Deloitte.

MAY 2025

Verklaring Omtrent Risicobeheersing (VOR)

Changes to the Dutch Corporate Governance Code

Effective January 1, 2025

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Introduction

Effective January 1, 2025, the introduction of the Verklaring Omtrent Risicobeheersing (VOR) into the Dutch Corporate Governance Code marks a significant shift in governance practices.

It emphasizes the responsibilities of the management boards and audit committees in overseeing risk management. Based on the 'comply-or-explain' principle, the provisions of the Code must either be complied with by applying them or the reason for deviating from the relevant provisions must be explained.

The VOR also represents a strategic opportunity for companies to enhance their governance and risk management frameworks. Different sectors may interpret and apply the VOR in various ways. Therefore, companies must align the VOR with their strategic goals, operational contexts, and industry standards, integrating risk management into their long-term strategies for value creation and accountability. These new provisions present a unique opportunity not only to meet regulatory expectations but also to boost organizational resilience and stakeholder confidence.

As of March 17, 2025, these new provisions have been officially formalized as part of the Dutch Corporate Governance Code after the establishment of the new Monitoring Commission Corporate Governance Code.

1 Overview of the changes

The key changes to the Dutch Corporate Governance code emphasize the importance of the involvement of the management board and the audit committee in the management of the company's risk strategy. The specific provisions within the Dutch Corporate Governance Code are indicated in this section: 1.2.1, 1.4.2, 1.4.3, and 1.5.3.

1.2.1 Risk assessment

Regarding strategic risks, a distinction can be made between decision-making about the strategy and its implementation. The risk management systems do not oversee the decision-making process related to strategy. Risks associated with the implementation of the strategy translate into operational, compliance, and reporting risks. Without undermining the necessary robustness of strategy formulation, it is acknowledged that many strategic risks are not amenable to risk management, as they lie wholly or partly outside the company's sphere of influence.

The role of the management board

1.4.2 The management board accounts for the following in the management board's report:

i. The execution of the risk assessment and a description of the principal risks the company faces in relation to its risk appetite, as referred to in best practice provision 1.2.1.

ii. The design and operation of the internal risk management and control systems concerning **operational, compliance, and reporting risks** over the past financial year, **including the frameworks applied**.

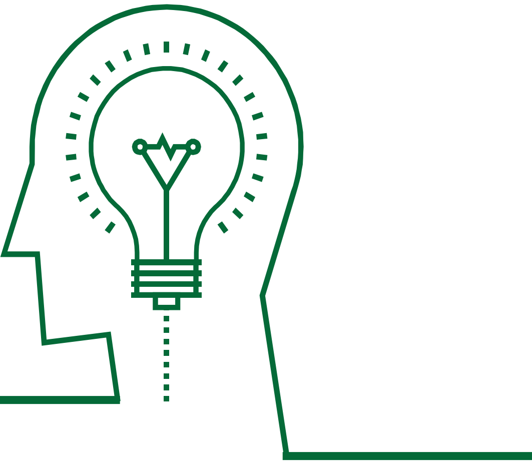
iii. **An evaluation of the effectiveness of the internal risk management and control systems regarding operational, compliance, and reporting risks** over the past financial year.

iv. Any significant deficiencies in the internal risk management and control systems identified during the financial year, any substantial changes made to these systems, any significant improvements planned for these systems, and confirmation that these matters have been discussed with the audit committee and the supervisory board; and

v. The sensitivity of the company's results to material changes in external circumstances.

The items in **bold** are the changes made to the 2025 Dutch Corporate governance code.

The role of the management board



Key insights

The management board is responsible for the continuous monitoring of the design and operation of the internal risk management and control systems, **evaluating their effectiveness at least once a year** and reporting on this in the management board's report. Given the inherent practical limitations associated with internal risk management and control systems, assessing the effectiveness of these systems cannot provide absolute assurance that all possible risks are fully identified and mitigated at all times. Therefore, management board's statement on risk management does not provide absolute certainty; it ensures an appropriate management of material risks that aligns with the strategy and risk appetite. The word 'certainty', for purposes of this paper, can be used interchangeably with 'assurance' or 'confidence'.

When applying best practice provision 1.4.2, part ii, management board should specify **which framework or set of standards has been utilized** in the description of the design, operation, and assessment of the effectiveness of the internal risk management and control systems, such as the COSO framework for internal control. Furthermore, it is also advisable for management board to clearly explain in the description how it has evaluated the effective operation of the internal risk management and control systems.

The role of the management board

1.4.3 The management board declares in the management board's report, with clear substantiation:

i. The report provides sufficient insight into deficiencies in the functioning of the internal risk management and control systems.

ii. These systems provide a reasonable level of assurance that the financial reporting is free from material inaccuracies.

iii. **These systems provide at least a limited level of assurance that the sustainability reporting is free from material inaccuracies.**

iv. **The level of assurance these systems provide regarding the effective management of operational and compliance risks.**

v. In the current context, it is justified to prepare the financial statements on a going concern basis; and

vi. The report mentions the material risks and uncertainties, as referred to in best practice provision 1.2.1, insofar as they are relevant to the expectation of the company's continuity for a period of twelve months after the report's preparation.

Guidance on how the management board can apply these requirements can be found in “Section 2: Definition of assurance.”

The items in **bold** are the changes made to the 2025 Dutch Corporate governance code.

The role of the audit committee

The VOR also requires that the audit committee reviews the substantiation of the management board's statements made in **1.4.1 and 1.4.3** and reports these to the supervisory board. The following new provision to the Dutch Corporate Governance code describes the new requirements of the audit committee:

1.5.3 The audit committee reports to the supervisory board on its deliberations and findings. This report should include at least the following:

i. The method used to assess the effectiveness of the design and operation of the internal risk management and control systems, as specified in best practice provisions 1.2.1 through 1.2.3.

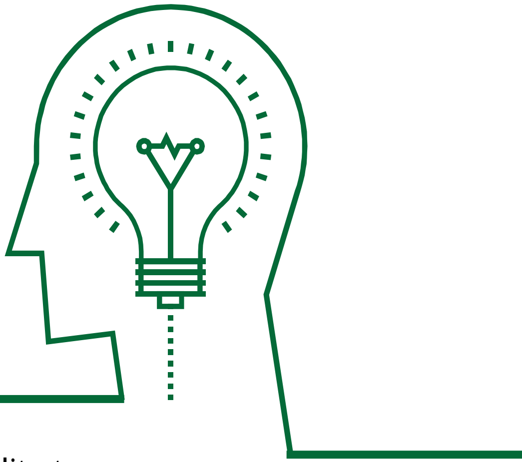
ii. The method used to evaluate the effectiveness of the internal and external audit processes.

iii. Material considerations regarding the financial and sustainability reporting; and

iv. The manner in which material risks and uncertainties, as referred to in best practice provisions 1.4.2 and 1.4.3, have been reviewed and discussed, along with the key findings of the audit committee **and the substantiation of the statement as referred to in provision 1.4.3.**

The items in **bold** are the changes made to the 2025 Dutch Corporate governance code.

