and aspirations. Of projects completed and new plans laid. Audit for Deloitte fuels advancement by demonstrating how things are – and then asking how they can be improved. Quality goes beyond the existing conditions to redefine what is expected.

As one of the six pillars in our Strategy 2020, the quality of our work is at the core of our existence: the cornerstone of making an impact that matters and being an undisputed leader. Being the organisation that clients, regulators, the public and talent hold up as a role model of quality, integrity, and positive change.

Our global purpose: to make an impact that matters

Quality and duty of care are two parameters that are clearly related. This is also set out in Deloitte's Global Strategy, based on the purpose: "to make an impact that matters". Driven by this purpose statement, we are well on track to realising our ambition: 'to be the undisputed leader in professional services'.

To make an impact that matters, we cannot merely rely on audit and accounting; it also requires expertise in areas such as IT, cyber security, the use of data analytics as part of our audit methodology and the deployment of experts in our audit teams in areas of, for example, taxation, valuations and pensions. Our professionals are well aware that consistent high quality is essential.



Audit Quality Plan and monthly assessment in Audit Quality & Risk Meeting

Starting in 2013, Deloitte's Audit Quality Plan aims to create the right conditions for our professionals to maximise audit quality. Our quality agenda has both a top-down and a bottom-up approach and focuses both on aspects of structure and rules (technocratic) as well as on culture, with attitude, mindset and behaviour (adaptive) as key bearers of change:

Top-down in the areas where urgent and visible change was needed in the past in a very short space of time, including making diligent choices about the engagements that Deloitte performs and does not perform, keeping control of work pressure and increasing the application of audit standards and their enforcement. In order to realise a quality-oriented culture, we have been strongly committed to 'attitude and behaviour' through, among other things, the positive rewards of good quality, pro-active involvement of the young generation through a Young Professional Audit Quality Board, working with role models.

Bottom-up from the strong belief that this is the ultimate path leading to support and involvement, and thus ultimately to a sustainable cultural and behavioural change. This includes giving ownership to each individual in terms of his/her signed quality commitment together with the Management

Team. Professionals can make mistakes and will learn from them. They should have the space to develop their own initiatives, which is now also increasingly being realised by the development of various initiatives in practice.

Although changing culture and behaviour within an organisation requires time and consistency, we are seeing results in the workplace as we witness an increasing dedication amongst our auditors to serve in the public interest. Our change process during the past years has followed clear steps with our Global purpose as starting point and was reassessed on a monthly basis in our Audit Quality & Risk Meeting (AQRM).

Culture and mindset as carriers of the change process

Professionals help and support each other and jointly embrace our change agenda, and we see a continuing upward trend in the support for and active involvement in the change agenda, both from actual measurements (including Tone-at-the-Top surveys) as well as in visible behaviour. This includes, among other things, the many initiatives taken by external auditors from and within the various (sector) groups. Also, the desired behaviour becomes tangible in, among other things, root cause analyses, impact reviews and dialogue sessions. We also see an improvement when we look at our Audit Quality Indicators: the total number of hours recorded by partner/directors on auditing, the number of consultations, etc.

As already remarked, the changing of an organisation requires the necessary energy and time. As a result, the pressure on our professionals has been immense in recent years, not only due to this change agenda and all initiatives aimed at improving the quality of control, but also the additional impact on our practice resulting from the mandatory auditors' rotation at Public Interest Entities. We have taken various measures to mitigate work pressure and make diligent choices in our client portfolio in recent years. This has translated into a reduction in the number and types of engagements in our portfolio, both from a risk point of view and the control of workload.



Specific investments in Quality

Every year Deloitte Netherlands invests in technology and methodology, together with DTTL. In addition, Deloitte Netherlands has made significant investments in Distinctive Audit, Analytics and SBR projects.

Next to that we have made tangible investments in audit quality; for example, our investments in the PPD office, our quality curriculum for senior managers and up (spending, at a minimum, 250 hours per annum on quality-related initiatives) and a rapid increase in hours spent per engagement. The audit environment is at a critical juncture, where increasingly complex business models, greater expectations on quality and the exponential pace of technological change are making it more challenging to remain competitive. In response, Deloitte is taking leaps forward with a forward-thinking mindset to transform the audit. Building on the solid foundation of Deloitte's worldwide audit capabilities, a refreshed methodology and supporting innovative solutions are being deployed and will continue to evolve. Two of the most tangible examples are the new Audit portal, Cognia, and the Audit Analytics application, Spotlight.

Rewarding quality

In the Audit Quality Plan the adage 'we all own quality' is one of the focal points, as we know that it is important to reward good quality. There are several ways to be rewarded as an audit employee: one, for example, is through

the rankings of our weekly COS (Audits and other standards) knowledge quiz Battle of the Brains; another is that employees can receive the Audit Quality Award for tangible positive contributions to the Audit Quality Plan. Ultimately to make a promotion to the next level, quality is the distinctive factor for which no exception is allowed.

In 2015/16 – as a result of the NBA Measures – we implemented the bonus/penalty scheme for Partners and Directors. We reward good results from the internal practice review and external inspections or other examples of 'good quality' with a financial bonus. Additionally, we can apply a financial penalty, for example if the quality of an audit practice review is not adequate.

Responsibility: 'walk the talk'

Quality is the responsibility of all of us. This is apparent from the individual KPIs of the Board, the Management Team and the professionals. This makes quality more than just a slogan. The Board, the Management Team and the professionals are all assessed on the parameter Quality.

To measure the tone at the top, Deloitte performs a survey of the audit professionals on a quarterly basis. This survey also includes questions relating to the key drivers (mindset and drivers) of the professionals. We discuss the results and feedback during the Audit Quality & Risk Meeting (AQRM) and define

additional actions to learn from good quality indicators. We share the outcomes with the professionals and periodically with Deloitte's Supervisory Board.

Measuring impact

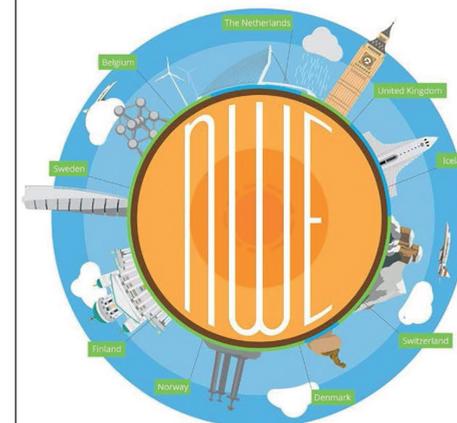
Both the AFM (Financial Markets Authority Netherlands) and the Public Company Accounting Oversight Board (PCAOB) have conducted external file inspections at Deloitte. Both bodies assessed all inspected audits of Public Interest Entities (PIE) as sufficient. On the one hand this outcome is a recognition of our professionals efforts. On the other hand we are not fully satisfied with the overall outcome of the external inspections. In the chapter on external inspections we will share more detailed information on the external inspections results in the past year.

Deloitte also has a consistent system of internal quality reviews with which we continually monitor the quality of our audit engagements. We use a system in which an Engagement Quality Control Review (EQCR) is performed before an auditor's report is issued. We also perform an internal review of audit files after issuing the opinion. The Practice Review Director performs this internal review (practice review), under the final responsibility of the NPPD (National Professional Practice Director). Overall results from the Practice Reviews in 2016 have improved compared to last year. In the chapter on internal inspections

we will share more detailed information these results.

Further integration

In September 2016, Deloitte member firms representing UK & Switzerland, Belgium, Finland, Denmark, Sweden, Norway, Iceland and the Netherlands voted in favour of the establishment of Deloitte NWE (North West Europe) effective as per June 1, 2017. This is in line with our Strategy 2020 and will enable us to serve our clients and talent even better. We create a unique talent experience across North West Europe, with a particular focus on diversity, inclusion and mobility. We want to build a culture of constant quality, opportunity and growth, where our people thrive and are valued for the contribution they make. The integration into a North West European firm is on the basis of "connected autonomy".



Continuing the journey – identifying new actions

We are confident based on all of our activities and the tangible results thereof that we are continuously strengthening the quality we provide in our statutory audits. For us, quality is not just about consistently conducting the audit by the highest standards. It is about questioning what gets audited and why. Through interviews with multiple stakeholders, we have identified four different perspectives on audit quality: i) compliance; ii) adding value; iii) public interest and iv) process. A good quality audit requires all of the above based on a mindset concentrating on quality. Not only are these four angles input for the NBA (Royal Netherlands Institute of Chartered Accountants) Green Paper 'the definition of audit quality', they are also the backbone of this Transparency Report.

We remain committed to improving quality control, continuously focusing on developments in the expectations of society on the (role of) audit and making our own ambition highly committed. Horizon scanning is important to continuously learn and improve, and is executed through leadership positions in our international firms, acting as review partner for another firm, reading external reports and identifying resulting actions and taking an active role in commissions of the NBA.

As part of the horizon scanning Deloitte has followed up on the valuable suggestions made in the report 'Veranderen in het Publiek Belang' (Change in the Public Interest) from the Monitoring Commission Accountancy in the relation to our organization. For example we have revisited our Root Cause Analysis process. We have also included a dialogue between the Supervisory Board and Board of Directors of Deloitte Accountants B.V. and included the DTTL Point of View which also reflects on most dilemmas raised by the MCA.

Supported by the Supervisory Board, our partners and our employees, it gives everyone at Deloitte positive energy to further pursue our audit journey. The next step in this journey will be led by Bert Albers; he has succeeded Marco van der Vegte as Audit & Assurance Function Leader as at June 1, 2017. We thank Marco for the period of four-and-a-half years of leadership in which the foundation of this quality journey for our audit professionals has been laid and significant steps were realised.

In this Transparency Report, we provide a detailed insight into the concrete actions and results that we realised. As always, we welcome the opinion of everyone who feels involved in our business and its activities. We would like to use this opportunity to express our thanks to all our professionals for their commitment and dedication in the past year.

Rotterdam, August 31, 2017

Executive Board of Deloitte Accountants B.V.

Peter Bommel, Chair

Engelhardt Robbe

Marco van der Vegte (until May 31, 2017)

Bert Albers (as of June 1, 2017)

Mario van Vliet

Report from the Supervisory Board of Deloitte Holding B.V.

In the financial year 2016/2017, the composition of the Supervisory Board changed considerably. In line with proposed legislation, the Supervisory Board needs to comprise Independent, Non-Executives only. We regret that the partners' representatives had to leave the Board: Ardie van Berkel, Carlo Renne and Sander Kloosterhof. We thank them for their outstanding contributions.

The year 2016/2017 has seen further progress in Deloitte's Regulatory and Quality Agenda, demonstrated by a clean bill of health by the Public Company Accounting Oversight Board (PCAOB), the US-based regulator. Regrettably, we have not been able to record similar progress with our local regulator, the AFM. The Supervisory Board will continue to ensure that Deloitte Netherlands strives for the best possible results in its audit quality programmes.

In financial terms, the efforts of our partners, directors and all other staff have achieved solid results. Our competitive position appears to have improved across almost all functions, including the Audit Function. The merger of Deloitte NL with Deloitte UK & Switzerland, Belgium and the Deloitte firms in Scandinavia into one Deloitte entity across north-west Europe is expected to sustain this success.

Deloitte Netherlands has a two-tier governance structure under Dutch corporate law, with an Executive Board and a separate Supervisory Board. The Supervisory Board is entrusted with the supervision of the policies and activities of the Executive Board; it also advises on Deloitte Netherlands' general conduct of affairs and its business.

The Supervisory Board of a professional financial services firm that includes an Audit practice, and as a consequence falls under the regulatory oversight of both the Royal Netherlands Institute of Chartered Accountants (NBA) and the Authority for the Financial Markets (AFM), shall spend as much attention as necessary and required, on matters broadly indicated as 'Quality Items'. The rigors and importance of such a Regulatory Agenda cannot be overstated. The Regulatory Agenda, however, does not supersede the Board's other legal duties. It is therefore important to realize that 'normal' supervision by a Dutch based Supervisory Board also includes items as

Financial Performance, Budgeting, Partner Matters, Client Issues – both negative and positive – and competitive pressure for all Deloitte's Functions (Audit, Risk Advisory, FAS, Tax & Legal and Consulting), Remuneration, Governance and other relevant topics.

The Supervisory Board comprises an appropriate combination of knowledge, experience and diversity among its members, focusing on the multidisciplinary and regulated character of Deloitte Netherlands as a professional services firm, and on its public interest responsibilities. With the withdrawal of the 'internal' Supervisory Board members as of October 1, 2016, the Supervisory Board now consists of independent external members only. During the financial year 2016/2017, Vincent Moolenaar was appointed as a new member of the Supervisory Board and Chairman of the newly-established Quality & Risk Committee. At the beginning of the current financial year 2017/2018, Nienke Meijer was appointed as a fifth Board member for a period of four years as of June 30, 2017. As a consequence, as at June 30, 2017 the Supervisory Board consists of two women and three men.

All members of the Supervisory Board are required to comply with all of the firm's relevant independence and compliance rules. Members are nominated by the Supervisory Board and appointed by the General Meeting of Coöperatief Deloitte U.A. for fixed terms of a maximum of four years. The members may be reappointed for two additional four-year terms. The maximum term for reappointment may change in line with the new Corporate Governance Code.

At the Supervisory Board's initiative Deloitte has implemented a number of changes relating to the structure and organisation of the Supervisory Board in the course of 2016/2017: (i) as previously mentioned, the Supervisory Board now consists entirely of independent external members, and (ii) the tasks of the Supervisory Board have been extended in line with the Audit Sector Plan communicated by the NBA in its report 'In the Public Interest' (In het Publiek Belang).

The Supervisory Board has assigned, under its responsibility, a number of its specific tasks to five sub-committees:

- Audit Committee
- Quality & Risk Committee
- Partner Matters Committee
- Remuneration Committee
- Selection & Nomination Committee.

Due to the changes in composition of the Supervisory Board (independent external members only), and in accordance with the above Audit Sector Plan, the Supervisory Board as a whole now covers the tasks of the Public Interest Committee. All present members of the Supervisory Board are members of the Quality & Risk Committee.

This new Quality & Risk Committee was introduced in this financial year. Quality, in a broad sense, has been and continues to be one of the priorities of the Supervisory Board. The Supervisory Board has spent significant time and effort on the establishment, structure and agenda (tasks, responsibilities and planning) of the Quality & Risk Committee. The Committee has been fully operational since January 1, 2017.

Members of the Supervisory Board	End of term
Floris G.H. Deckers, Chair	2020 (2nd term)
Frans E. Eelkman Rooda	2017 (1st term)
Jacqueline P. Rijsdijk	2017 (1st term)
Vincent G. Moolenaar	2020 (1st term)
Nienke Meijjer*	2021 (1st term)

*) Appointed as of June 30, 2017

Audit Committee

- Frans E. Eelkman Rooda, Chair
- Floris G.H. Deckers
- Vincent G. Moolenaar

Quality & Risk Committee

- Vincent G. Moolenaar, Chair
- Floris G.H. Deckers
- Jacqueline P. Rijsdijk
- Frans E. Eelkman Rooda

Partner Matters Committee

- Floris G.H. Deckers, Chair
- Jacqueline P. Rijsdijk
- Frans E. Eelkman Rooda

Remuneration Committee

- Floris G.H. Deckers, Chair
- Jacqueline P. Rijsdijk (temporarily)

(It is anticipated that Nienke Meijjer will be appointed as Chair of the Remuneration Committee)

Selection and Nomination Committee

- Jacqueline P. Rijsdijk (Chair)
- Vincent G. Moolenaar

Tasks

The Charter and the Rules of Procedure of the Supervisory Board lays down the tasks and responsibilities of the Supervisory Board. Separate Charters that form part of the Charter and the Rules of Procedure of the Supervisory Board describe the tasks and responsibilities of the different sub-committees of the Board. This report includes the separate reports of the different committees. The tasks of the Supervisory Board and the subcommittees include the supervision of the Executive Board with respect to:

- The realisation of the firm's strategy, goals and objectives
- The firm's financial performance and position
- Public interest matters
- Compliance with independence regulations
- Quality and Risk management
- The composition of the Executive Board
- The remuneration of the Executive Board members
- Human resources.

The Supervisory Board has a clear focus on the developments in corporate governance and the environment surrounding Deloitte, as well as the need for Deloitte to deliver high-quality services that support the strategic vision of Deloitte, which is 'to make an impact that matters'.

For further information about the corporate governance structure of Deloitte Netherlands and a more detailed description of the tasks, roles and responsibilities of the Supervisory Board, see the section 'Roles and Responsibilities' on page 83 of the 2016/2017 Integrated Annual Report of Coöperatief Deloitte U.A. that will be published in September 2017.

Highlights of the work and activities of the Supervisory Board during the financial year 2016/2017 include the following:

- The Supervisory Board held seven regular meetings, six extra meetings, one comprehensive strategy session and one education day during the financial year. Alongside the regular meetings of the Board, several additional meetings were held in relation to: the firm's international strategy, the implementation of the new governance model of the firm, the composition and structure of the Supervisory Board, including (i) the selection and nomination of Vincent Moolenaar as a member of the Supervisory Board, (ii) the selection of Nienke Meijer as the fifth member of the Supervisory Board, (iii) the creation of the Quality & Risk Committee, and (iv) the creation of the Partner Advisory Committee (PAC). The PAC is composed of five partners, representing the five business Functions. The General Meeting appoints the members on the nomination of the Supervisory Board. The PAC advises and supports the Supervisory Board.
- The regulatory environment for the audit practice and audit quality are continuously on the agenda of the Supervisory Board. The Supervisory Board has closely monitored the follow-up on previous inspection reports by the AFM and the PCAOB, and the preparation and execution of inspections performed by the AFM in 2016/2017. The Supervisory Board

has also monitored the public consultation regarding proposed new legislation for audit firms, including regulations proposed by the AFM.

