

TRANSPARENCY
REPORT 2021
connection



Contents

1. Report of the policymakers	3	ANNEXES	
2. Report of the Supervisory Board	12	A. List of Public Interest Entities	46
3. Quality in 2021	19	B. List of BDO Member Firms within the EU/EEA	48
▶ Quality and quality management	19	C. List of abbreviations	51
ORGANISATIONAL STRUCTURE	21	D. Table of legal framework	53
CULTURE AND LEADERSHIP	23		
OUR PEOPLE	24		
ETHICAL STANDARDS	26		
ACCEPTANCE AND CONTINUATION OF CLIENT RELATIONSHIPS AND ENGAGEMENTS	29		
PERFORMANCE OF THE ENGAGEMENT	32		
MONITORING AND EVALUATION	38		
▶ External supervision	43		
▶ Statements of policymakers	44		

This is an interactive PDF

You can click on the Contents and various items in this document.

Use the ◀ and ▶ buttons to go to the previous or next page.

You can open the Contents with the menu button ☰.

For convenience purposes, this Transparency Report is an English translation from the original Dutch version. In case of differences in interpretation between the English and Dutch versions of the Transparency Report, the original Dutch version shall prevail.

1. Report of the policymakers

Introduction

When we wrote our 2020 Transparency Report, we expected that society would be approaching normalcy by the second half of 2021. By the autumn of 2021, however, it appeared that despite major efforts and acceptance of restrictions, COVID-19 would require adjustments to our daily lives and the services we provide on a daily basis through the winter of 2021/2022. Our colleagues and clients made these adjustments magnificently, time and again. The flexibility shown in 2021 was put to the test. Both business and personal working methods and habits needed to be adjusted on a regular basis and the positivity with which that occurred made quite an impression on us. The resulting loyalty and the fact that everyone is ready to roll up their sleeves are testimony to the enormous resilience of our organisation. With the help of our clients, we have been able to keep providing our services at a high level.

The interaction between our colleagues on client teams and our colleagues in support positions has also come to the foreground. Things like having an IT environment at the absolute top of its game might seem a bit self-evident in the current *zeitgeist*; in 2021, however, all the other support positions also helped ensure that client teams could do what they do best: provide top-quality services.

These developments have bolstered our confidence in achieving the culture we want to achieve, one in which change is accepted as a continuous process and positively embraced.

Pride is a word that comes to mind, but it doesn't quite say it all. A special chemistry has developed, and it has led to great developments and inspired us to take new steps in the growth and development of our organisation. Growth and development of the quality of our services and the way in which we manage that quality has in fact become a constant factor in order to continue to meet the expectations of our stakeholders. We experience meeting those expectations as sometimes challenging, but always justified. In this report we describe, among other things, which initiatives we take to meet this challenge.

New strategic period

2021 saw the start of the new 2021-2025 strategic period. Our BDO-wide mission reads: *'Adding certainty to organisations, entrepreneurs and society by delivering top quality anywhere and at any time'*. This mission embodies our *raison d'être*, now and in the future.

At BDO, we are all about people, groups of people and the interaction between people and the environment, the correlation between people and society. Important concepts for people and society such as sustainability, health/vitality, equality, safety, integrity and connectivity are inextricably linked to this approach. This involves maintaining trust and social relevance, also in 2025. We are personal and pro-active and respect the human dimension. This makes us close to our clients and close to society. At BDO, you can really make an individual contribution, make an individual difference. In a highly personal way.

Our mission statement helps keep us on course. Clients need the confidence to stake their place in a rapidly changing world and a rapidly changing labour market. Adding certainty is of key importance in that respect. Clients and society expect us to limit the risks of entrepreneurship and management or to at least keep them under control, no matter whether the annual accounts, municipal finances or, for example, the due diligence process are concerned. BDO is expected to add certainty to information.

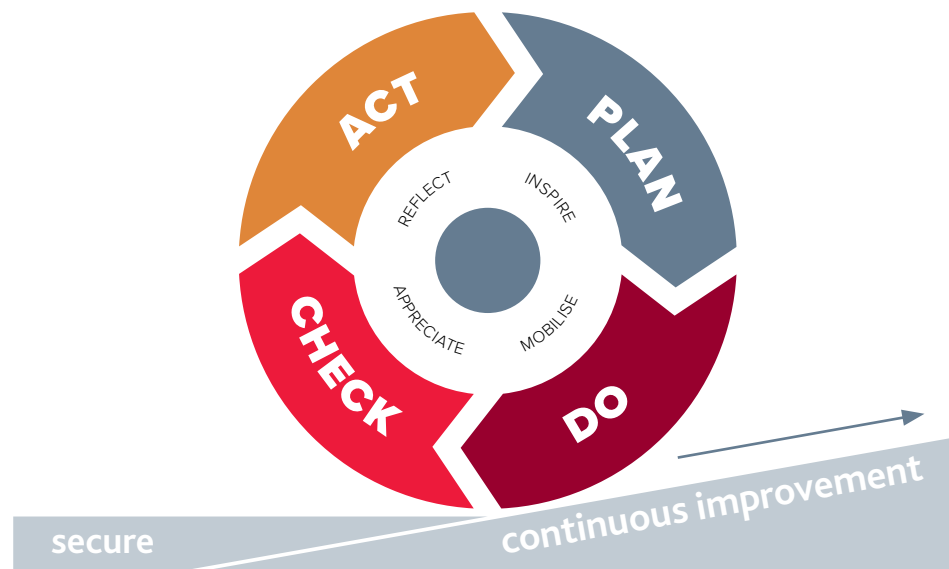
Accountants and consultants not only contribute to the financial well-being of individual organisations but to the entire economic functioning of our society. Based on their expertise, knowledge and experience, they constantly make a substantial contribution to the aforementioned role in society, their role in the debate on financial and economic matters and their role in improving legislation and regulations and related aspects of implementation by constantly adding certainty to a far from certain world.

We are a Dutch organisation but also part of the growing international BDO network. This is not only growth in size, but even more so in terms of quality. Top quality occupies the number 1 position within our international network, as it does for us as well. Delivering top quality provides the foundation for our further growth and development as an organisation.

This report

In this report, we provide you with the specific details of how we met our 'delivering top quality anywhere and at any time' objective in 2021. The details in this report pertain primarily to BDO Audit & Assurance B.V., the audit firm that performs statutory audits. BDO Audit & Assurance B.V. is part of a group headed by BDO Holding B.V. Our ambition to deliver top quality extends to all activities within the BDO group, including the other Lines of Service (LoS) besides Audit & Assurance. Our desire to deliver top quality anywhere and at any time is of key importance to all our LoS and therefore an integral part of our quality-oriented focus over the full breath of the organisation.

In this report, we provide insight into the actual implementation of our Plan-Do-Check-Act cycle. That cycle continuously produces minor and major shifts in our procedures and working methods. Once they have been evaluated, minor shifts are put into practice as soon as possible and become part of our quality policy. As a part of this continuous cycle, we translate our strategic objectives for 2021-2025, along with the desired major shifts, into annual plans. These annual plans form the basis for annual improvement campaigns.



The Plan-Do-Check-Act (PDCA) cycle

As our 2020 Transparency Report shows, we, as an organisation, are proud of where we stand and the steps we have taken over the past few years – but we are certainly not resting on our laurels. We are constantly looking for how to do things better, more effectively, faster, more enjoyably, etc. in the future. Yet we also want to provide a haven for our colleagues in the course of that process. The world around us is changing rapidly. While this includes developments in IT, it also encompasses the provision of non-financial information and the dynamics of the labour market. We, the Board of Directors, would like to be a haven for our colleagues in the midst of all this dynamism. While we try to improve each and every day, we also take care not to get ahead of ourselves; that too is in line with our people-oriented culture and corresponding values.

ISQM 1

Our quality management system will be set up and implemented in accordance with ISQM 1 by no later than 15 December 2022. We made great strides in the implementation process in May 2020: the foundations of BDO Quality Policy were brought into line with the consultation-based exposure draft version of ISQM 1. Broadly speaking, this means that we have implemented the required quality objectives and quality measures in BDO Quality Policy.

We consider the implementation of ISQM 1 to be a step forward in our quality management system and we expect that the greatest challenge posed by ISQM 1 will be setting up an airtight monitoring programme.