The role of the audit committee



Key insights

The audit committee now has increased responsibility to assess and report to the supervisory board on the evidence supporting the management board's statements as outlined in best practice provision 1.4.3. This change is intended to improve the thoroughness and accuracy of the audit committee's reporting, thereby strengthening corporate governance.

Under the new requirement in provision 1.5.3, the audit committee is responsible for determining what additional information is necessary to substantiate the management board’s VOR statement and for deciding how to gather this information in the most cost-effective manner. To fulfill this requirement, the audit committee should develop a structured approach that identifies key concerns and collects comprehensive data. This might involve obtaining input from both the three lines of defense internally as well as the external auditors and conducting a more detailed analysis of risk management and reporting practices using the VOR framework as a foundation.

In reviewing the VOR substantiation provided by the board, the audit committee benefits from ensuring that its methods for evaluating the effectiveness of risk management and control systems are rigorous and well-documented. The audit committee should work closely with the management board, internal auditors, and external auditors to gain a comprehensive understanding of the company’s risk management practices.

2 Risk management framework

When considering the application of the changes to the Dutch Governance Code, as elaborated in Chapter 1, the management board should take the following considerations into account to ensure compliance by 1 January 2025.

Risk management framework

As part of compliance with provision 1.4.2, the management board is flexible to select an appropriate risk management framework. This requirement comes with the **flexibility to choose a framework** that aligns best with the organization's strategic objectives, operational context, and industry dynamics. While the choice of framework allows for flexibility, it is imperative that this selection is **clearly supported and justified by the management board.** This ensures that the chosen framework effectively integrates with the organization’s overall risk management strategy and enhances its ability to manage risks in a way that is both efficient and aligned with its goals. When deciding on a risk management framework, the management board should consider several factors, including the following:

Risk management framework

Factor		Clarification
	Stakeholder expectations	Understand and incorporate the expectations of key stakeholders, including investors, customers, and regulators, in the selection process.
	Strategy and operations	Ensure that the framework supports and enhances the organization's strategic goals and long-term vision. Consider how the framework fits within the company's operational environment and processes, ensuring it is practical and implementable.
	Organizational structure	Evaluate the resources required to implement and maintain the framework, ensuring that adequate resources are available without straining the organization. Review the past effectiveness and success of the framework in similar organizational contexts. Consider how easily the framework can be integrated with existing systems and processes within the organization.
	Industry standards and dynamics	Evaluate whether the framework aligns with industry norms and can adapt to ongoing industry changes and challenges.
	Risk profile and complexity	Consider the organization’s specific risk profile, including the complexity and variety of risks faced, to ensure that the framework is robust enough to address these risks.
	Regulatory requirements	Ensure compliance with relevant regulations and legal obligations pertinent to the industry and operational jurisdiction.
	Scalability and flexibility	Assess the framework’s ability to scale with the organization’s growth and adapt to future changes in the business landscape.

External auditors anticipate that the flexibility in choosing a risk management framework will be matched by a clear explanation of why and how the framework is selected and applied. This clarity helps external auditors to evaluate the organization’s risk management processes.

3 Definition of assurance

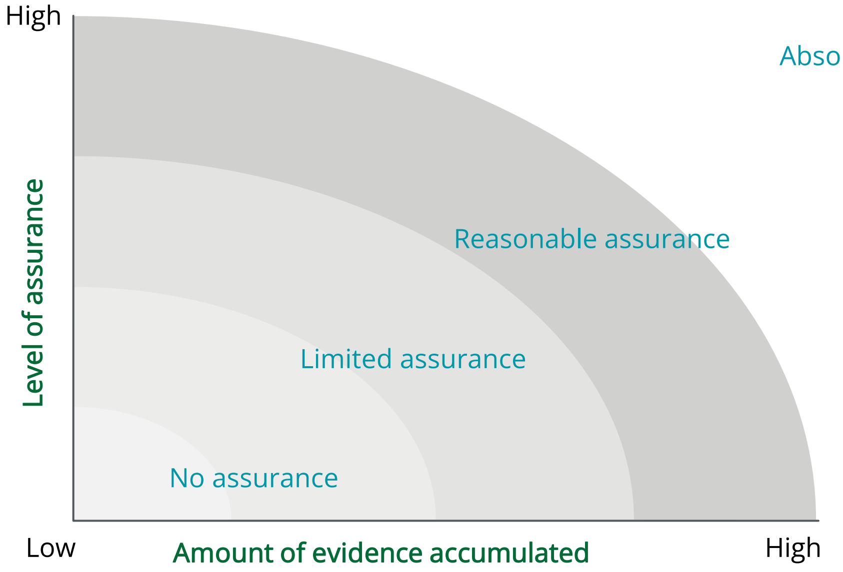
Introduction to selecting the definition of assurance