- The Supervisory Board has spent significant time and effort on the introduction and set-up of the Quality & Risk Committee. This new Committee of the Supervisory Board comprises all present members of the Supervisory Board, is fully operational as of January 1, 2017, and has already held several meetings in 2017. The Quality & Risk Committee specifically focuses on supervising the work of the Executive Board regarding the quality and risk policies and risk management of Deloitte Netherlands. The duties and areas of attention of the Quality & Risk Committee pertain to all Functions or Businesses of Deloitte Netherlands, and particularly to the Audit Function because of close public and regulatory scrutiny. The Quality & Risk Committee supervises the work of the Executive Board in respect to, for example: the firm's risk policy and risk appetite to be determined by the Executive Board, the implementation, execution and monitoring of quality and risk policies and procedures, the strategy and (new) business activities, (the policy regarding) compliance with laws and regulations, including codes of conduct and internal procedures, talent and remuneration policies, possible personal investigations regarding senior management and internal fraud investigations and other

public interest subjects.

- Quality and risk management is not only on the agenda of the Quality & Risk Committee, but receives constant attention from the Supervisory Board as a whole. For example, developments in the Audit Function have been an important agenda item, both in regular meetings and in a comprehensive strategy session. Another important agenda item is reputational risk. The Board has discussed the Public Policy Plan of the firm and will closely follow new developments.
- With (i) the appointment of the Chief Quality Officer to the Executive Board (on nomination of the Supervisory Board), (ii) the establishment of the Quality & Risk Committee and the appointment of its (new) Chair and (iii) the implementation of the governance proposals included in the Audit Sector Plan (such as: the ratification by the Supervisory Board of the Executive Board's decision regarding the appointment and dismissal of Audit partners and the approval of the firm's remuneration policy for the Audit Function, in their governance capacity to ensure that the firm's quality processes are in place and functioning), the Supervisory Board of Deloitte has enhanced the foundation for effective supervision in respect of the firm's quality and risk performance.
- The Board supports and challenges the strategic initiatives of the Executive Board. During the year, these strategic initiatives – especially strategic initiatives aimed at

the creation of Deloitte North West Europe (NWE) – were regularly discussed with the Executive Board and the Board has discussed and evaluated the progress made on these strategic initiatives. The Supervisory Board of Deloitte Netherlands has been closely involved in the set-up of a NWE member firm and has spent substantial time and effort on the legal structure and governance, ensuring that it can continue to fulfil its legal and statutory obligations.

- Diversity is not only about gender, but also about race, ethnicity, religion and (study) background. The Supervisory Board has thoroughly discussed the diversity policy of Deloitte Netherlands. It will continue to challenge the Executive Board and to monitor management development programmes aimed at increasing the number of women in Deloitte leadership positions and diversity in its broader sense.
- Member Firm Standards were introduced by Deloitte Touche Tohmatsu Limited (DTTL) to support the common pursuit of the Deloitte standards of excellence. Through the assessment process in respect of several of these standards (for example, security and confidentiality, risk management and operational excellence) DTTL gathers a number of best practices, mitigates risks and stimulates a common approach to develop action plans to further enhance the performance of all member firms on these areas. The Member Firm Standards are good

instruments for the Supervisory Board to monitor the performance of the Executive Board and the Netherlands firm, for example in the field of quality and talent.

- The culture of the organisation has been an important item on the agenda of the Supervisory Board and its Quality & Risk Committee. The Supervisory Board has thoroughly discussed the results of the quarterly Culture Surveys. The Supervisory Board is fully aligned with the firm's culture journey and with the strategy and plans of the Executive Board and Executive Committee to build a quality-driven culture. The Supervisory Board will continue to challenge and monitor follow-up on such plans.
- As in previous years, the Risk & Reputation Leader conducted an extensive inspection on independence compliance. This inspection involved individual testing of partners, directors and senior managers. It is critical that the organisation maintains a system of closely monitoring and inspecting adherence to the independence rules. The Board is regularly informed about the results of these inspections.
- Important partner matters are, as a matter of principle, brought to the attention of the Supervisory Board and, when necessary, discussed thoroughly with the Executive Board.
- After deferring the new external auditor

selection process for Deloitte Netherlands in 2015, a new Audit firm has been selected based on present quality criteria (audit quality and risk assessment, working with internal audit, expertise in Integrated Reporting and governance and reporting thereon, team composition and confidentiality and conflict of interest protocol). The General Meeting approved the nomination of the new external auditor in September 2016.

- In compliance with the NBA measures, we have implemented relevant measures to allow a claw back for Audit partners effective as of June 1, 2016.

Report of the Audit Committee

The Audit Committee (AC) assists the Supervisory Board in fulfilling its oversight responsibilities for quality of internal and external reporting of the firm, the control and financial risk management framework, internal audit, engagement with the external auditor, financing and tax. In doing so, the AC takes note of the outcome of internal audit investigations and assessments of compliance with applicable laws and regulations.

The AC had six regular meetings during the financial year 2016/2017, one extra meeting and four conference calls. The findings and comments have been reported to the full Supervisory Board during the regular meetings of the Board. The COO, a delegate of

the Partner Advisory Committee, the finance lead, the controller and the internal auditor as well as the external auditor attended the AC meetings.

Highlights of the work of the AC during 2016/2017:

- Discussion on the financial performance of the firm, both at an aggregate level and for the different Functions of Deloitte. The Committee is satisfied with the financial performance of the group;
- Discussion covering forecasts and financial plans;
- Structure of the control framework of the group, especially with regard to the work in progress balances;
- Approval of the annual internal audit plan and discussion on the further development of the internal audit function;
- Planning and preparation of integrated reporting;
- The internal and external audit findings, including follow-up on previous recommendations made by the internal and external auditors;
- Discussion on specific reports issued by the internal auditor in line with the annual internal audit plan;
- Review of the settlement for restructuring of Stichting InterNos and consolidation in Coöperatief Deloitte U.A.;
- The transition process of the new external

auditor effective from financial year 2016/2017;

- Discussion of the conditions for renewal of the firm's financing facilities.

Report of the Quality & Risk Committee

The Quality & Risk Committee assists the Supervisory Board in fulfilling its oversight responsibilities regarding the risk policy and quality and risk management of the Executive Board. In addition to the tasks set out above, the Quality & Risk Committee discusses the principal (financial and non-financial) risks that the company is (expected to be) exposed to, compared to the risk policy (credit, market, liquidity, operational, reputational, compliance and ICT risks) and the steps taken to manage the risks with (a delegation of) the Executive Board and other stakeholders within the organisation.

As of January 1, 2017 the Quality & Risk Committee has expeditiously started its work, with two regular meetings (one in January and one in March 2017). Highlights of the work of the Quality & Risk Committee so far:

- The Committee has defined its tasks and responsibilities and has drafted a plan for the upcoming 1.5 years;
- Audit quality has been and will be a recurring topic at each meeting of the Quality & Risk Committee;
- The Monitoring Commission Accountancy

released its first public report on its activities to ensure continuous improvement in the audit profession. The Committee has discussed this Report, Deloitte's own analyses and the current fundamental challenges for the profession as a whole with Deloitte's Audit leadership;

- The Committee has thoroughly discussed material litigation and risk management cases;
- The Committee is fully aligned with the Enterprise Risk Framework of the organisation and focuses on two high-risk priorities per meeting. The Quality/Regulatory/Reputational cluster and living our values (including the culture project) were important items on the agenda;
- The outcome of the independence inspection and testing and new EU Public Interest Entities legislation;
- Updates and reports of the Risk and Reputation Lead (for example independence, internal and external complaints and reputational risks), the Compliance Officer and General Counsel of Deloitte Netherlands;
- The Quality & Risk Committee is involved in the development of a contentious matters overview and closely monitors the developments.

Report of the Partner Matters Committee

The Partner Matters Committee (PMC) supports the Supervisory Board in oversight matters with regards to the partner remuneration system.

The PMC has discussed a limited number of appeals by individual partners regarding their classification in the 2016/2017 partner remuneration system. Also, the PMC reviewed the classification of the entire group of partners in the 2016/2017 partner remuneration system.

Furthermore, the responsibilities of the PMC have been extended; the PMC has prepared the ratification process of the Supervisory Board regarding the Executive Board's decision regarding the appointment of Audit partners. In that context, the PMC and the Supervisory Board assess 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.

Report of the Remuneration Committee

The Remuneration Committee (RC) supports the Supervisory Board on decisions regarding the remuneration of the members of the Executive Board, including an assessment of their individual performance.

The RC has had four meetings during the financial year 2016/2017 and discussed the

target setting for 2016/2017 of the Executive Board and each Executive Board member. Long-term goals relating to quality are explicitly included in the personal targets of the Executive Board members. Furthermore, the RC has thoroughly discussed the remuneration of the Executive Board members. In February 2017 and in May 2017, the RC discussed the performance of each member of the Executive Board during the financial year 2016/2017.

Report of the Selection and Nomination Committee

The Selection and Nomination Committee (SNC) is responsible for preparing the selection and nomination by the Supervisory Board of new members of the Executive Board and the Supervisory Board. The SNC also addressed succession planning of members of both Boards, and is closely involved in succession planning of members of the Executive Committee, particularly with regard to the Audit leadership.

This financial year (2016/2017) the SNC has advised the Supervisory Board to nominate Floris Deckers and Vincent Moolenaar for (re) appointment as members of the Supervisory Board. Furthermore, the SNC has led the selection process for the appointment of Nienke Meijer as fifth Supervisory Board member.

Priorities 2017/2018

The Supervisory Board has selected the following priorities for its supervision of the management and affairs of Deloitte Netherlands in 2017/2018:

- Executing the Quality Agenda
- Ensuring independent supervision over Deloitte Netherlands within the new international setting of Deloitte North West Europe
- Structuring and implementing the firm's Enterprise Risk Framework
- Developing and launching initiatives and programmes in the context of behaviour and other matters broadly indicated as Culture
- Executing the Public Policy Plan
- Succession Planning and Diversity

Rotterdam, August 31, 2017

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

Young Professional Audit Quality Board

From left to right: Jannus Kat, Lennard Verhoeven, Rick Dekker, Lidwien Snijders en Arthur Migchelsen.



The Young Professional Audit Quality Board (YPAQB) exists since 2013 and is set up to serve as a bridge for communications between audit leadership and the young professionals. The annual plan includes actions like:

- Periodic meetings with all those involved with quality: Supervisory Board, Management Team Audit, Audit Quality & Risk Meeting, etc.
- Specific communications on quality initiatives to young professionals.
- Monthly webcast for young professionals covering a wide range of subjects: from performing test of details to culture & mindset
- Hosting an event giving our young professionals the opportunity to discuss about our profession, our relevance and our future with (senior) partners

For the current financial year, the YPAQB will host an event in October 2017 and invited external stakeholders like the AFM. The YPAQB will also organize with breakfast sessions at each and every Deloitte office in the country to discuss several topics with an emphasis on culture & mindset.

Strategy and Audit Quality

Stakeholders entrust us to comply with applicable standards and values. We cannot breach this trust. This is why the key pillar of our quality agenda is related to culture and behaviour. Based on encouraging role models and role model behaviour and investing in employees we enable our professionals to act in the public interest. The core of our ambition is realising 'An Impact that matters, on our clients, our people and our communities' in order to build an organisation that our stakeholders recognise as 'the undisputed leader in professional services'.

We recognise the importance of setting appropriate examples in creating a learning organisation where we explicitly recognise and reward good quality. In this respect our Young Professional Audit Quality Board acts as a differentiator. The purpose of our Young Board, a group of five ambitious professionals, is to act as the intermediary between Deloitte's Young Professionals and those concerned with quality, both within and outside Deloitte.

As an example from 2016/2017, the Young Professional Audit Quality Board actively participated in the dialogue with outside stakeholders such as the Monitoring Commission Accountancy and the Authority for the Financial Markets, and also with the Audit Leadership, including our Executive

and Supervisory Board members. The FY17 program of the Young Professional Audit Quality Board put a particular emphasis on audit quality events, webcasts, presenting audit quality updates and periodic discussions with those concerned with quality. The Young Professional Audit Quality Board supports leadership with the analyses of external inspection results, as we recognise the relevance of an adaptive bottom-up leadership style, where ownership of the audit quality agenda is taken by professionals outside (central) leadership roles.

We are proud of the six professionals we appointed as directors and registered as 'external auditors' with the AFM after successful completion of a strict appointment process. Three professionals were promoted to partner.

Each one is a professional with the capacity for self-analysis. Professionals with pride, guts and enthusiasm who signed the Audit Quality Commitment, they are vibrant and energetic.



In 2016/2017 six new external auditors were appointed, from left to right: Rashid Niamut, Joost van den Akker, Ivo Wetters, Erik-Jan Scheffer, Sofian Vuijk en Pieter de Jong

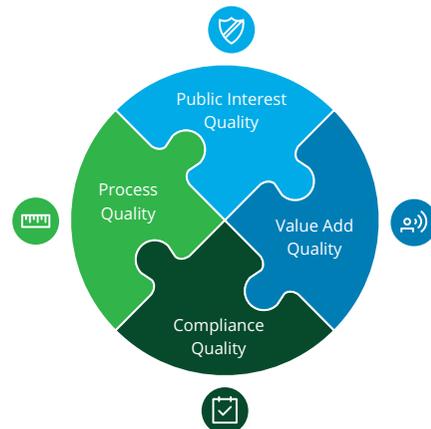
Expert knowledge, professional critical attitude and a focus on quality are crucial elements to us within the promotion policy for all our professionals. The Quality commitment explicitly focuses on the personal drivers and mindset of the promotion candidates. For example, we expect promotion candidates to present tangible practical examples of how they acted when focusing on the public interest and the themes of fraud and corruption risks and critically assessing the going-concern assumption of their audit clients.

Role model behaviour based on personal engagement of our policy makers

Deloitte has embedded responsibility for quality into its organisation and governance structure. This is visibly expressed in the operations in the monthly Audit Quality & Risk Meetings that are fully dedicated to the quality agenda. Via this Audit Quality & Risk Meeting, the Executive Board proactively initiates and monitors operations and the duty of care relating to the quality of our statutory audits and other audits. The Executive Board makes the necessary adjustments based on detailed progress and exception reports that also include the underlying root cause analyses. This ensures our Executive Board is in control. Our CQO (Chief Quality Officer) is the Chairman of the monthly Audit Quality & Risk Meeting. Our focus on culture and behaviour also implies that we feel free to address each other about our responsibilities. In the current reporting year, the policy makers have rewarded good quality performances and imposed financial sanctions on external auditors with an inadequate quality performance, ranging between 5 and 10 percent of the annual income for partners. Where necessary, we also implement adjustments to the role and responsibilities of external auditors while on the other hand supporting and coaching them to ensure they will be meeting our quality standards. In appointment processes for Directors and/or Partners, some professionals were not promoted due to not or not yet fully fulfilling the quality requirements we imposed.

Our vision: multiple dimensions to the concept of 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. More so, it is about the correlation between these four angles. You might think this to be a complicated subject matter. So, let's elaborate!



Angle 1: 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.

Stakeholders increasingly expect organisations to do more than observing compliance rules alone, and the sentiment and attitudes are changing when it comes to the interpretation of standards and corporate compliance. This is why we expect our engagement teams, for example, to proactively initiate a dialogue with

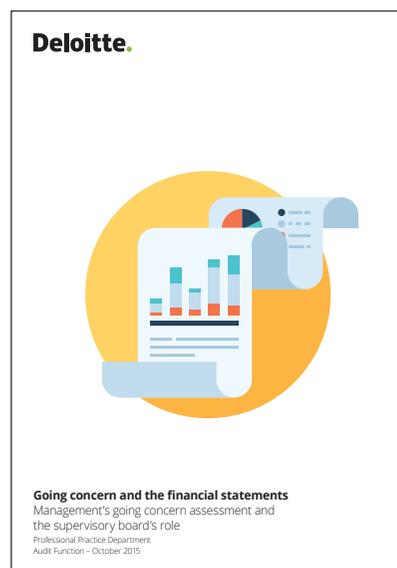
Examples of focus on fraud risk factors

Remarks from one of our external auditors on a business practice, set up to avoid currency restrictions, triggered the supervisory board of a transnational client to engage a third party expert for a deep-dive on compliance with law and regulation. Starting with the challenge of a standing practice, the audit team ultimately induced the audit client to refresh its internal risk and control framework, increasing awareness by sales staff and reducing the likelihood of future misconduct, if any. In another situation, the audit for an entity has been continued under the resolute written condition that the entity would substantially reduce cash purchases. Such a precondition was set up to avoid the possible involvement of the entity in facilitating tax evasion by its suppliers, or such a perception. The respective precondition encouraged management to prepare a written action plan carefully monitored by the audit engagement team and Engagement Quality Control reviewer. Elsewhere, one of our engagement teams was faced with a particular outflow of money where the business rationale remained unclear, notwithstanding management's explanation and audit evidence provided. Taking into account the lack of transparency and co-operation, we decided to withdraw from the engagement and informed the authorities about our decision to do so. The engagement teams have been rewarded with a Quality Award for their appropriate level of professional scepticism.

board members and audit committees of all our audit clients on the importance of corporate ethics and moral leadership. What does such a dialogue trigger in our daily practice? To encourage and support our professionals in their focus on the public interest, we clarified what we expect when it comes to ‘behavioural aspects’, as we see a strong correlation between culture/mindset and the application of professional scepticism. An example is the Quality Commitment signed by professionals we register as ‘external auditors’, based on our core values, including an unwavering focus on acting in the public interest. Moreover, we encourage dialogues on the sort of behaviour we consider appropriate in achieving audit excellence and potential dilemmas in day-to-day practice that could hinder such behaviour. The efforts relating to fraud risks resulted in a stable increase in the number of unusual transactions being reported to the Financial Intelligence Unit by our professionals over the past years.