Quality-oriented culture

The main objective of our quality-oriented culture is to have everybody at BDO constantly deliver top quality. Delivering top quality anywhere and at any time is part of our mission statement and it therefore remains at the top of the strategic agenda, also in the 2021-2025 strategic period. Based on our core values, we aim to exceed the expectations of our key stakeholders and comply with laws and regulations and our own internal rules such as ethical principles.

At BDO, the quality of our professional services is managed from a central location. Central management of this kind guarantees the quality of the work that our professionals deliver. The Board of Directors and LoS Management Team set the rules in that respect. Each discipline's practice leaders are, in practice, an extension of the Management Teams, and they guarantee consistent implementation from practice to practice.

As we have explained, our ambition to deliver top quality extends to all activities within the BDO group. In 2021, other LoS in addition to Audit & Assurance began explicitly updating their quality policies. The difficult choices they make in that respect enable them to communicate even more effectively with their colleagues and the clients whose side they choose and for whom they stand. We see this as an important next step in supporting and refining the overarching quality-oriented culture.

Horizon

To promote our quality-oriented culture, we launched the *BDO Horizon* programme in 2016 with the aim of initiating and maintaining a sustainable culture drive. This programme focuses on creating and maintaining a climate in which delivering top quality is vigorously promoted.

The next phase of the Horizon programme was initiated in 2021 in the context of the new 2021-2025 strategic period. We aim to realise our quality-oriented culture with the help of pro-active people from different backgrounds who aim to make a collective difference. With Horizon, we aim to make further strides in achieving a BDO culture that is open, flexible, people-oriented and quality-oriented, one in which BDO employees feel safe and have a sense of belonging – regardless of any visible or invisible differences. We aim to provide job satisfaction in a learning organisation where BDO employees are not afraid to give feedback and quality is of paramount importance. We are attentive to man and society in the choices that we make.

Horizon is a BDO-wide culture programme aimed at helping BDO and BDO employees make the transition to this desired culture. BDO Horizon will consist of five strategic programmes starting in 2021:

BDO HORIZON THEMES



LEADERSHIP

The focus is on the role of partners as fundamentals of the desired culture and the exemplary role and effectiveness of managers. We do this based on a philosophy of shared leadership. In addition, employees are coached, per target group, in their development as managers. This development takes place at four (job) levels: Leading Yourself, Leading Others, Leading Business and Leading Change.



VITALITY

The focus is on encouraging and maintaining employee vitality, in the broadest sense.



DIVERSITY & INCLUSION

The focus is on creating a diverse workforce that is a reflection of society. Our desired culture benefits from a diverse workforce because it makes people feel safe and gives them a sense of belonging. And it contributes to quality by virtue of the range of perspectives used in various profiles.



LEARNING & DEVELOPMENT

Continued learning and development is an essential characteristic of a learning organisation. In addition to gaining technical expertise, BDO employees can also develop themselves in terms of personal leadership, communication skills, resilience and self-reflection.



SUSTAINABLE COLLABORATION

The focus is on how we collaborate with each other and our clients – from home, at the office or a hybrid of the two – how we can collaborate in a healthy and effective manner in the long term in ways that suit the individual while still allowing us to keep in touch, help and coach each other.

In addition to these strategic programmes, regional Horizon teams focus on and accentuate specific regions. In 2021, we launched a Horizon survey to monitor and, in future, refine the implemented changes. The survey shows that the core value of 'job satisfaction' leaves the greatest room for improvement; everybody at BDO shares the expectation that, for example, a better balance between effort and recreation and franker expressions of appreciation will lead to greater job satisfaction. These topics will also be central to the Horizon programme (in the various Regions) in 2022.

We have also held a specific survey of the culture at the audit firm in recent years, which was repeated in early 2022. The past three surveys have clearly shown positive development toward our desired culture. The results of the 2022 survey will be taken into account when the Horizon actions for LoS Audit & Assurance are concretised.

Further implementation of our annual plan

As we explain above, annual plans form the basis for annual improvement actions. Upon implementing this annual plan in 2021, we launched several actions aimed at the sustainable improvement of the quality of our services. The most important of those in 2021 are listed below.

Our employees

Our employees determine the quality we deliver as an organisation. The workload is an important issue in accountancy, one with multiple causes and first-hand experiences. Rather than address this issue separately in 2021, we have integrated it into all our initiatives: we kept this issue in mind and included it in the details of each initiative. The most important of those initiatives are listed below.

Influx of new colleagues

The labour market is tighter than it has been in recent years and we have stepped up our efforts to recruit a sufficient number of suitable new colleagues. We launched a new and intensive recruitment campaign in 2021, fuelled by our redefined corporate story. We are proud of the fact that we have managed to recruit those new colleagues.

Young, highly motivated colleagues join our practice each year. They enter a world that is both demanding and constantly in flux. That asks a lot of our annual group of newcomers. However, it also asks a lot of our more experienced colleagues in terms of supervising newcomers to the workplace.

Added to this in 2020 and 2021 was the issue of COVID-19. The online supervision of new colleagues posed an additional burden. Within the confines of applicable COVID-19 policy, the organisation has chosen to reserve the limited possibilities for in-person collaboration almost exclusively for new colleagues and their supervisors on a particular engagement. This has guaranteed a significant portion of the qualitative supervision. Each year, new colleagues are trained for four weeks at a central location, the BDO starters' academy. During COVID-19, our colleagues in the Professional Practice Department set up an additional training programme on short order in addition to the starters' academy and offered it to all starters. This group received extra training before the start of both the interim period and the balance period. We do that not only to train new colleagues, but also to provide a bit of relief to the group of experienced colleagues.

With the same goals in mind, we organised the 'VWO Academy' in 2021 for the first for new colleagues with a preuniversity education: a tailor-made programme aimed at giving this group of young colleagues extra attention.

The experienced middle segment

Colleagues with a few years' experience have experienced additional difficulties during COVID-19. They often act as a pivot between new colleagues and engagement managers, as a result of which many workplace issues coalesce around them. They are also frequently in the final phase of their studies, a special time of life. Various signals, including the annual RCAs (Root Cause Analyses) further to the Internal Quality Review (IQR) process and employee survey, indicate that these colleagues could use a bit of extra attention and support. We have translated this into a '*resilience through control*' programme in which, by means of peer sessions with that group, we encourage an active approach to clients, engagement managers and assistants.

Mentoring and the introduction of a buddy system

In our mentoring system, each colleague is assigned a mentor. Mentoring can have varying objectives, depending on the mentee's level of experience. The central theme, however, is to take the mentee into a safe environment and a step further in terms of both professional and personal development. We introduced a buddy system in 2020, influenced in part by COVID-19. A buddy is an engagement-specific supervisor assigned to a less experienced assistant, thus giving the latter a permanent point of contact on a specific engagement.

Internships and on the job training/Vlogs

Internships are an essential part of an auditor's education. Some aspects of internship are intertwined with other parts of both our internal and external training programmes. In 2021, we started a project whose objective was to reduce the administrative burden attached to internships. We do this by making careful choices and creating intelligent links in our training programmes. We will use our on the job training programme (OTJT), which combines theory and practice, as a pivot. OTJT was fully modernised in 2021 and furnished with vlogs recorded with a great deal of dedication by colleagues from around the country. We will continue this programme in 2022, integrating it with internships.

Scrum

A new programme dating from 2020 was designed for the application of the principles of the Scrum Framework when conducting audits (Scrum (Agile) work in the audit). This working method was introduced in 2020, and it was a step toward gaining more and improved control over our project organisation and the workload.

Employee surveys conducted in 2021 show that scrum is highly thought of in audits. It turns out that the moment of implementation, just before the COVID-19 outbreak, was well timed: scrum is also an excellent way to stay connected while working from home.

Assessment and remuneration

A colleague from HR conducted a survey in 2021 entitled *"What do employees think of the financial and non-financial incentives at BDO and to what extent do those incentives promote quality-oriented conduct on the employees' part?"* This research was initiated partly in response to the AFM survey *'Conscious remuneration and appraisal'*.

The results of the survey will be reflected in the revision of our remuneration policy, which we will reassess in 2022, after having applied it consistently for several years. Our remuneration policy expressly rewards quality, and will continue to do so, and we aim to increase transparency and (perceived) objectivity and fairness.