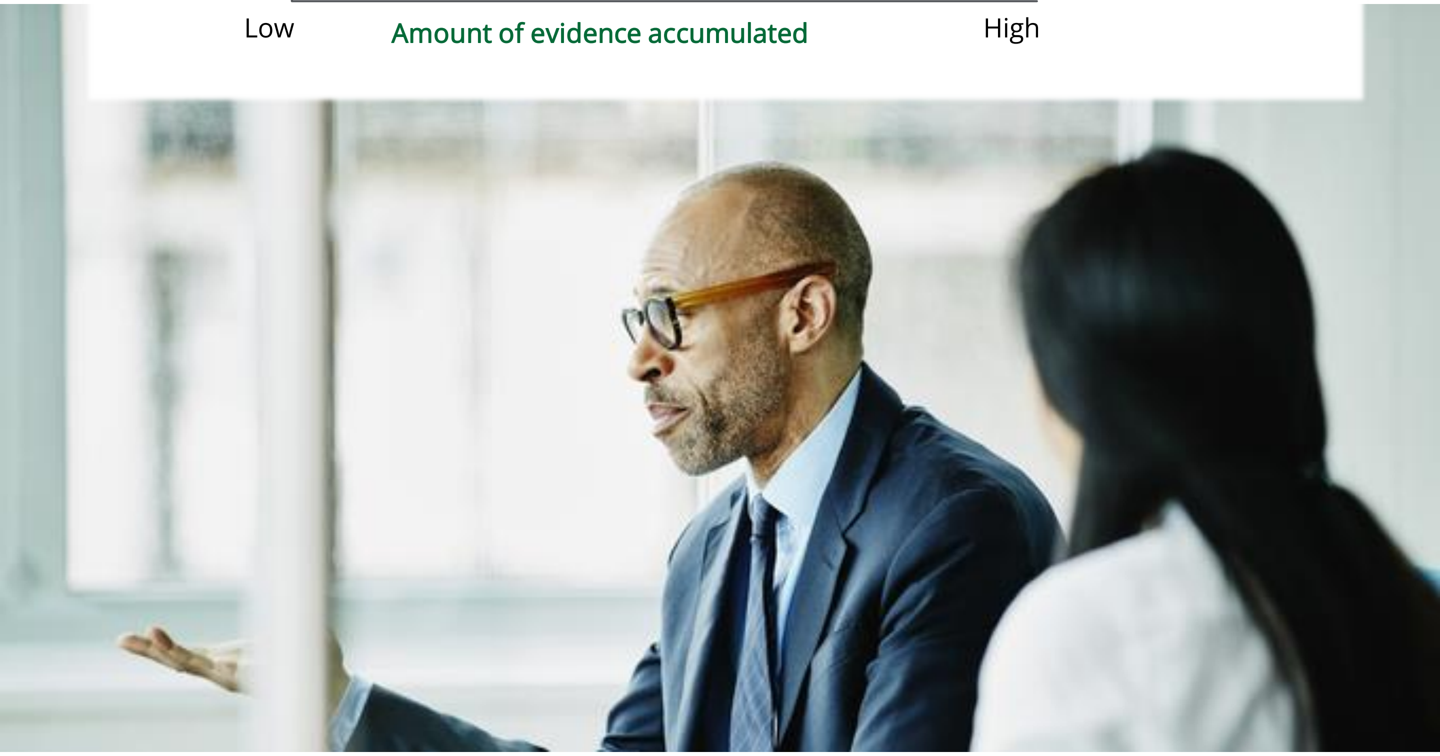
Although the Corporate Governance Code does not offer a precise definition of ‘assurance’, it clarifies that the term should not necessarily be interpreted in the same way as in external auditing. This provides the management board with the flexibility to define ‘assurance’ in a way that suits their unique context.

When examining key frameworks for guidance, it becomes apparent that none provide a standalone definition of ‘assurance’. In terms of risk management, ‘management assurance’ encompasses the activities and processes established by the management board to instill confidence among stakeholders that an organization’s governance, risk management, and control processes—essentially the company’s ‘abilities’—are functioning effectively.

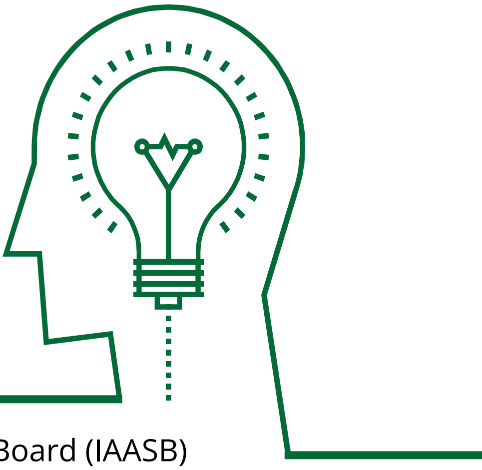
Accountancy assurance

The accompanying diagram illustrates the spectrum of certainty or assurance, utilizing external assurance levels, such as those in ISA. These levels of assurance are the levels of assurance that could be prescribed by an external auditor.





Accountancy assurance



Key insights

The International Auditing and Assurance Standards Board (IAASB) establishes international standards for auditing, assurance, and related areas. These standards provide a framework for various levels of assurance that external auditors and assurance providers use. For instance, the ISAEs provides definitions for reasonable assurance and limited assurance engagements as follows:

Reasonable assurance engagement—An assurance engagement in which the assurance provider reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the assurance provider's conclusion. The conclusion is expressed in a form that conveys the assurance provider's opinion on the outcome of the measurement or evaluation of the underlying subject matter against established criteria.

Limited assurance engagement—An assurance engagement in which the assurance provider reduces engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement. This serves as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, any matters have come to the assurance provider's attention that cause the assurance provider to believe the subject matter information is materially misstated. The nature, timing, and extent of procedures performed in a limited assurance engagement are limited compared to those necessary in a reasonable assurance engagement, but they are planned to obtain a level of assurance that is meaningful in the assurance provider's professional judgment.

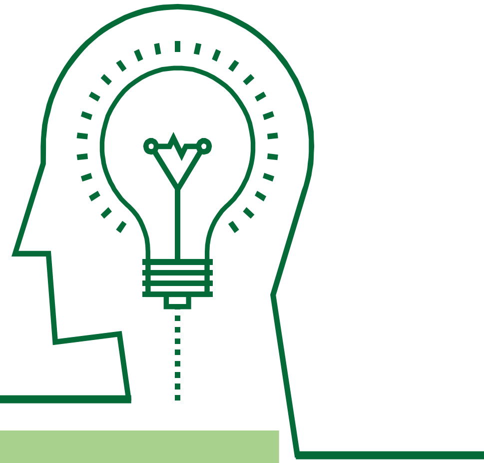
No assurance level refers to services where the external auditor does not provide any assurance, such as certain agreed-upon procedures. The relevant standard for this level is ISRS 4400, "Agreed-Upon Procedures Engagements," which specifies the conditions under which these procedures can be performed and clarifies that no assurance is given.

Management assurance

As part of the disclosure for best practice provision 1.4.3, the word 'assurance' in this context should not be read as the concept of 'assurance' used in accountancy, nor is it intended that companies should use a predefined framework for this. Therefore, the management board has the flexibility to tailor their assurance approach in a way that aligns more closely with their specific risk profiles, operational contexts, and strategic objectives. By doing so, the management board can ensure that the assurance framework is both relevant and effective, addressing the unique challenges and requirements faced by the organization.