Exploring dilemmas in cases of issues with a going-concern assumption

With our specialists from restructuring services, we developed a programme to support engagement teams in the audit of entities with challenges related to the going-concern assumption. As a matter of good governance, we encourage the entity's management to properly substantiate its going-concern assessment and the supervisory board members to challenge such a position. As workload pressure is a



factor contributing to the occurrence of audit deficiencies, we also constructively explored dilemmas around the audit of entities with

issues relating to a going-concern assumption. Whereas we feel a moral obligation to serve, the Dutch Act on Auditors' Supervision also requires Audit Firms to avoid relationships that could hamper trust. As such, in our decision-making process around client continuance, we pay particular attention to management's attitude towards going concern analysis, fraud and internal controls, in addition to the sufficiency of available time and resources, including specialists.

Overview A: Unusual transactions	2016/2017	2015/2016
Number of reports of unusual transactions	99	92

Table 1: Advisory categories consultation	2016/2017	2015/2016
Audit	216	199
Reporting	174	188
Legitimacy	1	1
Other	11	2
Total	402	390

Criteria:

1. The table shows the number of written mandatory and non-mandatory consultations submitted to the PPD.
2. In the 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' refers to formal queries from professionals on the interpretation of laws, regulations and procedures in the field of audits and reporting.

Feedback from a theme review on consultations about corruption risks

During 2016/2017 the AFM completed a thematic review on consultations dealing with corruption risks, through the identification of good practices and improvement areas. AFM provides recognition for Deloitte's approach to Portfolio Risk Reviews, based on an example where corruption risks and the use of experts have proactively been identified in our client acceptance considerations of a Public Interest Entity. AFM appreciates that Deloitte recognised deficiencies in the client's

internal control framework overseeing fraud and corruption, and acted accordingly. AFM observed that the audit partner involved followed a conscious decision-making process and applied reasonable professional judgment, including consideration of both the qualitative and quantitative concepts of materiality. The audit opinion includes a key audit matter dealing with corporate compliance, which has been recognised by AFM as good practice, including management's transparent disclosure on control weaknesses identified, and the assessment of its potential impact. In another

situation, AFM appreciated the identification of an unusual transaction by Deloitte and the constructive recommendations on the audit approach, as included in a consultation from the National Office. Improvement areas include further enhancement of documenting the National Office's Fraud Panel's considerations by formalising the consultation process in a situation where professionals from the National Office and forensic specialists were directly involved in supporting an engagement team in the resolution of an emerging issue. AFM nevertheless does recognise from the work papers that such specialised involvement with respect to fraud and corruption risks took place. More specifically, AFM had a recommendation on the consultation process in a situation where the audit partner appropriately evaluated the role of a client's senior officer in a particular transaction, but where this could have been included more explicitly in the consultation process in terms of its impact on -for example- management representations and audit documentation.

Angle 2: 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.

We focus on strategic clients who match our quality ambition. Our resources are by definition limited, which is why we choose to deploy them for those clients where we can make an impact that matters: strategic clients with robust internal control frameworks and clients who place value on our way of auditing and thus are willing to fairly compensate us for value delivered.

Plan-do-check-act; measuring impact and adjusting where necessary

Deloitte continuously measures the success of quality initiatives that have been initiated. A plan-do-check-act approach enables us to keep an eye on progress in our quality agenda and periodically refreshes where necessary. An example is our quarterly anonymous measurement of how our professionals experience the role model behaviour of our policy makers, and obtaining feedback on the key drivers of our professionals. In view of the desired long-term cultural change, we are pleased that the survey findings over time show a positive upward curve, and that the key drivers of our professionals consist of (i) collaboration, (ii) recognising and aiming for quality, and (iii) client contact.

In 2016/2017 we incorporated a Think Tank to challenge our performance in complex audit areas, a diversified group of experienced and respected professionals, explicitly building on a fresh and balanced view of our approach to Audit Quality Monitoring & Measurement, including practice and in-flight reviews. Key to audit excellence is the development of a thorough understanding of the entity's business and industry as well as the flow of transactions and risk assessment. The regulatory and professional environment in which our clients and our audit teams operate is increasingly regulated, litigious and complex. Specialised skills or knowledge allow us to perform appropriate risk assessments, plan or perform audit procedures, or evaluate audit results. What can we learn from questions a specialist would raise on our approach to corporate compliance and cyber security? Has any feedback on the audit risks been identified as having an impact upon property valuation? How do we enhance the audit of moral leadership in tax accounting, or the review of management's internal processes for purchase price allocation or goodwill valuation?

Through the Think Tank, such expertise is explicitly incorporated into the audit process and helping us to consistently challenge and reinvent ourselves, improving our overall performance and achieving a long-term sustainable business model.

Accelerating innovation

At Deloitte, innovation accelerates everything we do because it drives all we do. It is a mindset that produces technological breakthroughs and shapes our overall approach to audit. Our commitment to innovating is real and enduring. The Deloitte audit of the future will take a leading-edge approach to risk assessment – fact-based, leveraging data analytics and applying the best human critical thinking and scepticism to drive an advanced and effective approach.

This is a journey of several years.

- In 2015, we began laying the foundation for the 2016 methodology enhancements and building a culture of innovation.
- Since then, we have seen a group of engagements throughout the practice exploring the use of specific bespoke analytics tailored to the clients' routes to market and financial processes. Analytics is used for both risk assessments to identify anomalies in populations as well as substantive assurance through reconciliations to independent and/or third party information. In our journey we use and explore these showcases to further determine how data analytics can be used in practice throughout the audit to support risk assessment, internal controls, and substantive testing.
- During 2017 we will deploy standard analytics tools to a substantial part of the audit practice to drive the cultural change on "How the work gets done". To prepare for the audit of the

future, all auditors will need to understand analytics. These changes are supported by enhancements and new releases to our enabling platform solutions, and through learning programmes to ensure our analytics journey is adopted in practice.

Substantial benefits can be gained by leveraging the use of modern techniques in risk assessment and the substantive testing phase of the audit. Using these technologies will provide us with a sharper understanding of the entity and its environment and a thoughtful, differentiated response to assessed risks and actionable, deep insights. That is why we continue to invest in data analytics and other innovative tools.

 **Angle 3: 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 personalised and tailor-made dashboards with a clear view on the status of running audit engagements.

The process of transforming how we execute audits started in 2016, with key enhancements to the global audit methodology applied across the Deloitte network. These were supported by smart tools and technologies including Magnia EMS 4.0, the emergence of new analytic tools and other innovations, as well as an increasingly robust monitoring programme. This represented an important step towards transforming and shaping the audit of the future and vital elements of the Audit and Assurance 2020 aspiration to lead the profession as the world's most trusted audit provider.

This shift requires a change in the mindset of auditors about what an audit is, what it entails and how to leverage the power of analytics and technology to ultimately lead to higher quality and more consistent audits. To monitor whether progress was made against this goal, six minimum expectations were established in 2016, which Deloitte member firms were required to monitor, report to DTTL, and take any steps needed to respond to results.

Quarterly feedback

We execute a quarterly survey amongst our talent and obtain feedback on subjects like the perceived quality of the work performed and the adequateness of coaching and feedback received. The results of the survey are discussed and analysed in the Audit Management Team and actions -if necessary- are implemented.

Increased process quality through the benchmarking of homogenous audit engagements

From a public interest perspective, in-flight monitoring procedures have been piloted on homogenous public sector audit engagements through real-time leverage of certain audit quality indicators. By benchmarking individual portfolios and by allowing industry groups to take ownership over the data, we could see increased teaming and industry-wide consistency in the risk assessment and identification.

Beyond strong project management and an agile audit approach, value stems from leveraging our Audit Delivery Center. It is the strength of standardisation combined with robust quality control that benefits both quality and operations. Furthermore, it serves as one of the levers to managing resourcing.

Table 2: Distribution of relative expenditure of time for partner/director hours	2016/2017	2015/2016
The leverage on audit assignments by the number of partner/director hours to be expressed as a percentage of the total number of hours	7.2%	7.5%

Criteria: The hours recorded in the financial administration for statutory audit engagements of Deloitte Accountants B.V., for partners and directors. In relation to the total number of hours recorded for these engagements. The hours recorded include the hours spent on these engagements by other Deloitte Netherlands companies.

In response to reducing work pressure and creating more capacity to perform our statutory audit engagements we have increased the workforce of Deloitte Accountants B.V. As a result the leverage on the audit assignments has slightly decreased.

 **Angle 4: 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.

Through the Global Audit Transformation agenda, DTTL launched the Audit Quality Monitoring & Measurement (AQM&M) initiative, with the objective of transforming the way we monitor and measure quality and resolve audit deficiencies. The AQM&M initiative has the objective of establishing justifiable confidence in our internal systems of quality control, winning the respect of regulators, identifying and preventing brand-damaging issues and earning the trust of all our stakeholders. A priority in the AQM&M initiative is further enhancement of individual engagement reviews, including beginning to shift from partner/director based engagement selection to risk-based selections and the use of specialists in such reviews, aiming to emphasise what matters most from a public interest perspective.

Base for remuneration of partners and directors

The remuneration received by a partner depends on the points group to which he or she is assigned and on Deloitte's profit. After the end of each financial year, the Profit Points Value (WPW) is determined. Deloitte applies nine point groups. Partners are assigned to one of the groups annually or every two years. We take the quality assessment into account here as one of the four criteria. Each year, the partner classifications for the upcoming financial year are decided in a classification meeting. The classification meeting is a meeting of the Executive Board, attended by the NPPD of the Audit Function and the RRL (Reputation & Risk Leader), among others. A further assessment of the outcomes of this process is then made by the Supervisory Board. In the financial year 2017/2018 the base of remuneration of partners and directors is changed because of the establishment of Deloitte NWE.

As at June 1, 2016, Deloitte introduced a claw back scheme with a six-year term applicable for profit-sharing partners who serve as an external auditor and are involved in the implementation of statutory audits deposit a lump sum, or accrue an amount over six years from a reservation of revenue amounts. The amount within the scope of this scheme accrues over six years to at least one average annual income received during the most recent six-year period. If it becomes apparent before expiration of this

 **Table 3: Hours per FTE spent on auditing and other activities**

	2016/2017			2015/2016		
	Partner/ Director	(Senior) Manager	Other	Partner Director	(Senior) Manager	Other
Hrs per FTE spent on auditing	655	823	877	653	756	858
Hrs per FTE spent on other assignments	328	403	470	338	452	500
Total direct hrs per FTE	983	1,226	1,347	991	1,208	1,358

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

 **Table 4: Deployment of specialists in audit assignments, separated into PIEs and non-PIEs**

	2016/2017		2015/2016	
	PIE	Non-PIE	PIE	Non-PIE
Percentage of hours spent on statutory audit clients by:				
IT specialists	12.24%	3.96%	10.02%	4.19%
Other specialists:				
• Tax & Legal	0.73%	0.51%	0.94%	0.39%
• Financial Advisory Services	1.04%	1.04%	2.16%	1.07%
• Miscellaneous	0.20%	0.06%	0.02%	0.16%
Total	14.21%	5.57%	13.14%	5.81%

Criteria: The hours of specialists - based on the company that provides support on the audit engagement - recorded in the financial administration divided into activities on statutory audits of Deloitte Accountants B.V. on PIE and Non-PIE engagements. The percentages of 2015/2016 have been adapted to the criteria of 2016/2017.

period that the auditor's actions resulted in issuing an incorrect opinion for a statutory audit resulting in damage to society, the amount pursuant to this scheme is not paid out. Instead, the relevant auditor loses all or part of his/her entitlement to this profit.

The remuneration received by directors 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 share is determined by three factors: the number of profit points for the job classification, the assessment score (including the multiplication factor) and the fixed WPW.

Strengthening Engagement Quality Control Review

in 2016/2017 Practice Reviews showed that

policies dealing with Engagement Quality Control Review could be strengthened. We updated our policies dealing with EQCR that is executed by professionals independent from the audit team during the audit process. In brief, the updated policy enhances the robustness of EQCR procedures applicable to (i) engagements for Public Interest Entities (PIE) and applicable to (ii) other complex engagements with an increased risk profile (either due to their nature, size and/or complexity). For engagements outside the scope of EQCR, we introduced a (new) form of centralised risk-based monitoring activities, utilising a combination of Diagnostics and Audit Quality Indicators to identify any outliers in a timely fashion. As a result to our changed approach towards EQCRs the numbers as provided in table 5 for 2016/2017 are lower than for 2015/2016 and as such are not fully comparable.

Table 5: Number of EQCRs completed and hours spent	2016/2017	2015/2016
Mandatory EQCR	302	478
Voluntary EQCR	674	1,286
Total number of EQCR's at statutory audits	976	1,764
% of total number of statutory audits	47.7%	80.3%
% of hrs spent on EQCR's for statutory audits with EQCR	2.1%	2.0%

Criteria: Total number of EQCRs and the hours spent (based on hours registered in financial administration) for statutory audits with assignment risk normal/Greater than normal/much greater than normal.

In absolute numbers the hours spent in 2016/2017 on mandatory or voluntary EQCR's is about equal to the hours spent in 2015/2016.

Causal factor analysis to leverage indicators for success

As a learning organisation, we consider the concept of causal factor analysis as an opportunity, given our core principle of continually utilising previous audit experiences and inspection results to measure, learn and drive higher quality audits. We have a core team performing such causal factor analysis, trained by DTTL and applying a standardised global methodology and reporting to our Audit Quality & Risk Meeting. Causal factor analyses are being performed on a recurring basis throughout the year with the aim of identifying leading practices

suitable to leverage and learning from areas where we can improve. In this respect the team focuses on internal and external inspections, kicking off upon completion of such a review and investigating the indicators driving good quality audits as well as consolidating the lessons learned from improvement areas. The outcome of our causal factor analyses is being captured in a database and used by our AQRM as one of the sources of information to increase the focus of our audit quality initiatives and priorities. The table below provides some examples of topics derived from our causal factor analyses and how those are being linked to our Quality Initiatives.

Overview B: Causal factor analysis, indicators for audit excellence and factors driving deficiencies

#	Perspective	Link with Quality Initiatives
1.	Indicators for audit excellence, examples: <ul style="list-style-type: none"> Balanced team with appropriate knowledge of the industry and regulatory reporting requirements Partner involvement, including professionalism and mindset Project management 	<ul style="list-style-type: none"> Diligence and involvement of senior leadership in the allocation of teams to engagements with an increased risk profile Leverage of audit quality indicators, including partner involvement and 'tone at the top' Audit Quality Milestones to drive and monitor project management
2.	Factors driving deficiencies, examples: <ul style="list-style-type: none"> Mindset related issues Workload pressures 	<ul style="list-style-type: none"> Use of role models and positive rewards for professional scepticism Strong focus on the public interest in all initiatives in the quality agenda Specifications regarding the scale of our client portfolio Utilisation of Audit Delivery Center

Dutch Authority for the Financial Markets (AFM) concluded in its report of June 28, 2017 that our approach to causal factor analyses is close to meeting all expectations. Bearing in mind the concept of continuous improvement, we constantly benchmark our techniques to identify areas for further improvement. In the upcoming cycle we aim to expand the team performing causal factor analyses with behavioural experts, to widen our scope to include other elements of our system of quality control such as personnel turnover and to interview staff in the audit team below manager level.

Internal Practice Review programme

Our internal Practice Review programme is being executed by a dedicated core team of lead inspectors experienced in the area of auditing, accounting, IT and independence standards and is led by our Practice Review Director. Our enhanced approach to audit quality monitoring and measurement leads to increased consistency between internal and external inspection findings, meaning we have substantially raised the bar.

Our core team of dedicated resources enables us to perform internal Practice Reviews on a continuous basis throughout the year and contributes to the consistency of such reviews. From an objectivity perspective, an external partner unrelated to the Netherlands firm and independently assigned by DTTL supervises

the process. Conversely, the Netherlands firm contributes to the Global Practice Review Programme in various other countries such as the United States of America.

In 2016/2017 we continued to invest and improve upon our internal inspection programme, for example by the launch of our Think Tank, a diversified group with experienced and respected professionals in the area of tax accounting, real estate valuation, goodwill impairment, restructuring and forensic services. These specialists support the Practice Review Leadership team in identifying relevant topics in the internal inspections and challenging the appropriateness of risk assessments, audit procedures and support inspectors in assessing the severity of any observations.

In terms of focus areas, we put a particular emphasis on compliance with recommendations from the Professional Institute (NBA Measures), shared best practices within our professions through the NBA Public Interest Commission, and internally through the application of auditing procedures dealing with anti-money-laundering legislation and specific instructions from the National Office such as those dealing with cyber security, management estimates dealing with fair value accounting and internal controls.

The outcome of the review of individual engagements under the Practice Review Program shows a quality improvement regarding compliance to professional standards and particular regulations for auditing. The engagement review inspection results shows an increase in compliant rates

of 19% (legally & non-legally required audits in total respectively 45% in FY16 and 64% in FY17). The inspection results of Public Interest Entities consolidated on a compliance rate of 75% in both fiscal years. External inspections by the AFM and PCAOB in 2016/2017 have not been reflected in overview C.