Diversity

BDO has embedded the topic of diversity and inclusion into its strategy, the objective being to ensure that the culture within our organisation is organically aligned with a changing society. In line

with the objective stated by the Board of Directors, we have identified specific gender diversity targets at the audit firm. Various actions were subsequently taken in 2021. The theme of diversity has for example been a main topic on several occasions in consultations with practice leaders, and we gave it and the points under consideration a platform within the broader practice. Insights, prejudices and opinions were for example discussed in strategic staff planning meetings, and we investigated the incentives for working part-time.

Young A&A MT

The A&A MT has been assisted over the past several years by an ambitious and dedicated Young A&A MT. The mutual contacts were intensified in 2021, which led, for example, to co-production of the aforementioned *'resilience through control'* programme. Young A&A MT critiques the A&A MT on the one hand, and supports the execution of projects on the other. It was agreed that the collaboration on several projects will be intensified in 2022.

Audit in control

We have placed a great deal of emphasis in recent years on improving quality by means of study programmes, training sessions and reviews. We intend to continue on the same path. However, we also looked elsewhere – a step in a different direction and perhaps a different approach. We are shaping that other approach in a project with the working title *Audit in Control*. The objective of this project is to make new strides in terms of quality. We aim to do this by contributing the collective knowledge of the audit firm at the engagement level to the greatest extent possible: a quality-oriented mindset/culture of collaboration across engagement teams. We have developed a plan to this end that will be carried out in the form of a pilot programme in 2021/2022.

The pilot programme will explore the next step forward for achieving the ambition of 'delivering top quality anywhere and at any time'. The pilot programme will focus on interaction in collaboration. In that respect, the pilot programme is aimed at strengthening cross-team collaboration and cross-team responsibility for quality, job satisfaction and deployment of the available talent/expertise in order to deliver top quality together in a 'disciplined (work) environment' where one feels safe and comfortable asking colleagues for help; where there is openness in working methods; where optimal use is made of the available talent and expertise; where knowledge sharing is the norm. In this way, we strengthen the foundation of our learning organisation on a broader scale. From the pilot programme, we extract common practices that can be widely shared within the audit firm.

Profession

We once again made strides in terms of increased quality in 2021. In 2020, we modified the IQR programme to meet the need for development and continued on the same path in 2021. Our focus in that respect is on the audit planning phase. Getting this right in one go has a calming effect on the practice (and during the performance phase as well). In addition, we specifically asked the reviewers involved in the 2021 IQR to emphasise the positive points of a file. This fulfils our desire to pay a compliment to the teams for things that are going very well in the context of the learning organisation, aside from points of criticism. External reviews conducted by various authorities have given us renewed confidence that we are on the right track for improvement and making new strides in the right direction.

We set up specific teams in three key areas in 2021 to give them an additional quality boost. The members of those teams are given individual theoretical training and they are responsible for the implementation and consistent use of the knowledge they have gained in practice. They are supported and supervised by the Professional Practice Department. These areas are:

KEY AREA	
Integrated reporting	Integrated reporting has been high on the agenda and it has garnered even more attention as a result of the regulations announced by the European Commission (Corporate Sustainability Reporting Directive (CSRD)).
Fraud and corruption and non-compliance (FCNC)	We set up a fraud community to address social expectations in those areas, thus improving our concretisation of the focus on FCNC.
IT	The activities of the national and international Centre for the Audit of Tomorrow (the details of which are explained in this report) are often accompanied by technical questions about implementation and acceptance in practice. The key users team will contribute to the development of innovations, both from a practical and professional perspective.

NOW [Temporary Emergency Bridging Measure for Sustained Employment]

Our regular annual planning more or less thwarted the performance of NOW engagements in 2021, due in part to uncertainty about the regulations and the fact that many clients thought of it as work 'on top of' work. The technical safeguarding of knowledge and practical use of the NOW scheme is supported by the Professional Practice Department with a programme, a framework, and tools for the purpose of sharing knowledge about audit protocols and the interpretation of various specific terms as efficiently as possible within our practice. Among other things, we will be working with a regional NOW specialist and holding periodic question times at which time the Professional Practice Department can give preference to questions that are on everyone's mind.

ISQM 2

Our engagement quality review (EQR) policy was brought into line with ISQM 2 in 2021, in the course of which we faced challenges in the implementation of that policy in specific sectors due to limited EQR capacity there. We also started a project in 2021 aimed at improving EQR culture to ensure that the organisational preconditions are in place to allow quality reviews to function effectively in practice.

Clients and engagements

The growth of our practice is limited by how many qualified colleagues we have. As explained above, we do a lot to keep our people happy, with a prominent place reserved for promoting their development and well-being. Nevertheless, we were able to expand personnel capacity only to a limited extent. In combination with the NOW activities, we therefore had little or no capacity in 2021 to expand our practice in, for example, the PIE sector.

We adhered to our strict client and engagement acceptance policy in 2021. Our capacity and the complexity of and risks attached to engagements are the main criteria in that regard, not to forget the contribution that clients and engagements can make to promoting our quality-oriented culture. Our client and engagement acceptance policy is therefore a seamless fit with our practice's and employees' development.

We were again able to distinguish ourselves in 2021 as a firm with a solid social reputation and as a PIE audit firm that conducts top-quality audits in the higher-end SME/Family Firm segment and the Corporate middle segment, including Financial Services, and the Public Sector. As part of our

strategy in 2021, we further defined our choices for specific industries and sectors. The audit firm will address these choices when accepting future clients, and partners will be linked to these choices in line with their chosen major or minor.

We saw an increase in the impact COVID-19 had on our clients in 2021 – a broad impact that plays a distinct role for almost all our clients and has effects both positive and negative on the operating results. We have of course also seen that our clients' employees are under increased pressure. They, too, have adapted to changing circumstances, not in the least in cooperating with their auditor. As indicated earlier in this report, we respect how our clients have proven themselves capable under the given circumstances.

Innovation

Innovation at BDO is internationally organised in the Centre for the Audit of Tomorrow (CAT). We have a CAT-NL team that drives and coordinates innovation in the Netherlands. At CAT-NL, we are constantly looking ahead to new technological possibilities to enrich the audit process with the objective of achieving a data-driven and new technology-based renewal of the audit process. CAT-NL projects are broad in scope. This includes, in addition to data analysis, Audit Automation, dashboards and robotisation, but also ideas related to twin auditing. CAT-NL is also in regular contact with the Audit and IT departments at BDO NL, BDO Global and various BDO member firms so it can learn from the use of IT innovations both within and outside BDO.

Significant investments have been made in APT Next Gen, our international audit tool. That tool is at the heart of our audit practice and it must therefore always be thought of as an 'evergreen'. Innovations to the tool were implemented and announced in 2021, including integration of the revised ISA 315 standard.

In 2021, we continued working on the APT Next Gen Dashboard so we could monitor progress on engagements and various engagement characteristics at various levels (partner, practice leader, PCM, etc.). The quality of the dashboard is such at the end of 2021 that we will actively stimulate its use in 2022.

External developments

In early 2021, the AFM reported its observations on the themed corruption investigation. We used that report to further refine our procedures and guidelines vis-à-vis (foreign) corruption.

The AFM also published a report on the IQR process at the six PIE audit firms. In its public report, the AFM was positive about the set-up and implementation of IQR and largely positive about the insights into the quality achieved by IQRs. The AFM also identified several options for improving and updating the process. We are pleased by the AFM's positive findings and the tone it used and experience this as a boost in the further process of improvement and development.

In November 2021, the AFM reported on the contributions supervisory board members make in improving the quality of the sector. We feel that the collaboration with our Supervisory Board is both critical and constructive in nature, with the Supervisory Board encouraging us to take the necessary steps.

We also made a contribution to various projects of the Public Interest Steering Committee, a collaborative effort of audit firms and the NBA and SRA meant to give a boost to the sustained improvement of audit quality. We have for instance taken part in the '*Fraud in the auditor's report*' pilot programme and made a contribution to various working groups and sub-working groups, further to which we have worked with FAR (Foundation for Auditing Research).

Kwartiermakers toekomst accountancysector [Coordinators for the Future of the Accountancy Sector] continued work in 2021 on their assigned task of, on the one hand, monitoring and promoting the progress and coherence of the improvement measures announced by the Minister for the accountancy sector and, on the other, implementing a number of specific measures. In the *Kwartiermakers*' third progress report, they note gradual improvement within the sector and also observe that progress is being made, albeit arduously.