Management assurance

Key insights



No assurance/ not applicable (N/A)	No assurance has been identified by the management board.
Other assurance (O)	Controls do not directly cover the risk; however, they can be a secondary source of assurance.
Low assurance (L)	Controls provide the minimum coverage of the risk and/or are not effective.
Medium assurance (M)	Controls cover significant aspects of the risk or are partially effective.
High assurance (H)	Controls cover all aspects of the risk and are effective

When considering levels of assurance for risk management, reasonable assurance is typically associated with the medium to high assurance categories. This indicates that controls are effective and comprehensive enough to address significant or all aspects of a risk, thereby providing a higher level of certainty. Thus, reasonable assurance serves as a practical benchmark to ensure that risk management processes are both thorough and effective.

Conversely, limited assurance aligns more closely with the low assurance category. This level suggests that while controls exist, they may only provide minimal coverage for the risk and may not be fully effective in managing it. This distinction underscores the importance of selecting the appropriate level of assurance based on the specific risk profile and management objectives of the organization.

4 Level of assurance

Introduction to selecting the level of assurance

The required level of assurance will influence the procedures that the management board performs. Notably, achieving reasonable assurance demands a higher level of certainty than limited assurance; consequently, it requires more extensive work. When deciding on the levels of assurance for each category, the management board should consider various factors.

Prescription by the Corporate Governance Code

The new provisions to the code, as discussed in 1.4.3, prescribe the level of assurance for financial and sustainability risks. For the risk categories Operational and Compliance, the management board needs to determine the level of assurance.

Reasonable assurance

Financial risks involve potential loss due to market fluctuations, credit defaults, liquidity challenges, or inaccuracies in financial reporting that affect an organization's fiscal integrity.

Limited assurance

Sustainability risks pertain to potential adverse effects on an organization's operations or reputation arising from environmental, social, or governance factors.

Management board choice of assurance

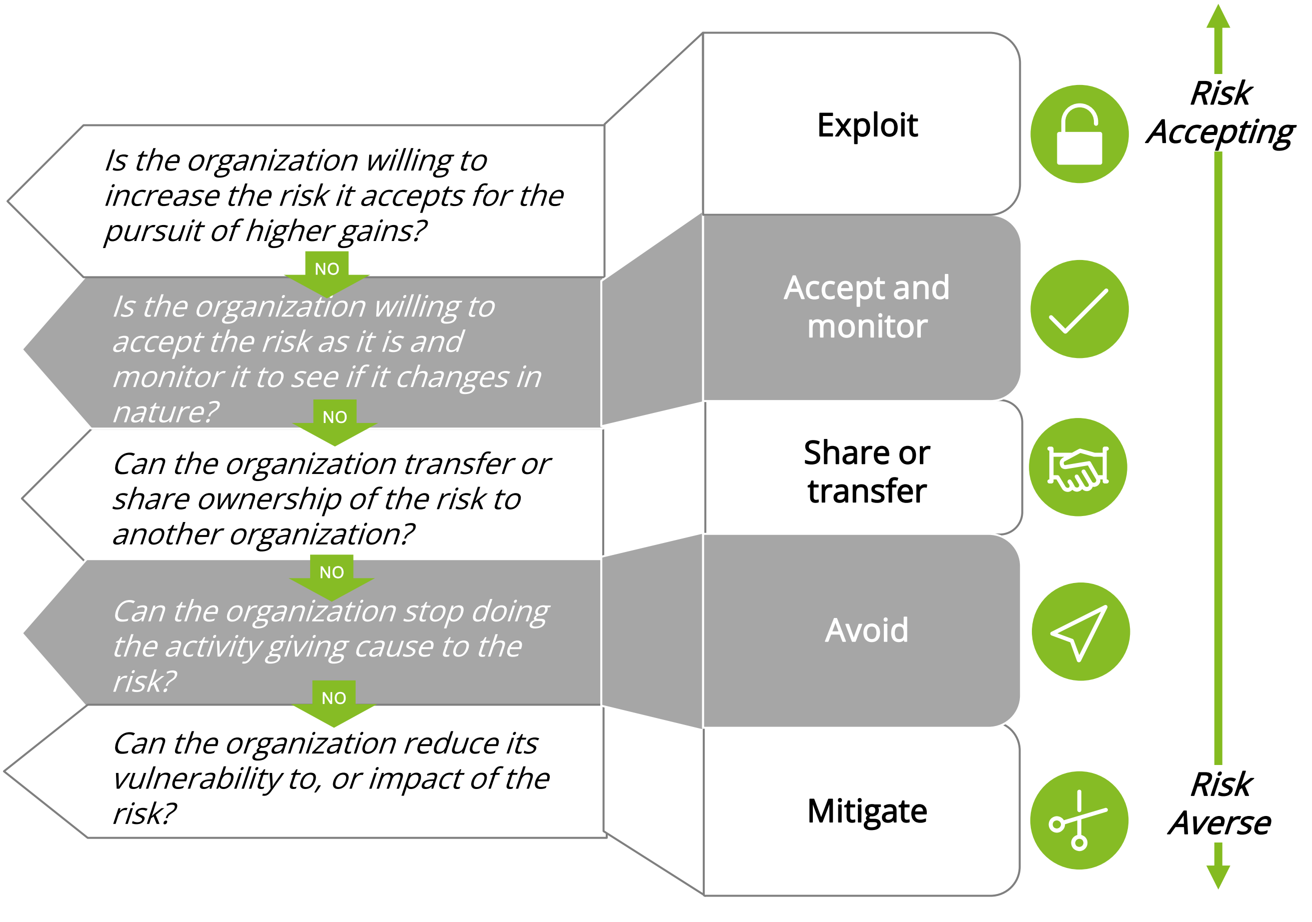
Operational risks encompass the potential for loss resulting from inadequate or failed internal processes, people, systems, or external events.

Management board choice of assurance

Compliance risks involve the potential for legal penalties, financial forfeiture, or reputational damage due to failure to adhere to laws and regulations, or internal policies.

The company's risk appetite

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines 'risk appetite' as the amount and type of risk that an organization is willing to take in order to meet its strategic objectives. Therefore, a company's risk appetite may determine the level of assurance selected for operational and compliance risks, as this would impact the extent of procedures performed over these specific risks. Based on article 2:391-1 to 3 DCC, the management board must also include a description of the significant risks and uncertainties to which the entity is exposed. For the disclosure requirements regarding risk appetite and (significant and planned) changes in internal risk management and control systems, refer to The Dutch Accounting Standards Board (DASB) 400. The framework used and the risk appetite of the company are important for identifying, assessing, and mitigating shortcomings.



Existing internal control environment

Evaluating the robustness of current internal controls—both manual and IT-enabled—can help identify additional assurance procedures. Strong controls may already provide sufficient assurance, potentially reducing the need for further measures.