The 2016/2017 Practice Review Programme reveals improvement opportunities in the area of substantiating fact-based risk assessment, including the use of data analytics and improving consistency in linking risk classification to the nature, timing and severity of auditing procedures as well as reconciliation with the financial statements. We encourage professionals to further explore the application of a control reliance strategy, as professionals tend to a substantive approach, whereas a control reliance strategy could be more

Overview C: Ratings engagement reviews of Practice Review Programme	2015/2016			2016/2017		
	Statutory Audits	Non statutory Audits	PIE Audits	Statutory Audits	Non statutory Audits	PIE Audits
	#	#	#	#	#	#
Compliant	27	4	3	22	6	3
Improvement required	23	4	1	6	5	1
Non-compliant	10	1	0	4	0	0
Objection	0	0	0	1	0	0
Total	60	9	4	33	11	4

beneficial given the way audit entities are being managed. When adopting a control reliance strategy we recognise that assessing the impact of IT deficiencies is being considered as challenging, particularly in the area of the impact on the completeness and reliability of information by the entity's IT systems. In the current year we developed additional supporting materials to support professionals in such an assessment. When it comes to substantive analytical reviews, the internal inspections programme found that there were instances where professionals could enhance the precision of such an analytic review, in addition to raising the level of professional scepticism. When using experts, it is important that there is full alignment in terms of the nature, timing and extent of work performed and mutual expectations regarding each of the roles and responsibilities in performing such work. In transnational audit engagements, we have seen examples where there is good reason to clarify interoffice clearances.

Also, through a leadership development programme, we engaged a group of young partners and directors to challenge leadership in the areas of certain conditions for success, such as our investments in quality, the way we recognise and reward good quality, and project management. By offering Partners and Directors ownership of the DTTL programme on the Member Firm Conditions for success we combined the strategic objectives relating to

becoming the premier career destination and successfully implementing the Audit Quality Monitoring & Measurement Programme.

We strongly believe that the direction set for practice reviews creates its pay-off in driving the strategic Audit Quality agenda. Mirroring to professionals the current (regulatory) bar set for Audit Quality creates valuable insights, substantially increases internal awareness and creates an excellent momentum for severe personal Audit Quality Commitments of the Partner and Director group. Understanding the concept of continuous improvement and recognising the value of insights derived from practice review observations, we asked our professionals to develop a personalised quality improvement plan upon completion of the review. Such a Quality Improvement Plan is linked to a written Audit Quality Commitment and is monitored through mid-year assessments. It is those insights, improvement plans and monitoring procedures that help our professionals to reflect and learn in an ongoing effort to improve our products, services and processes. In its report dated June 28, 2017, AFM referred to the respective programme as a 'good practice'.

Independence

Independence is discussed in a separate chapter of this Transparency Report.

Table 6: Employee turnover by job level	2016/2017	2015/2016
Partner	3	2
Director	4	6
Senior Manager	16	16
Manager	33	33
Staff	125	129
Support	4	-
Total employee turnover	185	186
Apprentices	196	109

Criteria: Turnover in FTEs over the past 12 months as per May 31, 2017 within the Audit Function of Deloitte Netherlands.

Apprentices are our premier source for recruiting our staff in the past year. The higher turnover in apprentices also reflects our increased efforts to recruit staff in order to reduce the workload.

Lessons learned from good practices and deficiencies, incidents and complaints

We believe in the concept of continuous improvement and recognise the value of insights derived from deficiencies spotted through our internal monitoring procedures. It is those insights that help our professionals to reflect and learn in an ongoing effort to improve our products, services and processes. To enable our professionals to benefit from such lessons learned, we centrally log occurrences where we concluded that compliance with the requirements of the Dutch Auditors' Supervision Act could be enhanced. This log is one of our structured sources of information that we use to perform causal factor analyses and use for the development of training materials and coaching programmes. In our effort to create a learning organisation, 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 on 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.

Overview D: Examples of lessons learned

1 Examples of observations related to financial accounting	Example of the next steps
<ul style="list-style-type: none"> Situation where the entity valued an investment at cost, where the equity method should have been used. 	<p>In this engagement we performed remedial procedures to ensure that we have an appropriate understanding of all relevant facts and circumstances. In addition, the entity has adjusted its financial statements, and transparently disclosed that such a situation occurred and how this has been addressed.</p>
<ul style="list-style-type: none"> In a complex situation a transaction that has been accounted for as a receivable should have been charged directly to the equity position as an (informal) deduction of equity. 	<p>In this engagement we performed remedial procedures to ensure that we have an appropriate understanding of all relevant facts and circumstances. In addition, the entity has adjusted its financial statements, and transparently disclosed that such a situation occurred and how this has been addressed.</p>
2 Examples of observations related to auditing	Example of the next steps
<ul style="list-style-type: none"> Auditors are required to perform detailed testing on journal entries. Our system of quality control revealed that this is an area where we can improve, for example in the way professionals apply the relevant methodology and the rationale for selecting certain journal entries. 	<p>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 includes a firm-wide initiative to leverage the use of data analytics in testing our journal entries and to increase consistency in the way we do so.</p>
<ul style="list-style-type: none"> Auditors are required to obtain an appropriate understanding of the internal control environment. Our system of quality control revealed that some of our professionals struggle with the impact on internal control effectiveness, in situations where the entity's IT system includes certain deficiencies. We have also seen situations where there is room to improve our complete understanding of all design elements of an individual control, particularly in the area of management review controls. 	<p>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 IT specialists and Professional Practice Department held an anonymous survey amongst all audit professional to trace the situations professionals consider as most challenging. The outcome of the survey has been used to develop tailored examples (training materials and webcasts) of the appropriate audit response to such situations</p>

In all occurrences where we concluded that compliance with the requirements of the Dutch Auditors' Supervision Act could be enhanced, we have taken measures in relation to that particular situation to rectify the situation that has arisen and prevent any recurrence. Our consideration in this context is that we see it as our role and responsibility to follow up on relevant improvement areas and to do our utmost to learn from such situations by enhancing our overall system of quality control to avoid reoccurrence. In this respect we always evaluate how our Engagement Quality Control Review process could contribute to the timely identification of such a situation prior to the issuance of an auditor's report.

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 analyses 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 behavioural aspects, combined with an assessment of the severity of the issue in terms of nature and/or impact and the overall track record of the professionals involved. We primarily drive quality by recognising and rewarding audit excellence and applying financial incentives that positively contribute to acting in the public

interest. Utilising this concept, there have also been 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 (ranging between 5 and 10 percent of the annual income) 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 examples where we considered it in the best interests of the professionals involved to reassess the nature, composition and/or volume of the individual's client portfolio.

Considerations when defining the 'next steps'

When defining the next steps after a quality event, there are various elements we take into consideration

- Mindset and behavioural aspects of professionals involved.
- The public interest; the extent to which non-compliance could harm the trust in Deloitte Accountants B.V. and/or the financial markets.
- The nature and severity of the non-compliance; non-compliance with an internal rule versus non-compliance that leads to actions with external effects, such as the withdrawal from an issued auditors' report.
- The extent to which non-compliance impacts and/or causes damage to the relationship of Deloitte Accountants B.V. with its audit client or with supervisory bodies and regulators.
- The impact of the proposed disciplinary measure/measures.
- Level and position of the professionals involved.
- The level of co-operation in the follow-up of the situation. The failure of the person concerned to immediately follow up on the non-compliance, or a lack of co-operation in answering questions truthfully and/or providing necessary information may result in more severe disciplinary measures.

An individual's track record, repeated non-compliance within a short period and/or non-compliance as a result of which the client concerned incurs a material loss, as well as non-compliance of material or essential importance to the party concerned or the client concerned, may result in the imposition of more severe disciplinary measures.

Incidents in the reporting year 2016/2017

The integrity of persons and institutions which are active in the financial markets affects public trust in these markets and the institutions that trade in these markets. Accounting firms play a public role. This is why Deloitte's business operations are designed to ensure control and integrity in performing its activities.

Incidents reported in the reporting year 2016/2017

Deloitte did not report any incidents to supervisory authorities during the 2016/2017 financial year.

Concluded and ongoing incident reports from previous financial years

During the reporting year 2016/2017, the following developments took place relating to incident reports from previous financial years:

1. InnoConcepts

The AFM concluded its investigation of the incident report of 2011, submitted following the bankruptcy of InnoConcepts, as reported in the 2013/2014 Transparency Report. The receiver published the conclusions and a summary of the investigation instituted into the causes of the company's bankruptcy and the actions of the management, the Supervisory Board members, the bank and the auditors in March 2015. The receiver came to a settlement

with Deloitte, followed by a bankruptcy settlement in 2015. In August 2017 Deloitte reached agreement with V.E.B. ("Vereniging van Effectenbezitters") on a settlement for shareholder compensation.

2. VEB concerning Ahold

In 2012, we filed an incident report concerning allegations against Deloitte and certain former Deloitte Board members concerning alleged misleading statements with regard to the issue of against which (former) Deloitte entity claims of Ahold investors should be filed. In 2015/2016 (and before), these allegations were all rejected in a number of disciplinary and other legal proceedings, including civil proceedings by the VEB against (former entities of) Deloitte. Consequently, the incident file has been closed. The civil proceedings before the District Court are still continuing. The debate in these proceedings hangs on the question of whether or not the Deloitte entities involved are liable for losses of Ahold investors, and is

still pending. These proceedings are still part of the aftermath of the Ahold fraud which came to light in early 2003. It was already established previously that this fraud was specifically intended to mislead the auditors, Deloitte.

3. Vestia

In 2012, we filed an incident report following significant media attention for the financial problems at the Vestia housing corporation. In February 2016, the Administrative High Court for Trade and Industry ruled on Vestia's appeal in the disciplinary proceeding filed by Vestia. The disciplinary complaints were rejected, save for one single complaint, which was adjudged. The external auditor received a warning.

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

4. PCAOB Settlement

In December 2016, the PCAOB announced the Settlement of an enforcement proceeding with Deloitte Accountants B.V. in relation to certain findings of the PCAOB. The PCAOB findings relate to facts dating from 2012 and before. The issue involves investments held by the spouse of a tax partner who became CEO early 2012. These investments were held

through a Dutch family foundation trust. The partner stepped down as CEO immediately when these issues became known. Since that time, Deloitte Netherlands has made substantial improvements to its quality control system in order to provide assurance that the firm is meeting all required independence standards.

Complaints and whistle-blower procedure

Deloitte has a complaints and whistle-blower procedure that applies to processing complaints by employees of Deloitte and third parties. The complaints procedure is based partly on, and arises from, the following provisions:

- Audit Firms Supervision Act (Wta)
- Supervision of Audit Firms Decree (Bta)
- International Standard on Quality Control (ISQC) on the processing of complaints
- Netherlands Corporate Governance Code.

The whistle-blower procedure is intended to ensure due care in reporting of any abuses by employees in the organisation. Employees have the option of submitting a complaint or whistle-blowing report anonymously, via a confidential counsellor. The complaints procedure is also intended for reporting complaints by third parties (external parties) on the services provided. A Complaints Committee was appointed to handle complaints received via the complaints procedure and the whistle-blower procedure.

Complaints Committee

The task of the Complaints Committee is to ensure that complaints are processed with confidentiality and due care. The Committee consists of partners and employees and thus constitutes a good reflection of the Deloitte organisation. The Reputation & Risk Leader and the Ethics Officer both hold seats on the Complaints Committee.

The Complaints Committee does not take decisions on the complaints received, but advises the Executive Board on the possible settlement of complaints. The advisory right was a deliberate choice, in view of the wide variation in the nature of the complaints.

Disciplinary complaints

During the reporting year 2016/2017, one disciplinary complaint was filed against an auditor (currently or formerly) affiliated to Deloitte Accountants B.V. in connection with services provided by Deloitte Accountants. This complaint concerns an audit of a fund (a “Stichting”) for pension additional payments. The plaintiff is of the opinion that the statutory board of the Stichting is not comprised as specified in the articles of association of the Stichting and would not be authorised to represent the Stichting.

Civil proceedings

During the reporting year 2016/2017, three civil proceedings (2015/2016: 1 civil proceeding) were instituted against Deloitte Accountants B.V. and/or against current or former external auditors affiliated to Deloitte Accountants B.V. in connection with statutory audit instructions.

The first case concerns proceedings initiated by Vestia, which have been referred to under ‘Incidents’ above.

In 2016 proceedings were initiated before the court in Portugal against three DTTL member firms relating to a Portuguese group of companies for which Deloitte Accountants B.V. has provided an audit of a Netherlands-based sub-holding company.

In 2016 proceedings were initiated by the receiver in the insolvency of a company against management of that company and against Deloitte Accountants B.V. relating to alleged errors in the latest annual accounts before insolvency.

Complaints procedure

The complaints procedure was applied a total of 21 times for Deloitte Netherlands.

Six cases concerned internal complaints. Three of these internal complaints concerned Talent (times and expenses) related issues and were resolved within the Talent function. One complaint concerned the services of a Deloitte supplier and was settled with the supplier. One complaint concerned a malfunctioning iPhone and was referred to the ICT department. One concerned an ethics complaint, which was declared unjustified.

Fifteen external complaints were registered. Six related to services rendered by Deloitte Accountants B.V. One complaint was rejected. Two were referred to and dealt with by the relevant service line. One complaint did not meet minimum standards. The complainant was asked to clarify the complaint, but he did not respond, so the case was closed. Of the remaining two complaints, one is still pending and the other is part of an ongoing legal procedure between Deloitte and an external party, and is therefore not dealt with by the Complaints Committee.

Six external complaints related to services rendered by Deloitte Belastingadviseurs B.V. One was partially grounded and an appropriate sanction was awarded against the professional concerned. One complaint was settled. Three were referred to and dealt with by the relevant service line. One complaint is still pending.

The three remaining external complaints are diverse: one was from a road user and concerned the driving behaviour of a Deloitte employee. An appropriate sanction was awarded against the employee. Another was from a former Deloitte employee and concerned the Deloitte pension scheme; the complainant was referred to the pension fund. The third complaint concerned the car lease scheme and was referred to the lease company.

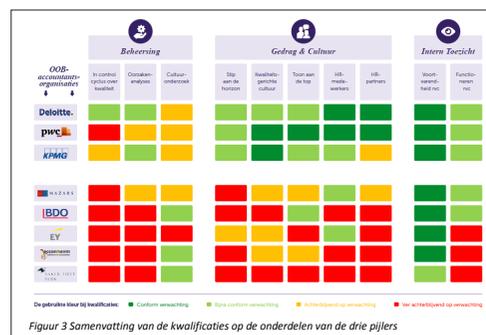
One whistle-blower issue was reported. The whistle-blower accused a former partner of fraudulent actions; he did, however, not substantiate his accusations. An investigation was completed, but no facts to corroborate the accusations were found. The whistle-blower has not come forward again.

External reviews by supervisory authorities

As in the past few years, external supervisory authorities have inspected the quality of the audits and the system of quality control, including Autoriteit Financiële Markten (AFM – Dutch Authority for the Financial Markets), the Audit Dienst Rijk (Central Government Audit Service), and the Onderwijsinspectie (Education Inspectorate). In this chapter, we present the results of these inspections.

AFM inspection on the change process and the quality of statutory audits

On June 28, 2017 the AFM published the results of the inspection of the change process at nine Public Interest Entities (PIE) audit firms and the quality of statutory audits at the Big 4. The AFM's opinion on the change process at Deloitte is positive. This reinforces our confidence that we have chosen the right course in recent years. We can identify with what is written in the report, both in terms of what is good and deemed 'good practice' and what can still be improved. The overall picture aligns with the results of our own periodic evaluation of our quality control system and the ongoing impact analyses in respect of our quality agenda initiatives. The results of the inspection of the change processes at the PIE audit firms as detailed in the AFM report are included in the figure.



The AFM considers most of the statutory audits it has examined at Deloitte to be adequate. Our Practice Review focuses on extensive inspection of all individual external auditors once audit engagements have been completed. Through stricter standards we have considerably stepped up our Practice Review Programme since 2013. The AFM corroborates this: "... the bar has been raised quite considerably". Thus,

this has been a major game changer for us and the AFM has designated our internal Practice Review programme as good practice. All of our external auditors were inspected internally in recent years.

Overview E: result AFM inspections	PIE and large 'non-PIE'	Other 'non-PIE'	Semi-Public	Total
Number of adequate audits	4	1	-	5
Number of inadequate audits		1	2	3
Total inspected audit files	4	2	2	8

Our reflection - Positive inspection result on all examined audits of Public Interest Entities

Both the AFM and the Public Company Accounting Oversight Board (PCAOB) consider all examined audits of Public Interest Entities (PIE) to be adequate. The examined audits of large non-PIEs are adequate, too. We consider this result to be an acknowledgement of the major effort our professionals have put into the strong focus on our responsibility toward society and the public interest.

Compared with previous round of inspection, a more balanced nature of findings

The audits where improvements should still be made particularly regard audits of relatively smaller companies and audits in the (semi-) public sector.

On the back of the remediation procedures performed in respect of those files, the conclusion is that the auditor's report issued earlier on can be maintained. Based on our own evaluation of the inspection results we conclude that the findings of the files inspected by the AFM and following our own internal Practice Reviews are of a more balanced nature compared with the inspection performed by the AFM in 2011/2012. A further step forward has been taken in terms of nature and depth of the findings. Additional and considerable measures and safeguards have been implemented since 2015, involving the acceptance and effective performance of audits of smaller companies and of (semi-)public sector entities.

Focus on the public interest

The auditor serving the public interest fully aligns with Deloitte's global purpose: "to make an impact that matters". Every day, Deloitte and its staff are fully committed to making a relevant and meaningful impact on society. This refresh of our purpose has led to reflecting on the what, how and why of our role in society and quality is intrinsically linked to everything we do. Our professionals are distinctly aware of the essence of high quality. The clear change initiated in 2013 - especially at a cultural level - also takes time and requires consistency. It is precisely this approach that now delivers results. We are grateful for the efforts of all our professionals in recent years.

The results confirm that we are on the right course and we continue our journey. We have confidence in the journey we have embarked on, focusing on continuously enhancing the quality we deliver in our statutory audits. All the more so considering the AFM inspection results.