As we wrote earlier in this report, we have taken steps to expand our knowledge of integrated reporting and non-financial information, in part in preparation for the increased attention this topic is receiving. Based on our strategy, we have already taken various steps in this area in the conviction that non-financial information, in the broadest sense, contributes added value and bears social relevance. Legal and regulatory developments have only served to accelerate this process.

Expectations

We embarked on a major culture change in the accountancy sector a few years ago, as well as at our audit firm. We are still convinced of the urgency and necessity of this change and we realise that we must continue to take further steps to allow the desired culture to permeate our entire organisation and to align with the legitimate expectations of our stakeholders. This will take time, perseverance and, above all, decisiveness while consistently delivering the same message and pointing the way forward. The Board of Directors is proud of where we now stand and pleased with the positive signals about the sector. It is our colleagues, in particular, who in fact need such signals, as all of us are hard at work bringing about the necessary changes in a period of rapid change to our surroundings. We see these changes not only as they affect our clients but also in the context of legislation and regulations such as NOW and the expected changes to ESG reporting. It is in this heavily changing environment that we find ourselves working on culture change and quality improvement. This is a challenging task and it is good to see signs that our stakeholders have also achieved change and improvement. This gives us encouragement and positive energy for the next steps.

We started 2022 in the same good spirits and with the same positive energy. We also feel encouraged to continue along the same path and make new strides on crucial terrain. Before 2022, we saw this mainly in the 'Audit in Control' project but also in the way the term 'Questioning Mind' was fleshed out within the audit firm. The emphasis in recent years has been on the quality, standardisation and documentation of our auditing activities. This will continue to be relevant in the future. Our profession is however basically intellectual in nature; the quality of our services is distinguished by the use of our combined intellect in combination with internal and external communications. One important aspect of our plans for 2022 is discussing this with each other and taking small steps to improve it within the organisation. We have a wonderful and relevant profession, and we are proud of it.

Ukraine

Russia invaded Ukraine in early 2022. At the time this report was written, the people of Ukraine are living in tremendous fear at the horror and unending seriousness of the situation there. The safety of our Ukrainian colleagues and their families is a major priority of the BDO network, and we are helping them with food, safe accommodation, financial assistance, and psychological and medical care. Our thoughts are with the Ukrainian people and we hope their situation will soon improve.

Eindhoven, 21 April 2022

BDO Audit & Assurance B.V. Board of Directors

- ▶ R.C.M. (René) Nelis (Chairman of the Board)
- ▶ L.M. (Leon) Jansen (member of the Board of Directors, Chief Financial Officer/Chief Operating Officer)
- ▶ M.A. (Maurice) de Kleer (member of the Board of Directors, Chief Quality Officer)
- ▶ M.M.G. (Marcel) Mans (titular member of the Board of Directors, Head of Audit)

Audit & Assurance Management Team

- ▶ M.M.G. (Marcel) Mans, Head of Audit
- ▶ P.M. (Pascal) Belfroid
- ▶ W.P. (Wilma) Visser-de Wit



2. Report of the Supervisory Board

2021 was the fifth full year that BDO has had a Supervisory Board. Our role is to supervise the Board of Directors and BDO's general management. This supervision extends to the audit and advisory practices, and the synergies and challenges that come with the coexistence of these practices within BDO. As a result, our duties and responsibilities cover firm-wide aspects. We supervise the policies pursued by the Board of Directors, particularly when it comes to achieving the firm's objectives, the strategy and the risks associated with the business activities, the internal risk management and control systems, and financial reporting. Long-term value creation and safeguarding public interests are central to this.

In addition to exercising supervision, the Supervisory Board also has an advisory role. In this role, we act as a sparring partner for the Board of Directors when considering the development and implementation of policy in key areas and major projects or investments. Experience, expertise and competencies gained by members of the Supervisory Board in other sectors help to offer the Board of Directors a broader perspective and new insights.

In performing our duties, we make allowance for the interests of BDO and we safeguard the interests of BDO's stakeholders. One of our primary responsibilities is to protect the public interest by ensuring the independence, quality and integrity of BDO. We are confident that a focus on the public interest will lead to the creation and protection of these values for all of BDO's stakeholders.

The key tool in protecting the public interest is the monitoring of the achievement of strategic goals, quality, corporate culture, conduct and the independence of the organisation. We challenge, and offer constructive feedback to, the Board of Directors in these and other areas.

The roles and responsibilities of the Supervisory Board have been formalised in BDO's Articles of Association and in the Rules of Procedure for the Supervisory Board, with due observance of the amendments that have been made to the Dutch Audit Firms (Supervision) Act.

To fulfil our broad public role, the Supervisory Board is made up of external members who have gained a wide range of experience and knowledge in their past and current positions.

This report describes how in 2021 we supervised the BDO Board of Directors and the general situation at BDO in the reporting period.

Developments in 2021

As in 2020, 2021 was dominated by developments arising from the COVID-19 crisis. It was a year of lockdowns in which vaccinations got off to a slow start and a new variant of the virus emerged, with all the uncertainties that that entails. We respect how the BDO organisation has demonstrated the required resilience and perseverance in this second difficult year and, in addition to its own daily work challenges, also helped its clients sort out their challenges. We have complimented the Board of Directors on the transparent manner in which it fulfilled its role in this respect while bringing everyone together and focusing on the well-being of partners and employees in a year in which remote work required more and more of everyone in the organisation in terms of flexibility and stamina.

Since BDO's clients also demonstrated the necessary resilience last year, the financial impact of COVID-19 on BDO remained modest. State aid audit requests (in connection with the NOW scheme) have required a great deal of effort on the audit department's part, also given the complicated nature of the requested NOW audits.

The continuity of services was never in jeopardy in 2021. We are seeing the first signs that – with the aid of the vaccination programme and thanks to a variant of COVID-19 that leads to fewer hospitalisations and, more importantly, fewer IC admissions – we can slowly start thinking about a world where COVID-19 does not throw society into chaos. This means that more will be possible in terms of on-site training, in-person meetings with clients and other things that have been on the back burner in recent times. Cost levels are likely to increase accordingly. We are pleased to see that the Board of Directors is actively considering how the changes that have come about as a result of the crisis can be converted into a vision for a new, hybrid manner of working under the heading of '*Sustainable Collaboration*'. This combines the strengths of the familiar way of working pre-COVID-19 with recent insights and developments. We have contributed ideas and will continue to monitor developments in that respect to see how we can support the Board of Directors from an external perspective.

2021 was also the Board of Directors' first year of management in its new composition. We are pleased to note that the members of the Board of Directors have made a flying start in further defining the new 2021 – 2025 strategic plan. Hans Renckens' term as Head of Audit ended on 31 December 2021 upon his retirement. We reflect on the fruitful collaboration and greatly appreciate what he did in recent years in terms of quality within the Audit & Assurance Line of Service. We started looking for his successor last year. Marcel Mans started as the new Head of Audit on 1 January 2022.

The Supervisory Board also fulfilled its supervisory role in 2021 in a new composition. Danny van der Eijk succeeded Ton Rutgrink, who handed over the gavel and retired on 30 September 2021. Engelhardt Robbe and Heleen Kuijten formally joined BDO's Supervisory Board on 24 November 2021. As a result, we were back at full capacity in 2021. We would like to express our thanks to Ton Rutgrink, who chaired the Supervisory Board for more than 5 years. We are grateful to Ton Rutgrink for his constructive contributions and input and the important role he played in the transition from a Supervisory Council to a Supervisory Board. He leaves behind an organisation with an embedded supervisory role.