Cost versus benefit

Implementing higher levels of assurance often involves significant costs, such as investing in advanced monitoring systems, hiring additional compliance staff, or conducting in-depth audits. In high-risk areas, these benefits may justify the costs, while in lower-risk areas, a more balanced approach may be more cost-effective.

Stakeholder expectations

The industry and stakeholders may also influence the level of assurance chosen. Stakeholder confidence and expectations may be affected by the level of assurance selected for operational and compliance risks. For example, a highly regulated bank or insurer may opt to provide a higher level of assurance over compliance risks to demonstrate to stakeholders, such as regulators, that their compliance risks are adequately managed.

5 Impact on the organization

Involvement of three lines

The impact on an organization, as noted earlier, is influenced by the maturity and robustness of its risk management and internal control environment, as well as the existing involvement of the three lines. Companies with mature and robust risk management processes may experience limited changes, while those with less mature processes may need to implement organizational changes to ensure compliance. Each line plays a role in assisting the management board in complying with the VOR.

Involvement of three lines (1/2)

The following provides a concise overview of the responsibilities associated with the first three lines, which are internally allocated within the organization, alongside the fourth line that pertains to external auditors and regulators. Please note that this is not an exhaustive list.

Line	Responsibilities in risk management
First (operational management)	• Responsible for identifying and managing risks within their scope of work. • Implementing and maintaining effective internal controls and risk management processes. • Ensuring compliance with policies and procedures.
Second (risk, compliance, tax and legal)	• Providing guidance and support to operational management on risk management practices. • Monitoring and reporting on risk exposures and ensuring they align with the company's risk appetite. • Developing and maintaining risk management frameworks and policies.
Third (Internal Audit)	• Conducting independent evaluations of the adequacy and effectiveness of the risk management and internal control environment. • Providing assurance to the management and board on compliance with the VOR. • Identifying areas for improvement and recommending enhancements to risk management practices.
Fourth (External audit and regulators)	• Conducts independent procedures to ensure the organization's compliance with laws and regulations, and industry standards, enhancing credibility and stakeholder trust. • Oversees the organization's adherence to legal and regulatory requirements, conducting inspections and reviews to ensure operations are within the legal framework • Identifies potential gaps or weaknesses in the internal controls and provides recommendations for improvements, while providing insights and assurance to the management board, audit committee, and management.

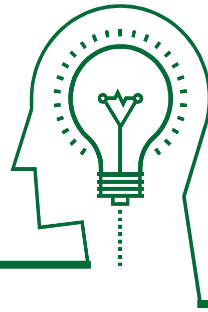
Involvement of three lines (2/2)

An assurance mapping is a useful tool for visualizing and coordinating the different layers of assurance provided by various functions within an organization. By considering the four lines, an illustrative assurance mapping could look like this:

	Principle risk	Current gross risk score*	LINE OF DEFENSE			
			1ST	2ND	3RD	4TH
FINANCIAL	Financial reporting	High	H	H	H	H
SUSTAINABILITY	ESG Reporting	High	M	H	H	H
COMPLIANCE	Financial/Cyber crime	High	M	H	H	H
	Data protection	High	H	H	H	H
	Regulatory compliance	High	M	H	H	H
OPERATIONAL	Health and safety	Medium	M	M	M	L
	Intellectual property	Medium	M	M	M	L
	Cultural and ethical	Medium	M	M	M	L
	Supply chain	Medium	H	M	M	L
	Human resources	Medium	H	M	L	L
	Technology	High	H	H	M	L
	Brand and reputation	Medium	H	M	L	L

**Pre-controls*

Legend:	
High assurance	H
Medium assurance	M
Low assurance	L



Key insights

1 Common pitfalls management board's report

While analyzing a sample of the management board's reports of listed companies, it is evident that the application of the current Code provisions varies, and the following pitfalls are common:

- Some companies state they are 'in control', without necessary substantiation or evidence.
- Some companies report that there were no material shortcomings in the internal controls.
- Some companies limit (implicitly or explicitly) elements of best practice provision ("bpp") 1.4.2 and 1.4.3 to (financial) reporting risks.
- The statement that the management board's report provides sufficient insights into any material shortcomings in the effectiveness of internal controls (bpp 1.4.3 (i)):
  - is not always on the radar (i.e., statements are made in the annual report, but company representatives are not always aware of them);
  - is sometimes qualified or amended (e.g., there are no 'major', 'significant', 'material' failings;
  - sometimes contains references to actual shortcomings.

2 Legal context

In the legal context concerning liability for misrepresentations in a management board's report, the following points highlight potential liabilities for companies and directors under Dutch law:

- **Liability of the Company (S. 6:162 DCC):** Under Section 6:162 of the Dutch Civil Code (DCC), a company can be held liable for misrepresentations in its management board's report if such misrepresentations result in damages to third parties. This section deals with torts, implying that if a company's management board's report includes misleading information that causes harm, the company could face legal consequences.
- **Director Liability (S. 2:139 DCC):** Section 2:139 DCC outlines the potential liability of directors for misrepresentations in a management board's report. Directors can be held personally liable if it is proven that they acted with gross negligence or willful misconduct leading to false or misleading statements that cause damage to others.
- **Supervisory board members:** There is no specific legal provision assigning liability to supervisory board members for misrepresentations in the management board's report under the current Dutch legislation. However, supervisory board members are generally expected to exercise due diligence and oversight. Failure to fulfill these duties could lead to indirect consequences if it can be demonstrated that their negligence contributed to the misrepresentation.

These legal standards emphasize the importance of accuracy and transparency in corporate reporting and highlight the potential consequences for misrepresentations for both the company and its directors.

Responsibility of the management board

The management board is primarily responsible for ensuring compliance with the VOR. Achieving the level of assurance determined by the management board necessitates a comprehensive set of activities that are significantly influenced by both the definition of assurance and the desired level of assurance. To fulfil this responsibility, the board must take proactive measures to avoid common pitfalls in its reports.

Furthermore, the management board bears significant legal responsibilities under Dutch law. It must ensure that its reports provide sufficient insights into major shortcomings in internal controls, remain vigilant about the accuracy of the information presented, and foster a culture of transparency and accountability within the organization.