Quality assessment of audits of financial statements and funding by the Education Inspectorate

The (financial) accounting information of educational institutes is audited by accountants. This information concerns the annual financial statements and the funding data. The work of the auditors is described in

detail in the educational audit protocol. The Education Inspectorate conducts annual file reviews in order to determine the adequacy of the auditing work. The review of the file for the financial year 2015 was conducted in October/November 2016. The inspection process in the reporting year 2015 involved eight files. The assessment 'adequate' was issued for files, both on funding and financial statements. Deloitte concludes that, in terms of both quality and content, the audit files have further improved compared with 2014.

Positive results in SiSa quality assessment by Central Government Audit Service

In September 2016 reviews were performed at Deloitte by the ADR (Central Government Audit Service) on audit files on the reporting year 2015. The National Audit Department supports the Ministries in the assessment of the audit information by conducting reviews at the auditors of municipal and provincial authorities and joint schemes that account independently to central government. Four audit files were subjected to a review (Three reviews on SiSa and two on WNT). The Ministry of the Interior and Kingdom Relations confirmed the positive review results (all reviewed dossiers 'adequate') in its final report of December 5, 2016.

Table 7: Number of internal/external inspections	2016/2017	2015/2016
External inspections on statutory audits by		
• AFM	8	0
• PCAOB	3	0
• SiSA	3	6
Total number of external inspections on statutory audits	14	6
Total number of statutory audits	1,981	1,908
As percentage of total number of statutory audits	0.7%	0.3%
External inspections on non-statutory audits by		
• Ministry of Education	12	0
• SiSA (WNT)	1	0
• NBA	0	29
Internal inspections on		
• Statutory audits	33	59
• Non-statutory audits	11	10

Criteria:

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

Please note that the selection of files for external inspections by the AFM is not based on a random sample. In 2016/2017 the NBA did not perform any inspections on non-statutory audits executed by Deloitte Netherlands.

Ethics and integrity

Our path to undisputed leadership in quality starts with integrity, which is our constant guide along the way to achieving our strategy. Our Code of Conduct is based on the Deloitte Global Code, which outlines the commitments that each of us make. It is based on our Shared Values and reflects our core belief that, at Deloitte, ethics and integrity are fundamental and not negotiable.

The ethics programme provides support for building ethical judgement and decision-making skills in all Deloitte people. There is an appointed Ethics Officer, ethics training, and channels for consulting on difficult issues and reporting suspected misconduct. The Ethics Officer is supported by a team consisting of a Deputy Ethics Officer and two internal and two external counsellors (vertrouwenspersonen). We measure the effectiveness of the ethics programme by, among other methods, a survey.

Acting in accordance with the Global Code is the responsibility of all people at Deloitte. Each of us is called upon to know, understand and comply with the Global Code. We also have a responsibility to raise our voice when we become aware of anything that is inconsistent with the Code. There can be serious consequences for non-compliance with the Global Code, a member firm code of conduct

or related Deloitte policies, up to and including dismissal. The National Ethics Officer is involved in the performance management process for our partners.

In May 2017, we conducted an Ethics Survey. The results of this survey have been discussed in the Executive Board. The main survey results show that:

- 96% of respondents believe that Deloitte is an ethical place to work;
- Role model behavior is of great importance for preserving and enhancing our culture;
- not all unethical behaviour which is observed is being reported
- further reducing the fear of retaliation is important for creating a safe environment for reporting unethical business conduct;
- building awareness of processes for consultation on ethical dilemmas and issues, especially at staff level, is important.

To enhance our ethical culture, we will continue our awareness activities in order to create an environment where people trust – and find their way to – our ethics team. We will empower our partners and business leaders to set a strong tone at the top, for example through 24-hour partner sessions. Our Deputy Ethics Officer, the secretary of the Complaints Committee and our internal counsellors will continue to create awareness throughout our firm through live ethical workshops in all our offices. In addition, our new global Ethics Imperative programme contains a new mandatory global ethics e-learning module which we plan to implement in 2017/2018. By executing these initiatives, we aim to promote an open culture and a safe environment for all our professionals and enable the organisation to respond quickly and appropriately to ethical dilemmas, and thus continuously improve our quality.

Shared Values

We have four Shared Values that guide our behaviour:

- Integrity
- Outstanding value to markets and clients
- Commitment to each other
- Strength from cultural diversity

Based on our values, we have defined twelve Global Principles of Business Conduct that address three categories of Deloitte stakeholders – our clients, our people and society – and are further elaborated on in our Global Code:

- Integrity
- Quality
- Professional behaviour
- Objectivity
- Competence
- Fair business practice
- Confidentiality, privacy and data protection
- Respect, diversity and fair treatment
- Professional development and support
- Anti-corruption
- Responsible supply chain
- Social responsibility

Reporting unethical conduct

Employees, clients and other third parties have the option of reporting unethical conduct or asking the advice of the (Deputy) Ethics Officer or one of the counsellors. We aim for a culture in which everyone feels free to report any ethical issues, and in which we are aware of the importance of a safe and confidential context that allows for reporting ethical issues.

The Ethics Officer handles the report, if necessary in consultation with specialists, including specialists in legal and psychological fields. These issues are discussed with the CQO every six weeks. Decisions on complaints are made by the Executive Board.

Overview F contains the number of incidents formally reported by the Ethics Officer to the Executive Board in 2016/2017. In addition to these formal reports, the Ethics Officer was proactively consulted by the organisation on ethical matters in 17 cases (documented consultations). Furthermore, some consultations took place on an informal basis.

In line with our target, there were no confirmed incidents of corruption reported to our Ethical Officer, the Complaints Committee or the public prosecutor in 2016/2017.

Anti-corruption

In 2016/2017, we continued strengthening our anti-corruption framework. Through our framework we aim to avoid incidents of corruption, comply with national and international legislation and preserve our brand.

To avoid any association with corruption, we include it as one of the elements in the background checks that we perform when accepting new clients or third parties. Additionally, corruption is a factor in the portfolio risk review discussions that we conduct with our assignment partners. The observations of these discussions are used as input for our corruption risk assessment. In this assessment, we believe that we have identified all foreseeable corruption risks for our firm covering 100% of our operations and assigned mitigating measures to each of the identified risks. An example of such mitigating measure is the change in our hiring procedures which we implemented in 2016/2017 to mitigate corruption risks when hiring candidates who were referred to us by business relations or government officials.

In 2015/2016, we started the roll-out of our online anti-corruption training, which is mandatory for all partners and employees. We paused this activity due to technical issues. These issues have now been resolved and we relaunched this training course in June 2017.

Being part of the international DTTL network, the provisions of the UK Bribery Act were already indirectly applicable to us. Due to the formation of Deloitte NWE, the provisions of the UK Bribery Act are now directly applicable to Deloitte Netherlands. As a consequence, we are aligning related policies and procedures within the different NWE geographical areas.

Overview F: Incidents (number of occurrences)	2016/2017	2015/2016
Sexual harassment	4	2
Intimidation	8	10
Stalking	0	0
Other disrespectful treatment of colleagues (incl. bullying)	47	51
Total	59	63

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.

Independence

Deloitte is committed to ensuring quality compliance. For an audit firm and its network, independence is an integral part of quality. Independence is a cornerstone for public trust in the objectivity of the audit reports issued by an audit firm. Deloitte has policies and procedures in place in order to ensure the independence of our partners and professionals and our organisation. Within Deloitte's Reputation & Risk Leadership Office, the Independence Center falls under the direct responsibility of the Executive Board. The National Director of Independence is at the head of the Independence Center and is part of an international network of Directors of Independence of all Deloitte member firms, under the direction of the DTTL Global Managing Director of Independence. Below we set out some important topics on independence during 2016/2017.

EU Independence rules and amended ViO effective June 17, 2016

On June 17, 2016, the EU Regulation became effective. The EU Regulation applies to statutory audits of European Public Interest Entities (EU PIEs) and has a direct effect in all EU member states. Member state options in the EU Regulation allow member states to derogate and impose further restrictions or allow certain exceptions.

In the Netherlands, the ViO (Regulation regarding the Independence of Accountants in respect of Assurance Engagements) has been amended in order to comply with the EU Regulation. Due to the way the ViO is structured, certain audit and non-audit assurance clients which are not covered by the EU Regulation are subjected to increased restrictions.

Both the EU Regulation and the amended ViO apply to financial years starting on or after June 17, 2016. Therefore, in most cases the first financial year affected by these regulations commenced on January 1, 2017.

For EU PIE statutory audit clients domiciled in the Netherlands (OOBs, Public Interest Entities), the Independence Center assisted and advised the Audit Teams in order to identify engagements that could become prohibited as a result of the EU Regulation. For EU PIE statutory audit clients domiciled in other member states, the Independence Center notified teams providing non-audit services to parent companies or subsidiaries domiciled in the Netherlands about the potential for upcoming restrictions.

Draft legislation on the expansion of the PIE definition

On April 4, 2017, the Dutch legislator issued an internet consultation regarding the draft Besluit aanwijzing organisaties van openbaar belang in de zin van de Wta (Decree on the designation of public interest entities in the sense of the Wta, the Audit Firms Supervision Act). The current PIE definition includes listed entities, banks and insurance companies. Under the proposed legislation, housing corporations with more than 2,500 rental units, large pension funds, energy and gas network operators and institutions for science policy would be added to the PIE definition. As per the

details provided by the legislator in its notes to the draft legislation, 286 organisations will be designated an PIE following implementation of the decree. The intended effective date for the legislation is January 1, 2018. Deloitte has provided feedback on the internet consultation requesting clarification on certain points and continues to closely monitor the developments. While the legislation may still be subject to change, Deloitte has begun identifying and discussing those audit clients that would be affected by the legislation in its current form. Further actions will be performed in order to be fully compliant as per the effective date, taking into account any transitional provisions that may apply.

Personal Independence

The personal independence of our partners and professionals, the external members of the Supervisory Board, and other individuals associated with Deloitte is an important focus area for the Independence Center and the public. In addition to requirements based on external law and regulations, Deloitte has policies and procedures on, for instance, financial interests, outside positions and other employment relationships, that are often more restrictive.

Deloitte has additional policies in place on investments which prohibits partners and directors from investing in real estate together with other partners, directors, or professionals. The policy also prohibits partners, directors and professional staff from acquiring new investments in financial interests that are illiquid or cannot be easily sold.

Moreover, partners, directors and professional staff involved in delivering professional services to clients are prohibited from having a discretionary investment account with a financial institution unless agreements between Deloitte and the financial institution safeguard that prohibited investments do not occur. Finally, partners, directors and professional staff involved in an engagement are prohibited from having joint investments together with that client or its management.

Amended disciplinary policy as at March 1, 2017

In 2016/2017 Deloitte issued an updated disciplinary policy with the effective date of March 1, 2017. The disciplinary policy implements the disciplinary policy issued by the DTTL Global Executive and applies to non-compliance in terms of the applicable independence rules. This may include issues such as GIMS (Global Independence Monitoring System) compliance, but also issues regarding e-learning courses and webcasts, observing client and engagement acceptance procedures,

completing the annual independence confirmation, completing independence surveys and so on. The key change is that the policy formalises that any non-compliance will lead to measures being taken. The policy includes an illustrative table of severity and typical consequences showing the minimum measure to be imposed, subject to evaluation of the facts and circumstances and the severity level. Possible measures include a constructive discussion to convey norms, a written warning, additional training requirements or a financial sanction.

Monitoring financial interests (GIMS)

Deloitte has procedures in place for monitoring financial interests (GIMS). Partners, Directors and all client-facing (Senior) Managers are required to maintain a GIMS account and to enter their financial interests in a timely and accurate manner. All Partners and Professional Staff are required to check the Deloitte Entity Search & Compliance system (DESC) before acquiring a financial interest in order to determine whether the financial interest is permissible. Independence Center staff are available to answer questions on the permissibility of financial interests.

Monitoring outside positions

All Partners and Professional Staff are required to enter their intended outside positions in the Outside Positions Register for review. Accepting an outside position is allowed only after approval of the Executive Board. In that respect, the Executive Board is advised by the Director of Independence, Reputation & Risk Leader, Professional Practice Directors, and others if necessary. Approval is valid for four years, after which a re-assessment takes place. Positions held or contemplated by external members of the Supervisory Board are also assessed under the applicable rules. On a yearly basis, all Partners, Professional Staff and Supervisory Board members receive an overview of their

outside positions recorded in the Outside Positions Register, and are required to report any changes to the Independence Center.

Table 8: Non-compliance outside positions

Reporting year	Non compliance incidents	Sanctions
2016/2017	2	1 warning in writing. In the other case no sanction as the non-compliance detected was the result of circumstances that in fairness and reasonableness were not in the audit partner's control.
2015/2016	0	Not applicable

Criteria:

1. The table shows non-compliance with the external independence rules concerning outside positions, on which the management made a decision in the period between the publication of the last Transparency Report and this one.
2. The sanctions were the sanctions imposed on partners of Deloitte Netherlands for violations of the external independence rules concerning outside positions.

Inspection and testing procedures on personal independence

Deloitte annually assesses a selection of its Partners, Directors and (Senior) Managers in order to determine that they observe the independence rules and compliance requirements relating to personal independence. All individuals who hold 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, as per DTTL instructions, a percentage of the (Senior) Manager population is tested. Additionally, Deloitte performs Inspection & Testing procedures on all partner and director candidates/new hires. The Director of Independence reports the outcomes of the Inspection & Testing procedures to the Reputation & Risk Leader, the Executive Board, the Supervisory Board and DTTL Global Independence on a yearly basis. In the report from 2016, the test results of 234 persons were included (126 Partners and Directors, 105 (Senior) Managers and three external Supervisory Board members).

Overview of non-compliance or shortcomings on Personal Independence

During 2016/2017, Deloitte detected three situations where an impermissible financial interest was acquired. In each case, the financial interest was not prohibited under the external independence rules, but was prohibited under the more restrictive Deloitte independence policies. In response to the aforementioned non-compliance, the Executive Board took disciplinary measures as set out in the overview.

The Executive Board also took disciplinary measures in a number of other situations found in the annual Inspection & Testing procedures, which did not involve a prohibited financial interest but concerned shortcomings in maintaining accurate records of financial interests in GIMS.

Overview G: Non-compliance with personal independence and inadequate GIMS registrations

Reporting year	Non compliance incident	Sanctions
2016/2017	3	3 norm conveying conversations with the Director of Independence.
2015/2016	3	1 norm conveying conversation with the Director of Independence. 1 note in the Quality Performance Dashboard that will be taken into account in the performance evaluation relating to quality. 1 time no sanction as the non-compliance detected was the result of circumstances that in fairness and reasonableness are not in the relevant person's control, and this concerns exclusively non-compliance with Deloitte Netherlands' local policy, rather than with external independence rules.

Reporting year	Inadequate GIMS registration	Sanctions
2016/2017	14	11 cases of norm conveying conversations with the Director of Independence and reassessments. 2 cases of warnings in writing and reassessments. 1 case of a financial sanction and a reassessment.
2015/2016	10	9 norm conveying conversations with the Director of Independence (with 4 cases where a warning in writing was sent, 3 notes in the Quality Performance Dashboard, 7 cases of mandatory repeat completion of learning/learnings, and 8 reassessments). 1 norm conveying conversations with both the Chief Quality Officer and the Director of Independence, a warning in writing and a reassessment.

Criteria:

1. The overview shows non-compliance with both the independence rules applying internally within Deloitte and non-compliance with the external independence rules on which the management made a decision in the period between the publication of the last Transparency Report and this one.

2. This overview shows the number of persons for which shortcomings were detected in the registration of personal investment in the GIMS registration system for which sanctions were imposed. Cases of shortcomings in the registration of personal investments are not classed as non-compliance.
3. The sanctions concerns sanctions imposed on partners and employees of Deloitte Netherlands for non-compliance with the independence rules and for inadequate registration of financial interests in GIMS.

Deloitte identified two outside positions of which the continuance was impermissible. In one case the matter concerned an existing outside position with an affiliate of an entity that became an audit client. The other case concerned an outside position accepted by an independent contractor without observing the proper procedures for determining permissibility. In each case, Deloitte concluded that the objectivity, integrity, impartiality and professional scepticism of the Audit Team was not affected. Deloitte followed the procedures as required by the ViO and the Deloitte Policy Manual and reported the breaches to the respective clients and their Supervisory Boards and to DTTL Global Independence.

Combination of services and long association

Throughout the year, the Independence Center receives many consultations on matters pertaining to combination of services and long association.

Deloitte has engagement acceptance procedures in place that include local and international conflict checking procedures. In 2016/2017 Deloitte introduced a new and integrated client and engagement acceptance module which further facilitates the client and engagement acceptance procedures for both the practitioners and the Acceptance Center.

In addition, the Independence Center performs an annual Engagement Acceptance Monitoring Process on a random sample basis. The engagements are assessed for compliance with the engagement acceptance procedures, checking whether all required approvals were obtained in due course and whether the services were in accordance with the applicable independence rules. The findings of this monitoring process are reported to the Quality & Risk Committee, in which all Professional Practice Directors of the different Functions are represented.