Key themes and decisions in 2021

In the 2021 reporting period, in the performance of supervision, in addition to the focus on the continuity of BDO as a whole, attention was specifically devoted to a number of important themes related to the strategic objectives for 2021:

Long-term strategy and value creation

We advise the Board of Directors on the firm's long-term vision and strategy and monitor the transposition of strategy into concrete policy. We were closely involved in 2021 in the transposition of strategy into the annual plans for 2021 through our scheduled meetings with the Board of Directors. In October 2021, in addition to the scheduled meetings, there was a strategy session with the Board of Directors at which the reassessment of the vision on partners was discussed in detail in light of the 2021-2025 Strategy. Particular attention was given to talent management, succession planning, partner development and partner remuneration. In the context of long-term strategy and value creation, there was also attention for the structural external stakeholder dialogue that BDO is launching. The Supervisory Board exercises internal supervision to monitor whether BDO's strategic promises and the trust of stakeholders are safeguarded on a continuous basis to achieve long-term value creation together with the Board of Directors. We are pleased to see that the stakeholder dialogue will also be mentioned in BDO's annual report, with reflection providing a better understanding of the important social issues and expectations of BDO stakeholders. We support BDO's goal of getting stakeholders more involved in matters that contribute to fulfilling BDO's mission and vision and that optimally fulfil their social role.

Quality and social relevance

As the Supervisory Board, we encourage and monitor quality improvements in the organisation. A key aspect of BDO strategy is the continuous pursuit of quality improvement. BDO sees this as the heart of its mission: 'delivering top quality anywhere and at any time'. In 2021, particular focus was placed on updating BDO Quality Policy and integration of the quality handbook of the Audit & Assurance line of service into overarching BDO Quality Policy. The Board of Directors also focused on the further transposition of the term 'top quality', as formulated in the 2021-2025 strategic vision, into the Accountancy & Business Advice, Tax Advice and Advisory Lines of Service. All this contributes to the quality transformation that BDO would like to make as an organisation. The aim is to use the PDCA cycle to make annual improvements to the design and implementation of the quality system. In this context, we also focused on the quality management system and the quality indicators used to monitor the progress of the quality agenda.

In 2021, in the context of quality monitoring, we discussed with the policymakers at Audit & Assurance B.V. the quality projects aimed at improving the effectiveness of the audit, better managing project-based work within teams, and the realisation of a different way of managing the practice that could be used to take the next step in quality. Also discussed was how to accomplish the use of new IT applications in the Audit practice.

With the Board of Directors, we also look specifically at the external social developments and expectations that external stakeholders have of BDO's services.

In society, business service providers, and audit firms in particular, find themselves under close scrutiny. Not only is the professional quality of the services provided and the related service process under scrutiny, but also, increasingly, the organisation as a whole. Developments in the accountancy profession are a permanent item on the joint agenda. BDO participates in public and sectoral discussions such as the Public Interest Steering Group, Foundation for Auditing Research, and Consultations organised by AFM, NBA and *Kwartiermakers* [coordinators]. BDO is actively involved in the working groups set up by the *kwartiermakers* that support them in formulating proposals to drive quality improvement throughout the entire accountancy sector. The development of audit quality indicators was also discussed. The results of and follow-up to internal and external quality assessments are other permanent items on the joint agenda. In 2021, the AFM investigated the quality of statutory audits, internal quality reviews and internal supervision. In its 9 December 2021 sectoral report *Grip on quality*, the AFM indicated that regarding the six PIE audit firms it was largely positive about the insight into the quality achieved by means of internal quality reviews (IQR) and positive about the design and implementation of IQRs in 2020.

Other regulators such as NOREA (the professional association for IT-auditors in the Netherlands) and ADR (the Central Government Audit Service) drew positive conclusions about BDO and BDO International's Quality Review was completed with positive results. We note that BDO is still making great strides in quality improvement and that points have been identified for taking the next steps.

In discussions with the AFM, we also specifically addressed the (co)guidance of quality development from the perspective of the role of a supervisory authority. In this context, the Supervisory Board decided to set up a separate *Quality and Public Interest Committee* that will engage in even more frequent and in-depth discussions about quality development at BDO and advise and support the Supervisory Board in that area.

Culture and conduct

An audit firm cannot deliver quality if it does not have a sound corporate culture. In 2021, BDO looked at how to optimally align the culture programme '*BDO Horizon*' with its strategic objectives. The emphasis is placed on a variety of conduct that is a translation of BDO's core values. BDO Horizon uses five sub-programmes to encourage this conduct. We are pleased to note that Horizon will play an important role in the new strategy in the next few years as a central programme that supports the realisation of the strategy for 2021-2025 and the culture that BDO aims to implement in this context. We consider such a programme to be a key element because culture and conduct strongly affect how quality policy is enforced and the effectiveness of quality systems. We also endorse the fact that BDO Horizon creates a link with the programmes that contribute to culture and conduct, such as the *Leadership in Motion* and *Diversity & Inclusion* programmes. This way, the organisation moves as one, with the various programmes keeping their own focus area. Leadership development has a major flywheel effect on the desired cultural development, and optimal implementation of Diversity & Inclusion policy enables people to analyse and act from a broader perspective and think critically about themselves, the world around them, and society at large.

We saw that great strides were made in encouraging diversity in 2021, but we share the Board of Directors' opinion that haste will be needed if even greater strides are to be made in achieving the target of women in at least 20% of top positions by 2025. We will follow the measures taken in this context to see whether they achieve sufficient traction. This is a permanent item on the agenda of meetings of the Remuneration and Appointment Committee and the Board of Directors.

We encourage the aforementioned development in the areas of culture and conduct, and monitor the effectiveness of the measures taken.

Transformation and innovation

The challenge that BDO faces within all its lines of service is guaranteeing its continued existence in the long term by harnessing developments in society and changes in rules and regulations. BDO is undergoing a transformation at different levels, both in terms of the nature of its service provision and in terms of underlying processes. The environment in which BDO operates is changing rapidly at an ever-increasing pace. This calls for an agile organisation with a focus on innovation and the right use of technology within our services. Technology, in combination with professional knowledge and knowledge of the market, has become an essential component of BDO's business model.

Other issues

Other issues that came up in meetings with the Board of Directors during the reporting period were:

- ▶ Status of internal and external quality reviews;
- ▶ Status of the actions within the scope of the Board of Director's Annual Plan for 2021;
- ▶ Financial performance (actual and estimated);
- ▶ Management information and non-financial KPIs;
- ▶ QRM quarterly reports (updates on independence, claims, risk management, regulations, etc.);
- ▶ Assessment of strategic risks;
- ▶ Claims and risks;
- ▶ Information Security & Privacy;
- ▶ Exit monitoring of partners and staff in key positions;
- ▶ Monitoring of compliance with key policies and processes;
- ▶ Evaluation of policymakers' remuneration policy;
- ▶ The assessment of policymakers;
- ▶ Remuneration policy for partners and employees;
- ▶ Assessment and remuneration of assurance partners;
- ▶ Termination of management agreements with equity partners;
- ▶ Monitoring the onboarding of the internal auditor;
- ▶ Assessment of the Compliance Officer and annual report of Quality & Risk Management.

Decisions taken by Supervisory Board

Formal decisions taken at meetings of the Supervisory Board included:

- ▶ approval of the annual report, including the 2020 annual accounts
- ▶ approval of the transparency report for 2020;
- ▶ appointment of auditor for the audit of the 2021 annual accounts;
- ▶ modification of the position of specific annexes to the Supervisory Board's profile;
- ▶ approval of the budget for 2022;
- ▶ setting of the level of variable remuneration for members of the Board of Directors and the Head of Audit for 2020;
- ▶ approval of policy for external studies involving policy-makers;
- ▶ approval of nomination of independent external auditors;
- ▶ approval of assessment and remuneration of the Compliance Officer.

Meetings and attendance of members of Supervisory Board

The Supervisory Board met regularly six (6) times in 2021, first with only the members of the Supervisory Board in attendance and then with the members of the Board of Directors joining in. The Head of Audit is present at these meetings and the agenda items relating to Audit & Assurance B.V. and interactions with the AFM and professional associations are discussed with him in particular. No members of the Supervisory Board were absent from these meetings.

In addition, there was a strategic session of the Supervisory Board and the Board of Directors in October 2021.

Other activities

The Supervisory Board has two standing committees: the Audit Committee and the Remuneration & Appointment Committee. These committees have an advisory role within the Supervisory Board and have been instituted by, and are made up of, members of the Supervisory Board. There was no separate committee for Public Interest monitoring in 2021; that task was assigned to the entire Supervisory Board.

The *Audit Committee* focuses on finances and accountability, internal and external audits, and risks. This Committee reviews the budget and the integrated annual report, including the annual accounts.