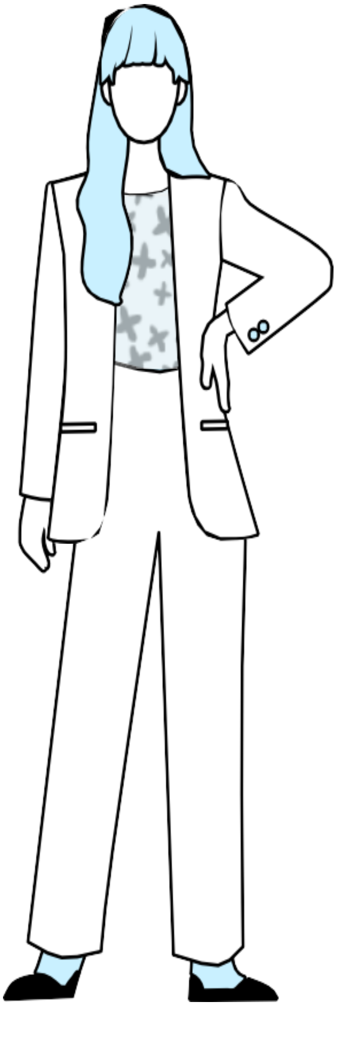
The Code does not explicitly state that the management board is to provide a statement regarding a specific period or a point in time, however it does implicitly seem to assume a period of time statement since shortcomings and changes in internal control over the financial year must be explained. A "major shortcoming", as also referenced in bpp 1.4.3, is a deficiency, or a combination of deficiencies, in internal risk management and control systems, such that there is a reasonable possibility that a material inconsistency within the company's management board report will not be prevented or detected on a timely basis.

Responsibility of the external auditor (1/2)

The external auditor examines whether the financial statements provide the insight as required by article 2:362-1 (DCC). The external auditor will also verify whether the financial statements meet the requirements set by law, whether the management board's report is prepared in accordance with Title 9 to the extent that the he is able to assess this, and whether it is consistent with the financial statements. Additionally, the external auditor will verify whether the Other information referred to in article 2:392-1 under (b) up to and including (f), has been included in the Other information section of the annual accounts (article 2:393-3 DCC). In connection with the knowledge and understanding of the entity and its environment accumulated during the audit, the external auditor shall verify whether the management board's report contains material errors (article 2:393-3 DCC). The external auditor reports the outcome of his audit by providing an opinion on whether the financial statements present a true and fair view. The external auditor may issue separate opinions for the company-only financial statements and for the consolidated financial statements.

The external auditor's report shall include in any event (article 2:393-5 DCC):

- A statement indicating to which financial statements the audit relates and which legal requirements apply to these financial statements.
- A description of the extent of the audit and the auditing standards that were observed when performing the audit.
- A statement on whether the financial statements provide the required insight and comply with the requirements pursuant to law.
- A reference to specific matters to which the external auditor draws attention without issuing a qualified opinion (as referred to in article 2:393-6b DCC.
- A statement regarding deficiencies identified in connection with the verification of the management board's report and Other information as required by article 2:393-3 DCC, including whether the management board's report has been prepared in accordance with Title 9 and whether the Other information required pursuant to article 2:392-1, under (b) up to and including (f) DCC, has been included.
- An opinion whether the management board's report is consistent with the financial statements; and
- An opinion whether, in connection with the knowledge and understanding of the entity and its environment accumulated in the audit, material errors were identified in the management board's report, including a description of the nature of such errors.



Responsibility of the external auditor (2/2)

The external auditor issues an opinion and report on the audit to the supervisory and the management board. The external auditor must at least report the findings in respect of the reliability and continuity of electronic data processing (article 2:393-4 DCC). The body authorized to adopt the financial statements cannot do so if the Other information section does not include an external auditor's report, unless that body has been informed of the fact that, and the reasons why (i.e., legal grounds only), the external auditor's report has not been included (article 2:393-7 DCC).

It is important to note that the VOR statement will be part of the management board's report. Below is an illustrative example that highlights the role and responsibilities of each group within the governance structure:

Annual report

Management board's report (incl. CSRD)	Financial statement	Other information

Management board

New (!) in the VOR

The management board declares in the management board's report with clear substantiation:

- that these systems provide at least **limited assurance** that the **sustainability reporting** does not contain any material inaccuracies;
- **the level of assurance** these systems provide that the **operational and compliance risks** are managed effectively.

The **audit committee** reports to the supervisory board:

- how the material risks and uncertainties have been analyzed and discussed;
- what the most important findings of the audit committee are and **how the statement is substantiated**.

Supervisory board

Management board's report (incl. CSRD)	Financial statement	Other information
• Evaluation of material inconsistencies between the financial statements and the external auditor's knowledge • The external auditor provides **limited** assurance only on the CSRD section	• The external auditor provides **reasonable** assurance on the financial statements	• Evaluation of material in-consistencies between the financial statements • and the external auditor's knowledge

External auditor

External auditors’ opinion

When a material inconsistency related to the VOR statement is identified, the external auditor shall discuss it with the management board. If a material inconsistency is not resolved, the external auditor should request the management board to correct the information. If the management board refuses to make the correction, the external auditor will communicate this to those charged with governance.