Overview of non-compliance or shortcomings on combination of services under the ViO and EU regulation

During 2016/2017, Deloitte detected three situations where an impermissible non-audit service was provided to (an affiliate of) an audit client. In one case, another Deloitte Member Firm performed permissible non-audit services to a local parent undertaking with Netherlands subsidiaries. The breach occurred because Deloitte Netherlands provided input to the other Member Firm for the purpose of executing the other Member Firm's local engagement. Deloitte concluded that the objectivity, integrity, impartiality and

professional scepticism of the Audit Team was not affected. Deloitte followed the procedures as required by the ViO and the Deloitte Policy Manual and reported the breaches to the respective clients and their Supervisory Boards and to DTTL Global Independence. The other two cases are no breaches of Netherlands independence rules. In these two cases Deloitte Netherlands provided non-audit services to a controlled undertaking domiciled in the Netherlands of an EU PIE statutory audit client of another Deloitte Member Firm. The services are permissible on the level of the EU PIE under the member state option to allow certain tax (compliance) services and approved

Table 9: Non-compliance combinations of services

Reporting year	Non compliance incidents	Sanctions
2016/2017	3	1 norm conveying conversation with the Director of Independence, 1 norm conveying conversations with the Director of Independence and RRL and 1 warning in writing.
2015/2016	0	Not applicable

Criteria:

1. The table shows the non-compliance with the external independence rules concerning combinations of services, on which the Executive Board made a decision in the period between the publication of the last Transparency Report and this one.
2. The sanctions were the sanctions imposed on partners of Deloitte Netherlands for non-compliance with the external independence rules concerning combinations of services

by the Audit Committee of the EU PIE. However, due to the fact that the local implementation of the EU independence rules applies and the Netherlands' implementation results in a complete ban on services other than audit services as defined in article 16 sub 4 VI/O, the matter was reported to the Member Firm carrying out the statutory audit.

Business Relationships

The Independence Center assesses all business relations, such as procurement relations, as well as partnerships, alliances, contracted external auditors or sponsorship relations. The prior approval of the Director of Independence is required for acceptance of a business relationship with an assurance client. During 2016/2017 no non-compliance issues were identified.

Quality and awareness

In 2016/2017 Deloitte continued to invest in awareness and quality. The Independence Center participated in several technical meetings within the Audit Function. The Audit Quality & Risk Meeting approved an improved independence communication plan and a mandatory e-learning course on the European independence rules was rolled out.

🔍 **Table 10: Non-compliance business relations**

Reporting year	Non compliance incidents	Sanctions
2016/2017	0	Not applicable
2015/2016	1	For this non-compliance, a norm conveying conversation in combination with a notification in writing and learning obligations was deemed an appropriate sanction. As the person involved is no longer employed by Deloitte, the decision was to write a letter to the person involved with a description of the facts and the relevant consequences to Deloitte.

Criteria:

- 1. The table shows non-compliance with the external independence rules concerning business relations, on which the management made a decision in the period between the publication of the last Transparency Report and this one.*
- 2. The sanctions were the sanctions imposed on partners of Deloitte Netherlands for violations of the external independence rules concerning business relations.*

Developing leadership

Further professional development of our Talents on both technical and leadership skills is essential to achieving our quality objectives. This is why we intensified the learning activities of our people in the past year.

This is in line with the strategic priorities of our Global 2020 strategy with the outcome: 1) develop high-quality audit training and 2) commit to consistency in audit technical training. Our training curriculum consists of different components that jointly provide for a continuous 'learning journey'. Different teaching methods are used simultaneously (on-the-job training, conventional education, e-learning courses and coaching), with the aim of optimal embedding of the lessons learned.

For all job levels, the focus of the professional education in the reporting year 2016/2017 was on quality, trust and innovation. Trust begins with delivering excellent quality, adding value and focusing on the public interest and the external stakeholder. The basis for trust and mutual appreciation are important here. Managing the expectations of our stakeholders (what we and external regulators expect relating to quality and how we involve clients) is of major importance in this context.

2017 Audit Learning Curriculum

Our DTTL organisation launched the 2017 Audit Learning Curriculum in December 2016. This plan includes further reinforcement of Audit Learning and a significant expansion of the number of learning activities for our employees. In the Netherlands.

The learning curriculum consists of:

- Audit excellence
- Internal controls and fraud
- Project management
- Group audits
- IFRS learning
- Excel analytics
- Milestone programmes (for new hires)
- NBA fraud risk factors

Audit Learning Experience 2017

The Audit Learning Curriculum is rolled out in the Netherlands via the Audit Learning Experience. We chose to host a major learning event in a single central venue in the Netherlands. For our Assistants and Senior staff we have released two newly converged milestone programmes, Raise the Bar and Go the Distance. These coach-led programmes are mandatory and are aimed at practitioners for either ISA or PCAOB engagements.

The Audit Excellence programme adopts a continuous learning approach, including just-in-time flexible learning and in-depth application workshops, with the overall aim of equipping participants to identify key issues and develop action plans to continue to enhance and drive audit quality.

Personal growth and development via Deloitte University

In addition to the mandatory training courses, professionals must take personal responsibility for their learning goals and decide which training course can further strengthen their professional and personal growth. On the basis of a personal career plan, a personal development plan is prepared. The range of courses is available to all Deloitte employees via the Deloitte Learning Portal. This enables everyone to view their individual training record and to create a personal learning plan. At the

same time, this enables Deloitte to closely monitor the knowledge levels of all employees.

These programmes are mostly organised at the Deloitte University. Professionals from manager level up are trained here by instructors at a top international level in the fields of professional and leadership skills and knowledge of the industry.

Table 11: Hours of education per employee

	2016/2017	2015/2016
Hours of training and education per employee (internal and external courses)	151	128

Criteria: Concerns the hours on internal and external training courses recorded in the financial administration during the course of the financial year by employees (partners and fee earners) of Deloitte Accountants B.V.

Pre-Manager Journey: 90 extra learning modules

In the reporting year 2016, the pre-manager journey was introduced into the Dutch member firm. This journey consists of 90 modules on six themes, including personal impact, time management, vitality and project management. Depending on the module content, these are available as classroom courses, e-learning courses or on-the-job assignments. The pre-manager journey is available to all employees in positions from staff through to junior manager.

Digital learning

Deloitte provides a number of learning resources to aid in your development and growth.

With Harvard Business publishing, we give our professionals access to The Harvard Business Review Channel, which offers 400+ short videos on a broad array of business topics and an HMM portal with over 40 e-learning courses

and online resources.

Getabstract is a book abstract/summary service that allows our professionals to read a five-page summary of leading business books, in a magazine page format. Skillssoft, a world leading provider of business, IT, and desktop e-learning skills, provides courses and books on a wide range of business topics, available free to all Deloitte professionals.

Battle of the Brains – COS knowledge test

Employees within the Audit function can also take part in the Battle of the Brains, on a voluntary basis. This is a weekly online COS knowledge test facilitated by PPD. In order to address specific subjects, Battle of the Brains ‘Specials’ are also organised. On average, a stable group of about 750 colleagues fanatically participate on a weekly basis.

Audit file mentoring

In this coaching process, teams reviewed an audit file of the participant(s), supervised by

a mentor. This highlighted issues such as the risk analysis performed, the audit information included on high-risk items, documentation, conclusions recorded and specific points of attention of the AFM.

Overview H sets out in more detail the content of the mandatory technical professional course programme in the reporting year 2016/2017.

Overview H: Training and target group

	Contents	Target group	Period
Audit Experience	Annual Update Audit Excellence and RRL	Staff to partner practice Professionals in the Audit	Summer 2016/2017
Introductory programme	Introduction to Deloitte Audit Approach and tools	Assistant to (junior) staff	September 2016
APS Industry Actualia	Actualia Education	Manager to partner in the Audit Public Sector practice	Autumn 2016 Spring 2017
EQCR Academy	Strengthening consistency and depth in quality of Engagement-Oriented Quality Review	Senior manager to partner involved in EQCR	Throughout the year

Mandatory permanent education

In line with the Further Permanent Education Regulations of the sector board, the NBA, Deloitte imposes quantitative requirements for the number of hours that each employee spends on education and development. This involves at least 40 hours of education per year. The Audit Learning department determines whether all professionals have complied with their learning obligations, under the direction of the NPPD. The Compliance/PE Credits department of the PPD Audit monitors and determines whether the PE obligations, if applicable, are met in compliance with the NBA regulations.

NBA Mandatory Training on Fraud Risk factors

If fraud comes to light, most of our professionals are cognisant of the regulations. The results of the knowledge test taken in 2014/2015 provide evidence of this. Previous mandatory courses (ISA 240, Clarity, Professional skepticism and Clear communication) concentrated on relevant knowledge and skills. Several recent practices show that the recognition of fraud risks during the risk analysis and planning phase is inadequate. The NBA's Executive Board has therefore decided to institute mandatory Fraud Risk Factor training as part of permanent education in 2017. This training is mandatory for all Deloitte practitioners with an RA title.

We have designed a training course in which we focus on the communication skills that are important when discussing findings with Boards (Executive & Supervisory) and CFOs.

Accreditations for specific work and clients

Deloitte has a system of accreditations for specific work and clients. Professionals who work for audit clients that comply with IFRS or US GAAP/GAAS reporting and auditing standards are personally accredited. Requirements are imposed on such accreditations in the form of required training and experience.

Co-operation with universities

Agreements were made with a number of universities on further co-operation in the field of technical professional training and individual monitoring of the performance of the employees. The purpose of this is to realise a closer match between external training for auditors and the internal training curriculum, and monitor progress more closely in order to further raise the quality of the overall training process. In this regard, for example, an agreement was reached on an ethics and risk reporting addition to the curriculum specifically for Deloitte.

Overview I: Deloitte University EMEA FY17 – Offered courses

Programme	Contents	Target group
Manager Development Journey	1st year managers: What is your new role as a manager?	Manager
Personal Impact & Networking	How to increase your personal impact	Manager
Performance Coaching	How to be a successful performance coach	Manager
Deloitte Facilitator Excellence	Learn to be an excellent facilitator	Manager
Keystones for Vitality	How to create a healthy work/life balance	Manager
Business Advisor Simulation	Trusted Business advisor skills in a three day simulation	Senior Manager
High Impact Leadership	Step towards Director: how to lead your people	Senior Manager
Mastering the Art	Participants will explore what it means to be a director at Deloitte	Director
LCSP Foundation	This programme aims to on-board new LCSPs to the role and responsibilities	Partner

Organisation & legal structure

Deloitte Netherlands is the Dutch 'member firm' of the Deloitte Network, an international network of firms/organisations that are members of Deloitte Touche Tohmatsu Limited, a British private company limited by guarantee (DTTL). Membership of the Deloitte network guarantees a high-quality shared approach in the field of (international) service provision to clients.

However, Deloitte Netherlands is not a group company or 'branch' of DTTL and does not act for or on behalf of DTTL or any other member firm. Member firms are entities formed locally, each with their own ownership and control structure, independent of each other and of DTTL. The member firms forming part of the Deloitte network provide professional services to clients in certain geographical areas. They operate under the Deloitte brand and related names, including 'Deloitte', 'Deloitte & Touche', 'Deloitte Touche Tohmatsu' and 'Tohmatsu'. The member firms are subject to the laws, regulations and professional requirements of the countries in which they operate. Each member firm is structured in its own way, in compliance with, among other things, the applicable national legislation, regulations and customs. DTTL does not provide professional services for clients, nor does it participate in, manage or determine the policy of any

member firm. The member firms of Deloitte are independent enterprises, the shares of which are, as a rule, held by the local partners. The management of the member firms is locally accountable to its own shareholders.

Deloitte network

More than 244,000 professionals work for the Deloitte member firms world-wide, in audit, tax, consulting and financial advisory services. The network is divided into three regions: Americas, EMEA and Asia-Pacific. The 44 affiliated member firms operate in more than 150 countries in 725 offices. In 2015/2016, the combined revenue amounted to USD 36.8 billion. Please find an overview of countries which are partners in the international network on this link: <http://www2.deloitte.com/global/en/get-connected/global-office-directory.html>.

Management of DTTL

Board of Directors

The highest management body of DTTL is the Board of Directors ('Board'). This Board consists of representatives of the member firms, which are selected on the basis of their size, the quality of their client portfolios or other factors. Within the Board, there are three regional seats to ensure that the interests of the smaller member firms are also taken into account.

Members of the Board are senior partners of their own member firms and usually are also members of the local Executive Board or Board of Directors.

The Board is responsible for governance-related matters such as global strategy, significant transactions and the appointment of the CEO of DTTL. In 2016, the Board consisted of 32 members, representing a total of 19 member firms and 50 countries. One of the committees of the Board is the Governance Committee, which is specifically mandated to supervise the management of DTTL. Other committees assigned responsibility for different themes include Board Composition, Risk, Audit & Finance and Membership Affairs.

CEO and Executive Board

The Executive Board of DTTL consists of 25 senior executives within the global DTTL

network. The Executive Board is responsible for the strategy and operational steering of DTTL. The DTTL Executive Board works in a collegial manner and takes decisions on the basis of consensus. The Executive Board is chaired by the Chief Executive Officer, Punit Renjen. The CEO is responsible for the appointment of the other Executive Board members. These appointments require the approval of the Governance Committee of the DTTL Board of Directors. Our CEO, Peter Bommel, is a member of the DTTL Executive Board.

International cooperation between member firms

The value of the international alliance is reflected in the realisation of benefits from each other's knowledge and 'best practices'. Through the co-operation in the EMEA alliance, we have good access to various specialists from different countries. With specific issues, we can therefore quickly exchange ideas with the best specialists in the relevant field. For example, all IFRS specialists from the EMEA countries work together in order to provide the best service. Expertise is also shared in the development of new audit methods, and the development is addressed jointly. One country may consider the technical side more closely, while another focuses more on the rules and the accompanying guides, for instance. This scale creates efficiency and, at the same time, strengthens quality. In the future, the

company intends to set up further international co-operation in order to enable continued fulfilment of the expectations of both our clients and our professionals.

Seek internationalisation

On June 1, 2017, Deloitte North West Europe (NWE) became a single, new DTTL Member Firm replacing the existing member firm's status in DTTL across the aforementioned nine countries as DTTL Member Firm. Deloitte NWE 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 Deloitte Netherlands. As of June 1, 2017, Deloitte Netherlands has become the Dutch Affiliate of Deloitte NWE.

As of June 1, 2017, Deloitte NWE LLP became a member of the Co-operative (with a two-thirds majority of the voting rights in the general meeting). The existing national legal structure of Deloitte Netherlands has remained in place. The Executive Board – subject to the independent supervision of the Supervisory Board – remains responsible for the management and the general affairs of Deloitte Netherlands.

The Co-operative 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, maintains a significant degree of marketplace, talent and operating independence. In next year's Transparency Report, we will cover the new governance model in more detail following its establishment.

Structure

During 2016/2017, Deloitte Holding B.V. (Deloitte Holding) was the Netherlands' member firm of Deloitte Touche Tohmatsu Limited (DTTL). For a detailed description of the legal structure of DTTL and its member firms, we refer you to www.deloitte.com/about.

Deloitte Holding B.V. (Deloitte Holding) is the center of the governance structure of Deloitte Netherlands. The shares in Deloitte Holding are held by Coöperatief Deloitte U.A. (the 'Co-operative'). The professional management companies of the partners of Deloitte Netherlands are members of the Co-operative. Deloitte's operational activities in the Netherlands have been structured based on professional practices or businesses,

hereinafter referred to as Functions. The activities of a Function are performed by, in the name of and at the expense and risk of, one or more private companies: the Function BVs.

Important changes in governance structure (as at October 1, 2016)

As previously reported, Deloitte implemented a number of changes in anticipation of draft legislation and as follow-up to the NBA measures. The most significant changes can be summarised as follows:

- The Supervisory Board consists of independent, external members only, with the option of appointing one external, non-independent member from our international network.
- Supervisory Board and Executive Board members are appointed by the General Meeting following a binding nomination of the Supervisory Board.
- The Public Interest Committee has ceased to exist. Its tasks have been transferred to the Supervisory Board itself, and to its new Quality & Risk Committee.
- Certain (new) Executive Board decisions require Supervisory Board approval, such as: (i) appointment and dismissal of Audit partners; (ii) remuneration policy of Audit partners and employees; (iii) quality policies; (iv) appointment and appraisal of the Compliance Officer Audit.

General Meeting

The General Meeting brings together the entire partner community. It helps to maintain Deloitte's Governance 'checks and balances'. The company's annual results, the company's long-term policy and certain other matters referred to in the Articles of Association require the approval of the General Meeting.

Supervisory Board

Composition

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 into account the nature of the company and the expertise and experience required of Supervisory Board members. During the financial year 2016/2017 (as at October 1, 2016), the Supervisory Board consisted of one woman and three men, all independent external members. Members are appointed for a period of no more than four years and they may serve for no more than three four-year terms. The Supervisory Board has nominated a fifth member, Mrs. Nienke Meijer, for appointment as at June 30, 2017.

Tasks and responsibilities

The Supervisory Board oversees and advises the Executive Board and supervises all general developments at Deloitte Holding B.V. and its subsidiaries. As such, the Supervisory Board of Deloitte Holding B.V. is also responsible for oversight related to Deloitte Accountants B.V. and its Transparency Report 2016/2017. 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 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, inter alia in relation to the following: (i) the realisation 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; (iii) quality, independence, ethics and other public interest matters; (iv) the company's financial reporting process; (vi) the company's compliance with laws and regulations.

Supervisory Board Committees

The Supervisory Board has formed five committees, each with its own rules of procedure, in order to perform its tasks in the most efficient manner; (i) Audit Committee; (ii) Quality & Risk Committee (since 1 January 2017); (iii) Remuneration Committee; (iv) Selection & Nomination Committee; (v) Committee Partner Affairs. The Committees prepare the decision-making of, and frequently report to, the Supervisory Board. We refer to the report from the Supervisory Board in the Integrated Annual Report 2016/2017 for the highlights and reports of the Committees.

Executive Board

Composition

The Executive Board is presently composed of three people: Peter Bommel (Chief Executive Officer and Chair), Mario van Vliet (Chief Operations Officer) and Engelhardt Robbe (Chief Quality Officer). The members of the Executive Board are appointed for a period of no more than four years, but may be reappointed for two consecutive four-year terms. The Supervisory Board will continue to look for diversity in the event of future re-appointments. In this respect it is important to note that diversity is one of the priorities of the Executive Board and Supervisory Board for this calendar year (2017) and that Deloitte pursues a number of management development programmes aimed at increasing the number of women in Deloitte leadership positions.