The Audit Committee meets regularly with the persons responsible for the internal audit, risk management and finance, and holds annual meetings with the independent external auditor to discuss the audit plan, the audit approach, the audit report and the management letter. In addition, there is discussion of developments in the areas of risk management and information security and the ensuing, ongoing claims and potential risks, both financial in nature and in terms of reputation and integrity. In 2021, there was particular focus on the internal auditor's start and the creation of the internal audit charter and internal audit plan. This committee met three times during 2021. The attendance rate was 100%.

The *Remuneration & Appointment Committee* makes proposals for the remuneration of BDO policy-makers. It supervises the appointment process and the nomination of new members of the Board of Directors for the Supervisory Board. This committee also supervises the effectiveness of the performance management system and the appointment process of new partners in the Audit & Assurance practice. All aspects involving employee development and satisfaction in relation to the quality policy were discussed in 2021 as well. There was also attention for the start of the new head of HR. This committee met twice in 2021. The attendance rate was 100%.

The Supervisory Board decided to add a third committee at the end of 2021: the *Quality and Public Interest Committee*. The tasks of this Committee focus in particular on the quality management system and risk management and the policy on compliance, integrity and ethics, including codes of conduct and internal procedures. The Committee also looks at procedures for the handling of complaints and reports in the context of the BDO Group's complaint and whistleblowing procedure, (potential) reputational and integrity risks, including those as a result of claims and disciplinary issues and partner cases that could have an impact on quality and integrity. The Committee also advises other committees and the Supervisory Board on relevant aspects of issues that intersect with quality, risk, integrity and reputation, including BDO strategy, the budget, investments, remuneration policy, appointments, and the suspension and dismissal of external auditors. The Committee is also involved with the dialogue with regulators and focuses on other matters in line with actions taken in the public interest and external reports not covered by the supervision exercised by other committees. The committee started its activities in 2022.

During the reporting period, the Supervisory Board also interacted with the AFM, including in connection with the AFM investigation into internal supervision.

Performance assessment and remuneration of members of Supervisory Board and Board of Directors

Self-assessment of Supervisory Board

Each year, we evaluate both our collective performance and that of the individual members. In view of the change, instead of an elaborate self-assessment, it was decided to have an evaluative look back in December 2021 of experiences in recent years, and the wishes of the committee, in its new composition, with regard to the manner of cooperation were also examined. Also discussed were points that, in response to the previous evaluation, demanded increased attention or high priority.

One specific aspect discussed at the time was the composition of the Supervisory Board and the value the Supervisory Board attaches to having five-members so as to allow for a balanced division of duties and to have two members available for each committee. This was fleshed out in 2021; also discussed in this context were the committees and the representation of Supervisory Board members on those committees.

Another point of attention was the support provided to the Supervisory Board and that it was important that sufficient time be made available to that end. In early 2022, this led to the reinforcement of the Board Secretariat with a Secretary specifically assigned to the Supervisory Board.

The last point of attention in the previous evaluation was the relationship with important internal stakeholders, Equity Partners in particular. Based on the results of the 2021 meeting held jointly with the Board of Directors, the proposals that emerged from that meeting were examined and a number of specific actions were formulated to improve communications with that group and provide them with more pertinent information during the year regarding the manner in which the Supervisory Board fleshes out its supervisory role.

Remuneration of members of Supervisory Board

The members of the Supervisory Board receive a fee set by the Meeting of Participants. For the details of our remuneration, we refer to the annual accounts.

Performance assessment and remuneration of members of Board of Directors

In early 2022, we also conducted performance assessment interviews with the members of the Board of Directors regarding the achievement of objectives in 2021. The arrangements made with the Board of Directors about their individual specific focus areas provided the basis for those discussions. We set the variable remuneration for 2021 for day-to-day policymakers at the audit firm and the hierarchically highest-ranking part of the network respectively, including members of the Board of Directors, in early 2022 on that basis.

Independence

Our duties and powers, as described in the Rules of Procedure, determine the position of the members of the Supervisory Board under the applicable independence rules. The members must be independent both effectively and in appearance. The BDO Compliance Officer monitors the personal and financial independence of the members of the Supervisory Board.

In 2021, there was monitoring of the conditions laid down to guarantee that a member of the Supervisory Board is independent of the BDO organisation. Based on those conditions, members of the Supervisory Board are required to take the necessary measures to avoid having a financial stake or maintaining relationships that are prohibited or subject to limitations under the independence regulations.

At the end of 2021, all members of the Supervisory Board qualified as independent in accordance with the aforementioned rules and regulations.

Training

No specific training was given in 2021, given the developments surrounding the COVID-19 pandemic and the increased efforts required of the three members of the Supervisory Board in covering the duties of the members who had resigned and developments regarding the appointment of new members. Details on how the theme of *Fraud* is to be fleshed out will now be given in 2022.

Annual Accounts

BDO's 2020 annual report and annual accounts were prepared by the Board of Directors. The annual accounts were audited by Mazars, our independent external auditor. Their independent auditor's report is included with the annual report. The audit findings were discussed with the Audit Committee in the presence of the entire Supervisory Board and Board of Directors. The Supervisory Board then approved the 2021 annual report and annual accounts at the meeting with the Board of Directors held on 12 April 2022.

Transparency Report

BDO's policymakers have discussed the Transparency Report 2021 with us. In our opinion, the report and its tone are in line with our impression of the past year and accurately reflect the relevant issues and developments that were presented to us in the past year and that we have monitored.

In summary

We are pleased to note that BDO has managed to continue doing its work properly in challenging times. Within a short period of time, a COVID-19 policy was drawn up in which the health and safety of employees, clients and suppliers were paramount. The right conditions for working from home were created swiftly for BDO employees to properly continue their work and to support clients in the challenges they were facing. Various initiatives created a great sense of being connected, which helped to get through this challenging year 2021. In addition to strict cost management, BDO was able to close the financial year with good results because of this interconnectedness, effort and adaptability.

We would qualify the cooperation between the Supervisory Board and the Board of Directors of BDO as constructive over the past year and we look forward to working with the Board of Directors in the new composition with which it started 2021.

Outlook

Given the high number of vaccinations and the less pathogenic new COVID-19 variant, we dare to think that a cautious return to normalcy might be in the cards for 2022. Although the world has reopened as far as COVID-19 is concerned, a new threat has arisen in the meantime, the threat of war and destruction that began with Russia's invasion of Ukraine. It is currently unclear how this situation will develop and what impact it will have on the rest of the world, the Netherlands, and BDO.

Over the past two years, we have seen that BDO and its employees are resilient in times of crisis and prepared to roll up their sleeves when faced with challenges. We will support the Board of Directors of BDO in facing these challenges.

Eindhoven, 21 April 2022

Supervisory Board

- ▶ D.A. (Danny) van der Eijk (chair)
- ▶ B.J.M. (Bernadette) Langius (deputy-chair)
- ▶ H.L. (Heleen) Kuijten-Koenen
- ▶ D.J. (Dennis) Raithel
- ▶ E.M. (Engelhardt) Robbe



3. Quality in 2021

In this chapter, we describe the most relevant state of affairs and developments for FY 2021 as regards our vision of quality and our quality management system, partly based on quality indicators. This chapter also contains a description of the external supervision of our organisation performed in 2021 by external supervisory bodies such as the Dutch Authority for the Financial Markets, AFM. Lastly, this chapter contains the required statements of policymakers regarding the effective functioning of the internal quality management system, the internal assessment of compliance with the independence requirements and compliance with the policy on continuing education of our partners and employees.

A full description of the quality management system applicable at BDO Audit & Assurance B.V. in 2021 can be found [here](#).

Quality and quality management

The BDO quality management system emphasises what we define as quality (see box 1) and our ambition to deliver top quality anywhere and at any time. The BDO Quality Policy also outlines the BDO quality management system, in which we anticipate the new *International Standard on Quality Management 1 (ISQM 1)*, as published by the IAASB in December 2020. The quality policy and the quality management system as applicable at BDO Audit & Assurance (A&A) align with and are a further addition to the overarching BDO Quality Policy and BDO quality management system.

We describe the most relevant developments in our quality management system in 2021 using the following components:

WHAT DO WE MEAN BY QUALITY?

BDO's ambition is to deliver top quality anywhere and at any time. Delivering top quality anywhere and at any time means ensuring the continuity of all types of services, within the applicable rules and regulations, to meet the expectations of our key stakeholders with regard to specific services, the service process itself, and our organisation, and that we exceed those expectations wherever possible.