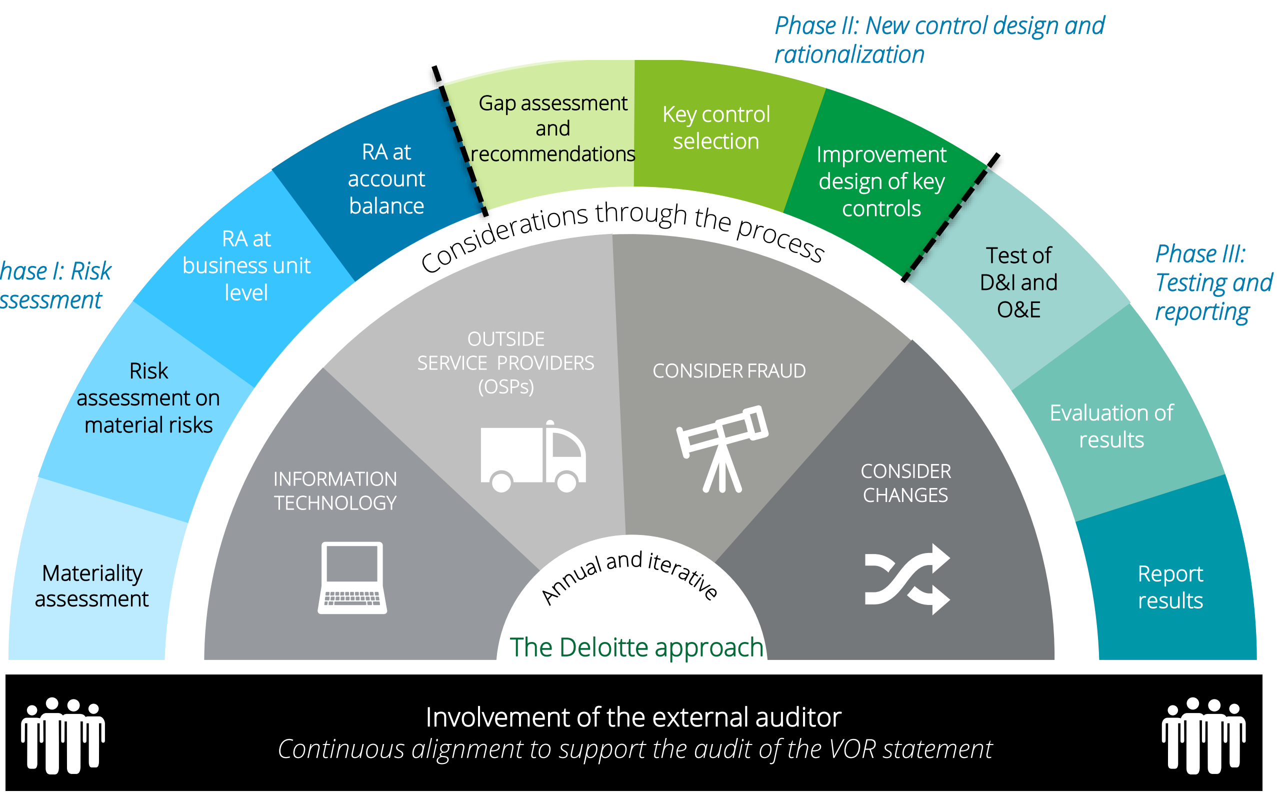
It's important to note that under ISA 720.18, the external auditor may consider **modifying their audit opinions** if they find that the information reported in the management board’s report is not consistent with the audited financial statements. This modification serves to alert users of the financial statements about potential issues with the management board’s report.

It is recommended that the company establish a regular schedule for alignment with its external auditors to ensure that both parties have a sufficient understanding of how to apply the VOR. Through continuous communication, the company can address any potential discrepancies or misunderstandings in a timely manner, thereby fostering a transparent and efficient auditing process.

6 Deloitte VOR approach

Our Deloitte VOR approach, outlined below, is designed to help your company avoid common pitfalls associated with both current and new provisions. By leveraging our expertise and structured methodology, we ensure that your organization can effectively navigate the complexities of VOR compliance and enhance your overall risk management practices.

By overseeing your risk assessment process from start to finish, we transform VOR compliance from a simple 'tick the box' exercise into a significant organizational change that effectively addresses your financial, sustainability, operational, and compliance risks. We understand that while flexibility is crucial to accommodate company-specific and industry-specific nuances, it can also lead to uncertainty when faced with too many options. The accompanying wheel illustrates our involvement throughout the entire process, ensuring that your organization navigates these complexities with clarity and purpose.



Principles

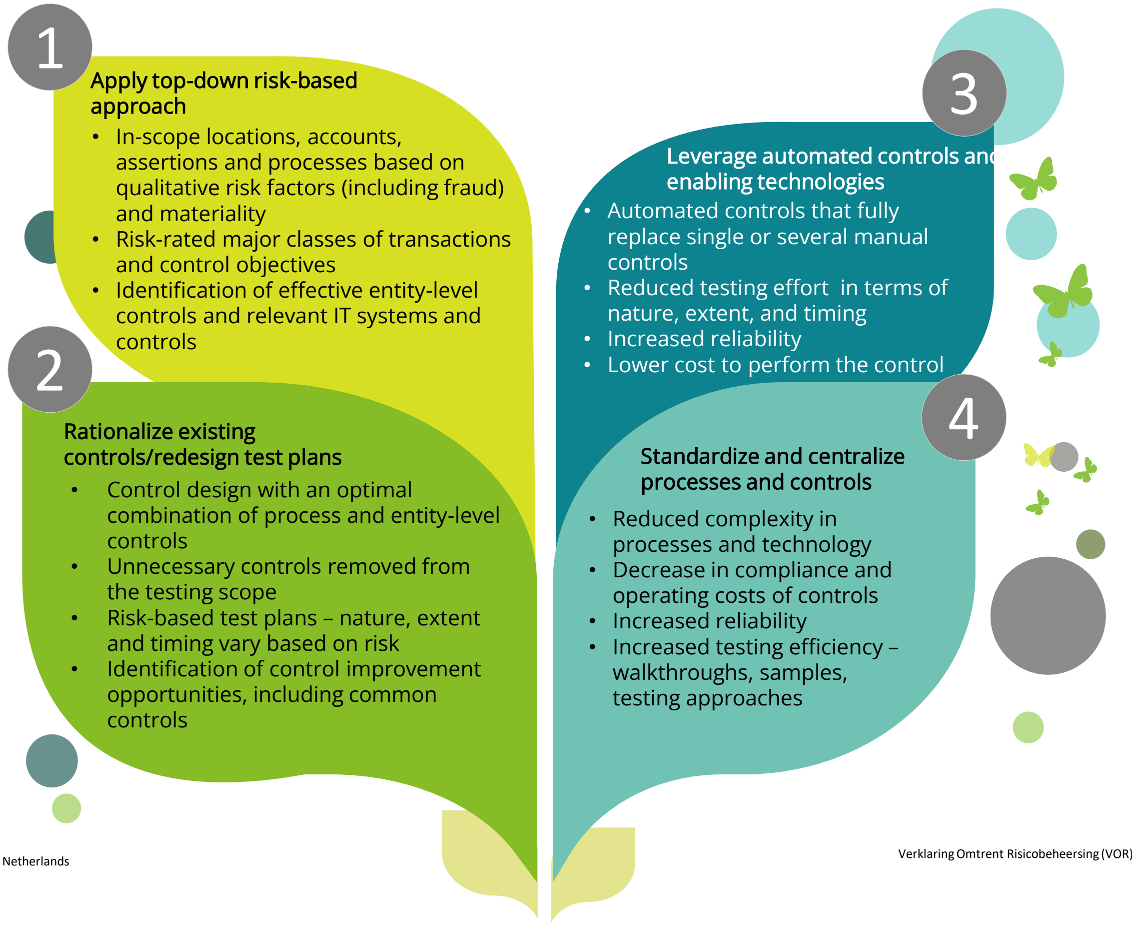
Our holistic VOR control rationalization approach is guided by the following principles:

- An **informed understanding of your company's risks** is crucial to driving an efficient and effective control environment that not only complies but is scalable for future growth.
- **Adequate supporting evidence for conclusions** regarding the effectiveness of the internal risk management and control systems is vital. This evidence helps fulfill the legal responsibilities of the management board and the audit committee under VOR requirements, preventing potential audit significant deficiencies and/or material weaknesses.
- **Control rationalization** can be a continuous, iterative effort. By utilizing leading practices, the approach transforms risk management from a reactive to a proactive process, building a strong foundation of entity-level, process, and IT controls.