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 functions 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 interests 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. The Executive Board reports on these matters to the Supervisory Board.

Executive Committee

The Executive Committee supports the Executive Board and has a role with regards to decisions that affect the group as a whole. The Executive Committee currently consists of 15 members, reflecting our present operating structure.

Structure of the Audit & Assurance function

The leadership of our audit organisation was, during the reporting year 2016/2017, in the hands of the Function Leader Audit, Marco van der Vegte. The Management Team Audit during the year was comprised as follows:

- Marco van der Vegte, Function Leader Audit
- Rik Roos, National Professional Practice Director Audit & Audit Risk Leader
- Bert Albers, Service Line Leader Core Audit
- Rob Bergmans, Regional Audit Leader, South Region
- Albert-Jan Heitink, Regional Audit Leader, Central-North Region
- Carlo Renne, Regional Audit Leader, West Region
- Paul Seegers, Chief Operating Officer

Marco van der Vegte was also a member in recent years of the Global Audit Leadership Team, which included the audit leaders from the 12 most significant Deloitte member firms. As of June 1, 2017, changes were made to the management team whereby Bert Albers replaced Marco van der Vegte.

Structure of Audit Function during 2016/2017



Audit Quality & Risk Meeting

The periodical Audit Quality & Risk Meeting (AQRM) is where all matters relating to the 'Wta' (Audit Firms Supervision Act), audit quality and the quality assurance system are discussed. Through the Audit Quality & Risk Meeting, the Executive Board of Deloitte Accountants B.V. pro-actively initiates and monitors operations and the duty of care relating to the quality of our statutory audits and other audits. The Executive Board makes the necessary adjustments based on detailed progress and exception reports, which also include the underlying root cause analyses. This ensures that our Executive Board is in control. Our Chief Quality Officer is the Chairman of the Our Chief Quality Officer is the Chairman of the monthly Audit Quality & Risk Meeting; the CEO is also a member of the Audit Quality & Risk Meeting.

Compliance Officer

Johan Hopmans, our Compliance Officer, supervises compliance with the Wta regulations, among other things. He informs both the Executive Board and the Supervisory Board on compliance (by request and on his own initiative). He initiates a meeting for that purpose and/or provides advice on the design, reinforcement of and compliance with the quality assurance system, the independence policy and the integrity policy. He is also part of the Audit Quality & Risk Meeting. The deputy Compliance Officer is Wiel Moonen.

Professional Practice Department

The importance that Deloitte attaches to its quality of service is shown by the organisation of the Professional Practice Department (PPD). Rik Roos, the National Professional Practice Director (NPPD) and Audit Risk Leader (ARL), supports the Function Leader Audit in the field of quality and, together with his Chief of Staff, Anne Aantjes, manages the Professional Practice Department. The NPPD/ARL also acts as the first point of contact in the event of claims and disputes in the Audit function, makes proposals for strengthening the quality assurance system and provides input for the process of the evaluation of partners in the fields of quality and risk management. On behalf of the Netherlands, our NPPD/ARL Rik Roos is also a member of the Global Audit Quality Board, the body in the DTTL organisation that is vital to the image of Deloitte's international quality agenda.

The main tasks of the PPD are the implementation of the quality policy and monitoring of its implementation in practice, handling technical professional matters in the field of international and national audit and accounting matters and the approach to and reporting on audits and other assurance engagements. This department also develops products and instruments, manuals, guidelines and newsletters for audit practice. The Professional Practice Department also monitors the quality of the professional practice of all

auditors employed at Deloitte. It assesses whether the service delivery complies with the professional and technical rules and whether all auditors comply with the rules of conduct.

The NPPD is supported by four regional partners/directors (RPPDs) in a quality role to further strengthen leadership and agility in the quality agenda. Under the management of the NPPD, these partners/directors have regional powers and responsibilities for a wide range of themes in the quality agenda, including input for the personal target-setting and performance evaluation of partners and directors and the inspiration of teams in the implementation of the Global Audit Imperatives. These partners/directors form part of the regional Management Team and, as regional 'deputies' of the Audit Risk Leader, are also the primary point of contact for professionals for decision-making on acceptance of clients and engagements with an elevated risk profile. In 2016/2017, these four partners/directors were:

- Patrick Kuijpers (Core Audit)
- Theo Jongeneel (West Region)
- Rob Vervoort (South Region)
- Martijn Hengeveld (Central North Region)

A Practice Review Director and a director who manages the EQCR (Engagement-specific Quality Assessments) also work in the PPD, under the management of the NPPD. On the basis of those responsibilities, Els van Splunter and Jan Hofmeijer focus on important policy

themes from the Practice Review or EQCR policy. These can include creating a level playing field through strengthening the nature, depth and amount of time spent, intensification of the EQCR Academy, and converting tips and tricks from the Practice Review and EQCR into 'leading practices'.

At the end of the reporting year 2016/2017, the staffing of the PPD and the Audit Risk department consisted of 31 FTE, excluding the 'rotationals', RPPDs and other staff supporting our quality agenda. These rotationals work for the Professional Practice Department for one to two years on a full-time or part-time basis, primarily in the different Public Sector fields of knowledge.

The technical professionals in the Professional Practice Department and the Audit Risk and Reputation & Risk Leadership Office (RRL) together form approximately 5% of the total professional staff of the Audit Function. Furthermore, many colleagues in the practice help realise our quality agenda. The implemented mandatory curriculum for senior managers is a helpful factor.

Table 12: Staffing of PPD and RRL Professional Practice Department

PPD	FTE 2016/2017	FTE 2015/2016
Accounting	4.1	4.0
Audit & Audit Risk	9.3	9.0
Technology	9.7	9.5
Quality (including Practice Review)	3.7	4.5
Public Sector	0.9	1
Training placement bureau	3.7	2
RRL	FTE 2016/2017	FTE 2015/2016
Reputation & Risk	2.4	2.0
Independence Center	15.3	10.5
Acceptance Center	10.7	10.5
Confidentiality, Privacy & Security	4.0	3.0
Ethics	1.0	1.0

Criteria: Total number of FTE – based on May 31st of the financial year- from the departments directly responsible for the support on compliance, independence and auditing (excluding hiring of people from external parties)

Reputation & Risk Leader Office (RRL Office)

The employees of our RRL Office manage risks in areas such as reputation, independence, privacy corporate risks, compliance with laws and regulations and corporate social responsibility. Regular reports are made to the Executive Board and the Supervisory Board. The RRL Office employees also provide for sound embedding of the independence and compliance policy within all Deloitte units.

Reputation & Risk Leader (RRL) Liesbeth Mol is in charge of the RRL Office. At the end of the reporting year 2016/2017, the RRL Office had a total of 33,4 FTE. Table 12 contains a list of the departments and staff that fall under the RRL Office. The RRL Office also works closely with the Legal Affairs department in the fields of risk management, claims, complaints and disciplinary law.

DTTL Risk and Technical Structure

DTTL supports the member firms in the performance of the risk management and technical activities through the development of a shared policy and instruments that support the implementation of professional standards and ethical principles. DTTL also plays a key role in the development of quality and risk management systems. For example, all technical information is made available to the Dutch professionals through the Deloitte Technical Library.

Various consultative structures and platforms have been set up for co-ordination and communication, in which the RRL and employees of the RRL Office and the PPD participate. For example, there is an RRL network of member firms, of which our Reputation & Risk Leader is a member. There are similar consultative structures for the Directors of Independence, the Ethics, Privacy and Security Officers and the General Counsels of the member firms. DTTL Global Risk organises forums for these networks several times a year in order to share current issues, best practices and new developments and to reinforce the expertise network.

The PPD has various relationships with the technical organisation of DTTL. The PPD participates in the DTTL Global Audit Quality Board, the consultative body in which all important changes in the auditing method, the

policy manual and other tools and guides are discussed. The internal and external inspection results are also discussed in this body, and contacts are maintained with the International Forum of Independent Audit Regulators (IFIAR). The NPPD also participates in meetings with all PPDs from the EMEA region of DTTL.

Risk Management

Intelligent risk management creates opportunities and is key to sustaining our performance. Together with the highest standards for quality and integrity, risk management is essential to our brand and reputation and to make a lasting impact that matters for our stakeholders.

The Supervisory Board, the Executive Board and the Executive Committee proactively oversee our risk management activities for Deloitte NL and seek to anticipate them through a structured risk management approach that is aligned with our Strategy 2020. Our Enterprise Risk Framework helps us to ensure we have the right information available, comply with applicable laws and regulations and meet our own strict quality standards. To support this we strive for a culture of trust and intrinsic motivation for quality and integrity.

Context

The creation of a NWE member firm is an important step towards realising our shared ambition to be 'the undisputed leader in professional services'. Internationalisation also allows us to further leverage our international risk management capabilities and improve our operational risk management activities.

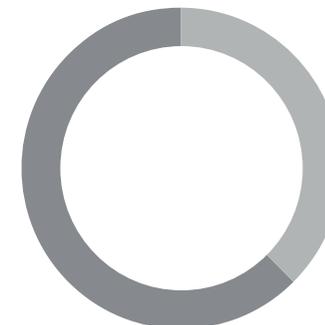
Risk governance: roles and responsibilities

Risk governance is embedded in our overall Deloitte NL governance structure. The primary responsibility for identifying and managing risks, both internal and external, resides with line management, the Executive Committee and ultimately the Executive Board, with oversight from our Supervisory Board.

Engelhardt Robbe, the Chief Quality Officer, is responsible for overseeing quality and risk management. He is the Chair of the Quality & Risk Community in which all functional Risk leaders and the Risk & Reputation leader are present and of the Audit Quality & Risk Meeting for overseeing the Audit Quality initiatives. Through this meetings the CQO is informed of all quality and risk initiatives and is reporting in place to the Executive Board. In January 2017 the Quality & Risk Committee of the Supervisory Board was installed. The Risk & Reputation Leader (RRL), who reports to the CQO, has day-to-day responsibility for overseeing the Enterprise Risk Framework and corresponding risk and control system.



Value creation:
Rewarded Risk - provides a premium if managed well. It relates to risks in areas such as innovation, M&A, new product development, -markets and -business models.



Value preservation:
Unrewarded Risk - provides limited premium if managed well and penalties if not. It relates to risk areas such as financial misstatement, compliance with laws and regulation.

On an annual basis, the Executive Board evaluates the performance of, and acknowledges its overall accountability for the effectiveness of, the risk and control system through an in-control statement. To substantiate the evaluation, the Board obtains input from line management and the RRL, as well as the internal auditor, who provides assurance on the key elements of the risk and control system. The Executive Board also considers the findings and reporting of the external auditor on the functioning of internal controls as part of their annual audit engagement.

Risk appetite

To support us in maintaining the right balance between risk and reward, in 2015/2016 we defined a high-level risk appetite statement across four main risk categories: Strategy, Operations, Finance & Reporting, and Quality & Compliance. This risk appetite guides our strategy to mitigate related risks and monitor that such risk exposure remains within tolerable boundaries, and is further tailored by our respective businesses. To further operationalise this, we have defined a set of risk indicators for each of the risk categories that will allow us to measure whether our current exposure on the respective indicators is within tolerance levels. Examples of these risk indicators are the trend in confidentiality incidents (category Quality & Compliance), indicators set for client acceptance and continuance and time spent on

training and education per job grade (category Operational).

Risk appetite statement

Area	Risk appetite	Guiding measures
Strategy	We seek a sound balance between risk and reward. Business opportunities inherently bring uncertainty, resulting in a focus on having a balanced portfolio of clients and services.	<ul style="list-style-type: none"> • Robust strategic planning process • Clear strategic KPIs • Business case process for investments • Portfolio management for clients and services
Quality & compliance	Our goal is to achieve the highest quality standards feasible, comply with legal and regulatory standards, and inspire our people to intrinsically embrace our quality and integrity ambitions.	<ul style="list-style-type: none"> • Risk & Reputation Leadership function monitoring policies and metrics, applying disciplinary action and reward quality excellence • Risk portfolio management and clear choices on client acceptance and continuance • Organisation-wide quality programme with clear KPIs • Learning from non-compliance indications and incidents, through root-cause analysis
Operations	We aim for lean operations, while securing our quality standards, that go beyond the minimum that our stakeholders expect (i.e. being competitive through operational excellence).	<ul style="list-style-type: none"> • Fit for Growth strategy through streamlining operations and costs while maintaining quality • Management information systems and systematic reporting and analysis
Finance & reporting	Our approach to financial accounting is balanced in nature, striving for minimal audit adjustments. Should known audit adjustments be required by the auditor, these are recorded. Our approach to reporting is to seek transparency and reliability in our reporting for our stakeholders on Deloitte's strategy, as well as corresponding risks and rewards and on financial and non-financial performance.	<ul style="list-style-type: none"> • A strict Planning & Control cycle • Policy framework including policies on internal and external reporting and communication • A robust internal control environment and ('AO/IC') monitoring system, including a proactive approach to identify breaches as well as improvement areas • Systematic internal audits against a normative framework

Priority risks

The risk universe of DTTL Global Risk represents the main risk areas of our risk universe and is input for the annual assessment of our risk profile, in the context of our Strategy 2020 and our risk appetite. Resulting from the annual assessment by the Executive Board and members of the Executive Committee, we agreed on priority risks and opportunities relating to our strategy: risks that both have a material impact and for which there is room for improvement in the current risk mitigation strategy. We have extensively assessed each of these risks and mitigation strategies.

Our assessment revealed increased uncertainty about external threats to our business. In response, we formulated a specific action to enhance our scenario planning capabilities in order to understand and anticipate potential impacts of adverse external events in the mid- and long-term.

Living our values

Potential dilution of our culture of integrity and risk awareness and even individual misbehaviour can have severe consequences for our clients, our people and our brand. Beyond increased scrutiny of systems, processes and procedures, it is of the utmost importance that we consistently live the shared values we advocate in our communication from the top and throughout the organisation. Through periodic culture

surveys and our follow-up on areas requiring attention, we strive for continuous improvement and the engagement of our talent in living our values.

Quality/Regulatory/Reputational cluster

Quality is our licence to operate. Evolving standards set by regulators and high expectations of both clients and society demands globally consistent professional service delivery of the highest standards. The Chief Quality Officer in the Board reflects our key focus on quality, and oversees our organisation-wide quality and risk programmes. Through our monthly portfolio risk review we monitor the impact from external developments on our portfolio, identify clients or sectors with enhanced risk factors such as those relating to fraud/corruption, and implement resulting actions and also make upfront decisions based on a number of criteria, including a detailed assessment of the potential engagement and our ability to serve choices in our client acceptance and continuance.

Talent and leadership development

In order to achieve our ambition to become a premier career destination, we need to attract, hire and retain sufficient talent with the appropriate integrity, skills, experience and potential and develop leaders through training and mentoring. Our Talent strategy, as a key pillar of our Strategy 2020, addresses the risks

and opportunities we have identified in this area, and through our portfolio management we have made clear choices as to where we allocate our talent.

Security and confidentiality

Adequate security for pertinent information is crucial for our stakeholders' confidence and compliance with confidentiality and privacy requirements. To prevent data leakage and unauthorised access (e.g. cybercrime, loss of laptop, data leakage and privacy breach), we run various programmes to raise awareness and assess and monitor our security capabilities, both in technical terms and in behaviour.

Innovation and product portfolio

We must continuously develop our portfolio of service/market offerings and/or business models that include the development of appropriate data and technology to support these new offerings that are aligned with our strategy, within our separate Innovation unit as well as within the Functions, where we have focused innovation initiatives that are being supported and monitored for progress. We work closely with our global firm to assess the impact of, for example, digitisation and block chain on our ability to deliver quality audits.

Agility of the Business Model

As we operate in a dynamic environment, we need to continuously be able to identify

and adequately respond to changing internal and external developments that affect our business model.

Economy/geopolitical

Major geopolitical changes have the potential to impact our organisation. We must therefore anticipate and be adequately prepared for consequences of events. In addition, the Netherlands will likely have a new coalition government in due course, whose composition and priorities we will need to find out.