...IN CONTINUITY

Delivering top quality is part of our vision on long-term value creation. The world around us is constantly changing and with it the expectations of our stakeholders. That is why it is important that we always keep in touch with our environment. As a learning organisation, we continuously improve ourselves and our services.

...FOR ALL TYPES OF SERVICES

We deliver top quality with all our services. The ambition to deliver top quality anywhere and at any time applies to everyone at BDO. All BDO professionals contribute either directly (through their involvement in engagements) or indirectly (through their work for the quality management system or other forms of support) to that top quality.

...WITHIN THE APPLICABLE LAWS AND REGULATIONS

Top quality means that regardless of the expectations of our stakeholders, we will in any event comply with rules and regulations, regulations of professional organisations and internal rules applicable to the provision of our services. In addition, compliance with rules and regulations by our clients is also important to us: they, too, must comply with the rules and regulations applicable to them, operate ethically and transparently with a risk profile that is in line with BDO. When complying with rules, we explicitly keep the purpose of those rules in mind. Blindly following the 'letter' of the law ('is it allowed?') and ignoring its 'spirit' ('is it right?'), does not deliver the intended top quality.

...MEETING EXPECTATIONS

Delivering top quality means at least meeting expectations. It is essential for us to properly understand and lay down the expectations prior to an engagement. We can only meet *legitimate* expectations, which are expectations that fit in with the applicable rules and regulations and realistic expectations. Incidentally, this also requires that we not arouse any expectations that we are unable to meet among our stakeholders.

...OUR KEY STAKEHOLDERS

In order to deliver top quality, we meet at least the expectations of our key stakeholders. Stakeholders are individuals, groups or organisations that have an interest in our services or are affected by their results. Our audit clients are our most direct stakeholders, but not by definition our key stakeholders. They are our principals and pay for our services. We deliver quality by meeting their legitimate expectations. In weighing up quality considerations, we primarily consider the public interest if this deviates from the client's interests.

In addition to our clients, there are other stakeholders who have legitimate expectations of our services: key stakeholders of our client, society (for example, citizens, government, politicians and the media), BDO professionals and professional colleagues.

...THE SPECIFIC SERVICE, THE SERVICE PROCESS AND OUR ORGANISATION

The expectations of our stakeholders generally relate to these three levels:

- ▶ Expectations in terms of the *specific service* relate, for example, to the extent to which our services solve a particular problem, answer a question or otherwise meet a particular need and is therefore sufficiently tailored to the specific facts and circumstances of the client and the engagement. The accuracy, completeness, timeliness, comprehensibility, applicability and reliability of our advice or opinion are relevant factors in that respect, as well as whether the service complies with the agreements made, the applicable rules and regulations and requirements of quality or otherwise.
- ▶ Expectations with regard to the *service process* concern, on the one hand, the substantive process steps to be followed, such as the acceptance of the client and the engagement, the engagement letter, allocating capable professionals to the engagement, scheduling, execution and completion with a report or statement. Stakeholders also expect the service process to comply with applicable rules and regulations. On the other hand, it is explicitly also about the 'client service' that we offer the client and that the client can expect from us.
- ▶ Lastly, expectations increasingly relate to *our organisation* as a whole. Stakeholders expect the services they purchase to be provided by an ethical organisation that complies with the rules and regulations applicable to it and that continuously controls and improves the quality of its services.

...TO EXCEED THOSE EXPECTATIONS WHEREVER POSSIBLE

In our mind, top quality is when we go that extra mile to surprise our key stakeholders in a positive way. This extra mile consists, for example, of providing added value by offering new perspectives on the problems and questions of our stakeholders by coming up with innovative ideas and instruments or by introducing new perspectives in the social debate, increasing the efficiency of our services or to excel in our focus on service.

In the process, our work and conduct are always guided by our core values: Professionalism, Joy, Practical Relevance, People Orientation, and Social Responsibility. Our core values show how we translate our ambition to deliver top quality anywhere and at any time into concrete actions. They guide us in our day-to-day dealings. We hold each other accountable for observing the Code and we expect our stakeholders to do the same.

ORGANISATIONAL STRUCTURE

Meeting of Depositary Receipt Holders

As at 31 December 2021, BDO had 66 holders of depositary receipts (2020: 73) of whom 28 are external auditors (2020: 30) who work for BDO Audit & Assurance B.V.

Board of Directors

On 31 December 2021, the Board of Directors consisted of the following persons:

- ▶ R.C.M. (René) Nelis (CEO, chair)
- ▶ L.M. (Leon) Jansen (CFO/COO)
- ▶ M.A. (Maurice) de Kleer (CQO)
- ▶ J.H. (Hans) Renckens (titular member, Head of Audit)

M.M.G. (Marcel) Mans joined the Board of Directors on 1 January 2022 as a titular member and was appointed Head of Audit. He replaces Hans Renckens, who quit those positions on the same date.

Supervisory Board

On 31 December 2021, the Supervisory Board consisted of the following persons:

- ▶ D.A. (Danny) van der Eijk (chair)
- ▶ B.J.M. (Bernadette) Langius (deputy-chair)
- ▶ H.L. (Heleen) Kuijten-Koenen
- ▶ D.J. (Dennis) Raithel
- ▶ E.M. (Engelhardt) Robbe

Danny van der Eijk is the new chair of the Supervisory Board as from 1 October 2021. He replaces Ton Rutgrink who resigned on the same date. Engelhardt Robbe and Heleen Kuijten-Koenen formally joined on 24 November 2021, as a result of which the Supervisory Board once again has its desired five-member complement.

Audit & Assurance Management Team

On 31 December 2021, the Audit & Assurance Management Team (A&A MT) consisted of the following persons:

- ▶ J.H. (Hans) Renckens (Head of Audit)
- ▶ P.M. (Pascal) Belfroid
- ▶ M.M.G. (Marcel) Mans

As of 1 January 2022, Marcel Mans will hold the position of Head of Audit, thus replacing Hans Renckens. W.P. (Wilma) Visser-de Wit joined the A&A MT on the same date.

Quality Council

The Quality Council is a consultative body that serves as a sounding board to the Board of Directors and supports it in (fulfilling its responsibilities with regard to) the design, implementation, evaluation and adjustment of quality management. The Quality Council met nine times in 2021 and discussed, among other things, BDO Quality Policy, the implementation of ISQM 1, quality-oriented culture, governance and management, core values and desired behaviour, remuneration policy and incentives, quality indicators (*Audit Quality Indicators*) and developments in national and international laws and regulations.

Young A&A MT

The Young A&A MT is an advisory body for the A&A MT consisting of six young BDO employees from the A&A practice. In 2021, at various meetings with Young A&A MT, the A&A MT discussed, among other things, changes to the audit process (including the application of scrum and process innovation), technological innovations in auditing, in part in terms of the most appropriate team configuration, the practical applicability and availability of professional guidance, the supervision of start-ups, the internal RA training programme, the organisation of internships and the communication of training courses available at a central location, the ongoing supervision investigations of the AFM and the public consultation on AQIs by *Kwartiermakers Toekomst Accountancysector*. Each year, the A&A MT consults with Young A&A MT on key objectives for the following year. They share valuable points with the A&A MT that find their way into the A&A MT's annual plan. In 2021, Young A&A MT actively contributed to the planning, design and implementation of a new training course. That positive experience led to increased contacts in 2022.

Key figures for the international BDO network

TOTAL REVENUE WORLDWIDE	2021	2020
Revenue (amounts in € millions)	9,800	9,200
<i>Service lines share:</i>		
Audit & Assurance	42%	42%
Business Services & Outsourcing	15%	15%
Tax	21.5%	22%
Advisory	21.5%	21%

BDO's total revenue generated by statutory audits of annual financial statements and consolidated financial statements in the EU/EEA was approximately EUR 605 million in 2021 (2020: EUR 785 million). We note in this respect that the various Member Firms have differences in financial years. The aforementioned amount is based on the most recently closed financial year. For countries using a currency other than the euro, the average exchange rate for the reporting period was used. Due to Brexit, no UK figures will be included as of this year (the 2020 revenue still includes UK figures). The countries and offices in the EU/EEA are listed in [Annex B](#).