Control rationalization

The value of control rationalization presents a unique opportunity to enhance your organization's control framework, ensuring it is robust and future-proof. The Deloitte Control Rationalization Approach offers a comprehensive methodology that delivers value-added efficiency insights, extending beyond mere compliance with the VOR and the Corporate Governance Code. Our Approach contains the following key components:

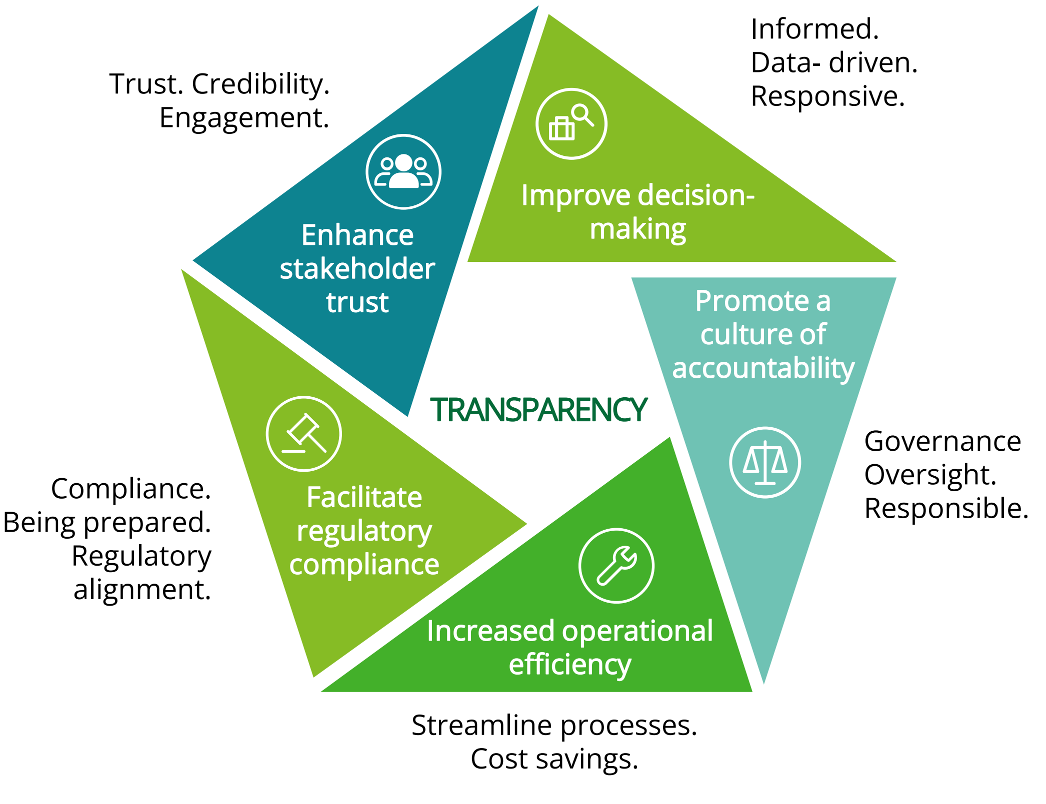
1) **Top-down, risk-based approach:** Our methodology applies a top-down, risk-based scoping strategy. We identify in-scope locations, accounts, assertions, and processes based on qualitative risk factors—including fraud and materiality. This involves risk-rating major classes of transactions and control objectives, while also identifying effective entity-level controls and pertinent IT systems and controls. This foundational first step ensures the focus is only on relevant risks, providing a pathway to control rationalization and the potential for internal control automation and analytics.
2) **Leveraging automation and technology:** By replacing manual controls with automated ones, we reduce costs and increase control reliability. This approach also minimizes testing efforts through continuous controls monitoring and maximizes IT capabilities within ERP systems.
3) **Process and control standardization and centralization:** We aim to reduce complexity in processes and technology, leading to decreased compliance and operating costs. This standardization increases reliability and testing efficiency through consistent walkthroughs, sampling, and testing methodologies.
4) **Control design optimization:** Our approach focuses on key controls that mitigate material risks, removing redundant controls from the system. We create risk-based test plans that vary in nature, extent, and timing based on risk levels, and identify opportunities for control improvements, including common controls.



Benefit to your organization

The introduction of the VOR is a pivotal development in the Dutch Corporate Governance Code, primarily aimed at enhancing transparency and accountability within organizations. By mandating clear communication around risk management practices, the VOR helps to bridge the gap between the management board and stakeholders regarding the understanding of risk exposures and mitigation strategies. Complying to the VOR enhances transparency within organizations, which is a fundamental element underpinning the following benefits:

1) **Enhance stakeholder trust:** By complying to the VOR, organizations can potentially foster greater trust among investors, regulators and the public, thereby strengthening their reputation and credibility in the market.
2) **Improve decision-making:** With clearer insights into risk management processes and controls, boards and management are better equipped to make informed strategic decisions. This can lead to improved operational efficiency and a more proactive approach to risk.
3) **Facilitate regulatory compliance:** The VOR ensures that companies are not only compliant with existing regulations but are also prepared for future legislative changes. This proactive alignment reduces the risk of non-compliance penalties.
4) **Promote a culture of accountability:** By placing responsibility on the management boards and audit committees for risk oversight, the VOR encourages a culture of accountability within organizations, where every level of the organization understands its role in managing risk.
5) **Increased operational efficiency:** Strong internal controls can streamline processes, reduce redundancies, and enhance overall operational efficiency. This can lead to cost savings and improved resource allocation.



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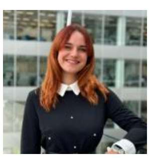

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> “We provide guidance at every step of the compliance process with the new provisions, tailoring our approach specifically to your company's industry, risk appetite, culture, and stakeholders.
>
> Our team of internal control experts is well-equipped to assist you in all the areas mentioned above, ensuring that your risk management approach is both comprehensive and customized to meet your unique needs. Through our support, your organization can effectively navigate the complexities of compliance while enhancing its overall risk management framework.”