Appendix A - Overview of Public Interest Entities

- Aalberts Industries N.V.
- AFC Ajax N.V.
- Algarve International B.V.
- Alliander N.V.
- Altice N.V.
- Amadeus Finance B.V.
- Anadolubank Nederland N.V.
- Anker Verzekeringen N.V.
- argenx SE
- ARQ P Notes B.V.
- Atlanteo Capital B.V.
- Atradius Finance B.V.
- Avoca CLO II B.V.
- Bank Insinger De Beaufort N.V.
- BBVA Global Markets B.V.
- BE Semiconductor Industries N.V.
- BinckBank N.V.
- BNP Paribas Cardif Levensverzekeringen N.V.
- BNP Paribas Cardif Schadeverzekeringen N.V.
- Boiro Finance B.V.
- Celesio Finance B.V.
- CID Finance B.V.
- Citco Bank Nederland N.V.
- CityMortgage MBS Finance B.V.
- Coniston CLO B.V.
- DELA Natura- en levensverzekeringen N.V.
- Dela Verzekeringen N.V.
- Douro Finance B.V.
- DPA Group N.V.
- DSW Ziektekostenverzekeringen N.V.
- E.O.C. Onderlinge Schepenverzekering U.A.
- 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.
- Euro-Galaxy II CLO B.V.
- Euro-Galaxy III CLO B.V.
- Euro-Galaxy IV CLO B.V.
- F.A.B. CBO 2002-1 B.V.
- FAB CBO 2003-1 B.V.
- FAB CBO 2005-1 B.V.
- Garda CLO B.V.
- General Motors Financial International B.V.
- Harbourmaster CLO 10 B.V.
- Harbourmaster CLO 5 B.V.
- Harbourmaster CLO 6 B.V.
- Harbourmaster CLO 7 B.V.
- Harbourmaster CLO 8 B.V.
- Harbourmaster CLO 9 B.V.
- Harbourmaster Pro-Rata CLO 2 B.V.
- Harbourmaster Pro-Rata CLO 3 B.V.
- Heineken Holding N.V.
- Heineken N.V.
- Herbert Park B.V.
- Hof Hoorneman Investment Funds N.V.
- Hollands Welvaren Leven N.V.
- ICT Group N.V. (voorheen ICT Automatisering N.V.)
- IMCD N.V.
- Intereffekt Investment Funds N.V.
- Invesco Mezzano B.V.
- IZA Zorgverzekeraar N.V.
- Kendrion N.V.
- Koninklijke VolkerWessels N.V.
- Koninklijke Vopak N.V.
- Koninklijke Wessanen N.V.
- Leidsche Verzekering Maatschappij N.V.
- Louis Dreyfus Company B.V. (voorheen Louis Dreyfus Commodities B.V.)
- Mizuho Bank Nederland N.V.
- Morgan Stanley B.V.
- MUFG Bank (Europe) N.V. (voorheen: Bank of Tokyo-Mitsubishi UFJ)
- Munda CLO I B.V.
- N.V. Argenta-Life Nederland
- N.V. Bever Holding
- N.V. Koninklijke Delftsch Aardewerfabriek "De Porceleyne Fles Anno 1653"
- N.V. Univé "Het Zuiden" Schadeverzekeringen
- N.V. Univé Zorg
- N.V. VGZ Cares
- N.V. Zorgverzekeraar UMC
- Neptuno CLO I B.V.
- Neptuno CLO II B.V.
- Odeon ABS 2007-1 B.V.
- Onderlinge Verzekering Maatschappij ZLM
- "Onderlinge Verzekeringsmaatschappij Univé Samen U.A. (voorheen Onderlinge Verzekeringsmaatschappij "Midden Drenthe" U.A.)
- Onderlinge Waarborgmaatschappij Centramed B.A.
- Onderlinge Waarborgmaatschappij DSW Zorgverzekeraar U.A.
- Onderlinge Waarborgmaatschappij SAZAS U.A.
- Onderlinge Waarborgmaatschappij Zorgverzekeraar Zorg en Zekerheid U.A.
- RANDSTAD HOLDING N.V.
- REA Finance B.V.
- REN Finance B.V.
- Renoir CDO B.V.
- Repsol International Finance B.V.
- Roeminck Insurance N.V.
- Scheepsverzekeringsmaatschappij Compact "DOV" N.V.
- Shop Apotheke Europe N.V.
- Sligro Food Group N.V.
- Stad Holland Zorgverzekeraar Onderlinge Waarborgmaatschappij U.A.
- Steinhoff International Holdings N.V.
- Succes 2015 B.V.
- Takeaway.com B.V.
- Telegraaf Media Groep N.V.
- Toyota Motor Finance (Netherlands) B.V.
- Univé Noord-Nederland Verzekeraar N.V.
- Urenco Finance N.V.
- Vesteda Finance B.V.
- VGZ voor de Zorg N.V. (voorheen, IZZ Zorgverzekeraar N.V.)
- VGZ Zorgverzekeraar N.V.
- Waard Leven N.V.
- Waard Schade N.V.
- Waha Aerospace B.V.
- Wolters Kluwer N.V.
- ZOO ABS II B.V.

Criteria: Review of the Public Interest Entities (PIEs) for which Deloitte Accountants B.V. performed work in the context of a statutory audit during the reporting year 2016/2017. New clients for which work had not yet started in 2016/2017 are not included.

Appendix B - Revenue Deloitte Netherlands

Revenue of Deloitte Netherlands in the reporting year 2016/2017 (in € mln)

Clients	Type of services			Subtotal	Other Services	Total
	Statutory audits of financial statements	Other audit and assurance engagements	Assurance related services			
Statutory audits of clients' financial statements (PIEs)	21 (12)	3 (2)	1 (0)	25 (14)	1 (1)	26 (15)
Other statutory audits of clients' financial statements	102 (105)	10 (11)	5 (5)	117 (121)	26 (30)	143 (151)
Non-statutory audits of clients' financial statements	0 (0)	49 (50)	1 (1)	50 (51)	8 (8)	58 (59)
Other assurance clients	0 (0)	8 (6)	10 (2)	18 (8)	22 (8)	40 (16)
Non-assurance clients	0 (0)	0 (0)	24 (28)	24 (28)	523 (516)	547 (544)
	123 (117)	70 (69)	41 (36)	234 (222)	580 (563)	814 (785)

Criteria:

- The 'revenue' of Deloitte Netherlands refers to the revenue of Deloitte Holding B.V. and its consolidated subsidiaries in the reporting year 2016/2017, as shown in the financial statements of Deloitte Holding B.V. This revenue is categorized according to the nature of the services provided by Deloitte and according to the category of the relevant client:
 - 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 client category is based on the classification of the client, which is linked to the engagement number under which the relevant revenue is shown in the financial accounts, with these clients 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 2016/2017. Revenue amounts for the 2015/2016 financial year are shown in brackets, for the purpose of comparison.

Appendix C - Glossary

ADR	Central Government Audit Service
AFM	Dutch Authority for the Financial Markets
AQP	Audit Quality Plan
AQRM	Audit Quality & Risk Meeting
ARL	Audit Risk Leader
Bta	Audit Firms Supervision Decree
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
COS	Audit and other standards
CQO	Chief Quality Officer
DESC	Deloitte Entity Search and Compliance System
DTTL	Deloitte Touche Tohmatsu Limited
ECA	Deloitte EMEA Cooperation Limited
EMEA	The Europe, Middle East & Africa region of DTTL
EMS	Engagement Management System
EQC	Engagement Quality Control
EQCR	Engagement Quality Control Review
FL	Function Leader
GCoE	Global Center of Excellence
GIMS	Global Independence Monitoring System
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards
IL	Industry Leader
ISQC	International Standard on Quality Control

IT	Information technology
KPI	Key Performance Indicator
MT	Management Team
NBA	Royal Netherlands Institute of Chartered Accountants
NWE	North-West Europe
NPPD	National Professional Practice Director
NVCOS	Further regulations on audit and other standards
PIE	Public Interest Entity
PCAOB	Public Company Accounting Oversight Board
P/D	Partners/Directors
PE	Permanent education
PPD	Professional Practice Department
RA	Chartered accountant
RPPD	Regional Professional Practice Director
RRL	Reputation & Risk Leader
RRL-Office	Reputation & Risk Leadership Office
RvB	Executive Board
RvC	Supervisory Board
SEC	Securities and Exchange Commission
SiSa	Single information and Single audit
U.A.	Liability Excluded
US GAAP	United States Generally Accepted Accounting Principles
US GAAS	United States Generally Accepted Accounting Standards
ViO	Regulations on the independence of auditors in assurance engagements
Wta	Audit Firms Supervision Act

Appendix D - Status implementation of NBA measures

August 2017

The table below provides an overview of the status of the implementation of NBA Measures within Deloitte. The overview is limited to the measures that clearly allow the offices to take the initiative. Deloitte frequently updates the implementation status in the online NBA Monitor.

Classification

- Initiative of the NBA Measures for parties other than the accountant offices.
- Deloitte fulfils the NBA Measure.

#	Measure	Initiator	Status	
1.3	Profiling to students and the labour market	NBA, Offices	The new labour market campaign went live in 2015 and is in line with this measure.	●
1.4	Measurement of mindset and drivers	Offices	Deloitte has been conducting quarterly surveys into culture, mindset and drivers for quite some time (based on the Talent Survey and Tone at the Top Survey). After the feedback from the AFM, Deloitte has conducted a Deloitte-wide survey with the objective of obtaining an impression of our current culture and the main drivers and mindset of our people. More information on this subject in this Transparency Report.	●
2.1 to 2.6	Appointment of Supervisory Board	Offices	The composition of the Supervisory Board with external members has been in place since October 1, 2016.	●
2.7	Composition of the Executive Board	Offices	The composition of the Executive Board of Deloitte Holding is diverse. The Executive Board is supervised by our Supervisory Board, consisting of independent external members, as also explained in our annual reports and transparency reports.	●
2.8	Executive focus	Offices	The definition of Executive Board's tasks and objectives and evaluation of the performance of Executive Board members is set out in the Executive Board's Regulations.	●
3.1	Rewarding quality	Offices, NBA (Regulations)	Rewarding quality takes priority in the remuneration policy. The variable part of the remuneration (via a bonus/ malus system) is primarily based on quality-related criteria, including the results of dossier reviews, employee satisfaction surveys and individual assessments by team members of the coaching and guidance provided by the partner. No weight is assigned to the realisation of commercial targets if the audit partner is given a negative assessment for the aspect of audit quality. Sub-standard quality performance has consequences for the remuneration, among other things, via the malus scheme.	●

#	Measure	Initiator	Status	
3.2	Quality in the promotion policy	Offices	An explicit link between the target-setting/performance evaluation of professionals and the quality agenda is one of the key themes of Deloitte's Audit Quality Plan. In the promotion policy, candidates are requested to illustrate how they demonstrably and pro-actively excel in relation to quality (including the professional critical attitude such as the Deloitte Global Audit Imperatives). This is recorded in the appointment dossiers. The objective described has largely already been realised, as explained above. Via a 'request for proposal', Deloitte asks promotion candidates for an appointment as a partner or director to illustrate how they have managed to focus on the broad public interest in audits. Audit Quality plays a key role in at least three points in the appointment process: (1) in the assessment of how professionals have incorporated Audit Quality in their business case, (2) in the inspection of a number of audit dossiers and (3) during a personal meeting with the Quality Committee, as part of the appointment process. The current job profiles and targets relating to quality are also set out in measure 3.1. For existing audit partners, Deloitte has prepared an inventory of demonstrable work experience in quality roles.	●
3.3	Remuneration of members of the Executive Board and the Supervisory Board	Offices, NBA (Regulations)	The remuneration policy at Deloitte of members of the Executive Board and the Supervisory Board is in accordance with the NBA Measure.	●
3.4	Remuneration of other audit partners	Offices	See also the explanation for 3.1.	●
3.5	Claw-back regulation	Offices	Deloitte has a claw back policy for its audit partners as from June 1, 2016.	●
3.6	Investment policy restrictions	Offices	The existing investment policy restrictions has been reviewed and updated in 2016.	●
3.7	Phasing out goodwill model	Offices, NBA	Deloitte abandoned the goodwill model many years ago.	●
3.8	Introduction of pension regulations	Offices, NBA	This concerns a sector initiative. We await further initiatives of the NBA regarding the accompanying timelines and method of cooperation with offices involved in this element with interest.	●
4.5	Extensive auditor's report	NBA (measures)	Within Deloitte, 'horizon scanning' is part of the Audit Quality Plan, in which Deloitte analyses external developments in a structured manner, with the aim of being able to respond pro-actively to public expectations. Back in 2015 Deloitte started with issuing 'new style' auditor's reports to all PIEs.	●
5.1	Audit Quality Indicators	Offices, NBA	Within Deloitte, the concept of 'Audit Quality Indicators' is already part of the Audit Quality Plan. NBA has finalised its proposal for the quality factors to be reported in transparency reports of PIE offices. Deloitte applies these quality factors in this transparency report.	●
5.2	Reporting Indicators towards Supervisory Board (client)	Offices	With the use of leadership messages Deloitte stimulates the reporting of time spent analysis with the Supervisory Board of clients. In 2016 a report has been finalised on the time spent analysis and the following discussion with the Sup. Board of PIE.	●

#	Measure	Initiator	Status	
5.3	OKB/EQCR	Offices, NBA (measures)	Deloitte has improved the EQCR in FY17. EQCR is mandatory at PIE statutory audit clients and clients with a higher than normal risk. Impact Reviews are conducted to analyse the effect of EQCR measures and discuss this during the Audit Quality Risk Meeting.	●
5.5	Improvement Plan on findings	Offices	Deloitte operates in accordance with this measure. Drafting an improvement plan is part of the Practice Review process, including a signed Audit Quality Commitment. MT member responsible for the designated partner/director is also (partly) responsible for the realization of the improvement plan. The progress on these improvement plans is a standard topic on the agenda of de AQRM.	●
5.6	Exchanging information at auditor rotation	NBA (measures)	NBA guidance on the exchange of information at auditor rotation has been distributed internally in 2015.	●
5.9	Active support on education	Offices	Prominent professionals from Deloitte already support the education of auditors. Deloitte also actively contributes to the Foundation for Auditing Research (5.10)	●
5.10	Foundation for Auditing Research	Offices, NBA	Deloitte actively contributes to the Foundation for Auditing Research	●
8.1	Accounting for implementation of NBA measures.	Offices	With this report and the NBA Monitor, and also directly to the Accountancy Monitoring Commission , we provide a regular update on the status of the implementation of the measures.	●
9.1	Monitoring committee	NBA	Deloitte cooperates in the initiative of the Accountancy Monitoring Commission.	●
9.2	The AFM supervises the introduction	AFM	In June 2017 the AFM reported on the progress of the NBA Measures at Deloitte. Deloitte incorporates the feedback received in the further implementation of the NBA Measures.	●

Appendix E - Evaluation of system of quality control

The Board of Deloitte Accountants BV 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 strengthened further 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 August 31, 2017 and established:

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

Rotterdam, August 31, 2017

Board Deloitte Accountants B.V.

Peter Bommel

Engelhardt Robbe

Marco van der Vegte/Bert Albers

Mario van Vliet

Appendix F - Assurance report of the independent auditor

To: The supervisory board of Deloitte Holding B.V and the executive board of Deloitte Accountants B.V.

[Assurance report on the non-financial information in the tables included in the Transparency Report 2016/2017](#)

Our opinion

In our opinion the non-financial information for the year 2016/2017 included in the tables, numbered 1 up to and including 12, included in the Transparency Report 2016/2017 of Deloitte Accountants B.V., is prepared in all material respects, in accordance with the disclosure in the section 'Approach to assurance' (page 2) and the criteria set out below each table.

What we have audited

The object of our assurance engagement concerns the non-financial information for the year 2016/2017 in the tables numbered 1 up to and including 12 (hereafter also referred to as: 'Tables'), included in the Transparency Report 2016/2017 of Deloitte Accountants B.V. (hereafter also referred to as: the 'Transparency Report 2016/2017'). Our engagement did not relate to comparative information for the year 2015/2016 in these tables.

We have audited the non-financial information for the year 2016/2017 in these tables, in the accompanying Transparency Report 2016/2017, of Deloitte Accountants B.V., Rotterdam for 2016/2017.

The basis for our opinion

We conducted our assurance engagement, in accordance with Dutch law, including the Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)' ('Assurance engagements, other than audits or reviews of historical financial information (attestation-engagements)'). This assurance engagement is aimed to provide reasonable assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the assurance engagement' of our report.

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

Independence and quality control

We are independent of Deloitte Accountants B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Dutch Code of Ethics for Professional Accountants – a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics for Professional Accountants – a regulation with respect to Rules of Professional Conduct).

We apply the 'Nadere voorschriften accountantskantoren ter zake van assurance opdrachten (RA)' (Dutch detailed rules for auditing firms on assurance engagements) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Criteria for our assurance engagement

Deloitte Accountants B.V. developed its reporting criteria on the basis of the NBA Quality Factors as included in the 'NBA-handreiking 1135 Publicatie kwaliteitsfactoren' ('Publication on quality factors for audit firms by the Netherlands Institute of Chartered Accountants'), as disclosed in the sections 'Approach to assurance' (page 2) and as set out below each table in the Transparency Report 2016/2017.

The information in the scope of this assurance engagement needs to be read and understood in conjunction with these reporting criteria. Management is responsible for selecting and applying these reporting criteria. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Responsibilities for the non-financial information in the tables and the assurance-engagement

Responsibilities of management and the supervisory board

The management of Deloitte Accountants B.V. is responsible for the preparation of the non-financial information in the tables in accordance with the criteria set out below each table, including the identification of the intended users and the criteria being applicable for the for the purposes of the intended users.

Management is also responsible for such internal control as it determines is necessary to enable the preparation of the non-financial information in the tables that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing the company's reporting process on non-financial information in the tables, as part of the Transparency Report 2016/2017.

Our responsibilities for the assurance-engagement

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our opinion aims to provide reasonable assurance that the non-financial information in the tables is prepared, in all material respects, in accordance with the criteria as disclosed in the sections 'Approach to assurance' (page 2) and as set out below each table. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements.

Misstatements may arise due to fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the non-financial information in the tables. The materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our opinion.

Procedures performed

An assurance engagement includes, amongst others, examining appropriate evidence on a test basis. We have exercised professional judgement and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our main procedures include:

- gaining knowledge about the object of our engagement and other engagement circumstances including evaluation of the suitability of criteria and, depending on the object, obtaining an understanding of internal controls;
- based on this knowledge, assessing of the risks that the information on the object contains material misstatements;
- responding to the assessed risks, including the development of an overall approach, and determining the nature, timing and extent of further procedures;
- performing further procedures linked to the identified risks, using a combination of inspection, observation, confirmation, recalculation, re-run, analytical procedures and making inquiries. Such further procedures involve substantive procedures, including obtaining corroborating information from sources independent of the entity and, depending on the nature of the object, testing the actual effectiveness of the control measures;
- and evaluating the adequacy of the assurance information.

Amsterdam, August 31, 2017

PricewaterhouseCoopers Accountants N.V.

Original has been signed by F.P. Izeboud RA

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