Other key figures for the international BDO network

DISTRIBUTION	2021	2020
Country presence	167	167
Number of offices	1,728	1,658

PERSONNEL	2021	2020
Partners	7,234	6,929
Professionals	76,467	71,046
Support staff	13,591	13,079
Total number of employees	97,292	91,054

CULTURE AND LEADERSHIP

The results of the biennial employee survey were evaluated in early 2021. The employee survey is conducted so we can hear from BDO employees what they think of the preconditions and climate intended to allow them to get the best out of themselves each day and help colleagues and clients. The results showed, among other things, a decrease in colleague enthusiasm, particularly that of senior assistants and junior managers. To provide additional support to those colleagues, specific training was provided on resilience, communication and the delegation of work. In addition, the pressure that coaching new colleagues entails was ratcheted down during COVID-19 by organising additional technical training courses and setting up a tailor-made course of study for new colleagues who enter straight from having received a preuniversity education.

In 2021, the BDO-wide cultural change programme *Horizon* was cast in a new form composed of five programmes: leadership, vitality, diversity and inclusion, learning and development, and sustainable collaboration, complemented with regional *Horizon* teams. The results of the *Horizon* survey will provide input for further fleshing out those programmes.

More than half of BDO A&A employees contributed to the Foundation for Auditing Research (FAR) survey into Audit Firm Culture. In the context of that investigation, FAR provided several mini-masterclasses for people at BDO and shared the interim results of the investigation with BDO. Those results confirm the importance of a strong and quality-oriented organisational culture and the need to continue to work on it. Although the culture at BDO A&A is not yet always perceived in all respects as the culture we would like to see across the board, the differences are not so great that people at BDO do not feel at home in the organisation.

The BDO core values have been updated in the new BDO 2021-2025 Strategy. At various brainstorming sessions in 2021, a large group of BDO employees answered the questions 'What do the new core values mean to you?' and 'What kind of conduct is befitting in that respect?' The results of those sessions are incorporated in one new, comprehensive BDO Code, as a result of which the existing business, conduct and client codes will cease to apply in early 2022. The BDO Code defines what the core values mean to our organisation and the corresponding conduct-related principles. These form the basis for how we, the people of BDO, individually and as a team, perform our work, for which we can be held accountable by each other and by external parties such as clients and suppliers. The BDO Code thus serves as a framework for our professional integrity and our professional responsibility. It says who we are and outlines our DNA; in short, it covers the aspects that set us apart and make us successful.

OUR PEOPLE

Staffing

In 2021, the average number of partners, (senior) managers and other team members employed by or affiliated with BDO A&A increased by 2.4% to 898 (2020: 877). The increase in 2021 was lower than in 2020 (5%) and is largely related to higher turnover among other team members.

Average number and ratio of partners, (senior) managers and other team members

2021*	Partners	(Sr.) Managers	Other	Total
Number	69	170	660	898
Ratio (% of total)	8%	19%	73%	100%

2020	Partners	(Sr.) Managers	Other	Total
Number	70	154	654	877
Ratio (% of total)	8%	18%	75%	100%

* The totals/percentages may deviate due to rounding differences.

Although there are always vacancies at the job level of experienced (assistant) accountants, the labour market for these professionals is so unabatedly tight that it seems unrealistic to fill these vacancies through lateral entry. As in previous years, in 2021 we therefore focused mainly on recruiting starters and retaining our current (experienced) assistants.

The average number of years of experience at BDO rose by 5.8% to 5.5 years (2020: 5.2). On average, partners and (senior) managers in particular had been employed by BDO in 2021 longer than in 2020.

Average number of years of experience at BDO divided into partners, (senior) managers and other team members

	2021	2020
Partners	17.3	15.9
(Senior) Managers	10.1	9.9
Other	3.0	2.9
Average	5.5	5.2

After declining for several years, total staff turnover increased to 19.5% in 2021 (2020: 12.7%). Staff turnover fell among (senior) managers but increased among partners and other team members. The higher turnover in 2021 seems to have been affected by a catch-up effect in connection with COVID-19; we in fact saw relatively little turnover in 2020. Retaining more experienced young professionals remains a continuous challenge.

Turnover in % of partners, (senior) managers and other team members

	2021	2020
Partners	7.2%	0.0%
(Senior) Managers	12.9%	14.3%
Other	22.4%	13.6%
Total	19.5%	12.7%

Because of the traditionally high outflow of professionals shortly after having obtained their RA title, the previously initiated title obtainer program will be continued in 2021. In addition to a two-day meeting facilitated by FranklinCovey, there was an inspiration session that included discussion of, among other things, job pressure, the ability to monitor your own boundaries, the creation of space within the organisation for flexibility in dividing your time between work and life, and the perceived burden of certain organisational aspects and administrative tasks associated with being promoted to a higher position.

In the context of our diversity and inclusion objectives and also in implementation of our previous endorsement of the "Talent to the Top" Charter (TttT), the strategic personnel planning (SPP) of the A&A practices focused in 2021 on the theme of 'Binding and captivating (female) talent'. We considered, among other things, how capable we are of keeping talents on board, the level of appreciation talents are shown, and disparities in assessing the performance and potential of female colleagues versus male colleagues. An eye was also kept in the course of the year on the ratio of women to men in the various job groups, from inflow to being named a partner to outflow.

Development and continuing education

Wij investeren voortdurend in de kennis en vaardigheden van onze professionals. Het gemiddeld aantal uren dat onze professionals in 2021 hebben besteed aan training en opleiding is met 1,9% marginaal gedaald naar 211,7 (2020: 215,7).

Average number of hours (internal and external) training and education divided into partners, (senior) managers and other team members (per FTE)

	2021	2020
Partners	75.0	64.8
(Senior) Managers	86.4	87.5
Other	259.7	261.1
Total	211.7	215.7

Due to the necessary COVID-19 measures, a great deal of education and training once again took place either online or in hybrid form in 2021. This did not impede the quantity or scope of education and training.

Within the RIVM guidelines and the office policy based on it, we once again facilitated the mentoring of starters by their immediate co-workers at the office as much as possible in 2021.

Further to the introduction of APT Next Gen and changes to our audit approach, the content and framework of on-the-job training (OTJT) have also been updated. OTJT is an important part of our in-house training scheme and it aims to develop the professional knowledge of A&A employees in the early years of their career in a structured and standardised practical manner. Information and vlogs describing the various items and flows in an annual accounts audit have been provided for that purpose; employees can use the latter for supervised practice and testing purposes and to gain skills. Going through OTJT is one of the criteria for promotion to a higher position.

Mentoring contributes to an employee's professional and personal development and well-being. The experiences of employees as mentees and the facilities available for the role of mentor were evaluated in 2021. The role of 'buddy' was introduced to reduce the workload of young mentors (often senior assistants) charged with supervising the increased influx of starters. A buddy is an employee with one to three years' experience who provides starters with practical guidance on a specific engagement. Accordingly, the mentor can, to the exclusion of all else, put more focus on the mentees' professional and personal development above and beyond the engagement.

The QRM department monitors compliance with the Further Rules for Continuing Education (FR CE) by registered accountants and accounting consultants registered with the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants* or 'NBA'). At the beginning of 2021, QRM established that all auditors had met their CE obligation for 2020 and that there would be no catch-up obligation in 2021 (2020: 3).

Assessment and remuneration of employees and partners

In 2021, a survey was conducted at BDO based on the question "What do employees think of the financial and non-financial incentives at BDO and to what extent do those incentives promote quality-oriented conduct on the employees' part?" Based on research of the literature, interviews and a survey of a representative group of employees, more insight was obtained into how financial incentives (including salary increases and various types of bonuses) and non-financial incentives (including perks, promotion, recognition and compliments and opportunities for development) affect quality-oriented conduct. These insights will be used for the intended reassessment of assessment and remuneration policy in 2022.

For the purpose of further specialisation in specific market segments and sectors, all partner shareholders have been asked to declare a so-called 'major' and 'minor' for the primary and secondary segments and sectors in which they specialise.

ETHICAL STANDARDS

Integrity and independence

Ethical and disciplined business operations

Money laundering, financing of terrorism, fraud and corruption, as well as the role of gatekeeper played by auditors therein, continued to be topics of public debate in 2021. Besides additions to the staff of the QRM department's Wwft Desk [Money Laundering and Terrorist Financing (Prevention) Act Desk], a 'Wwft toolkit' was made available in early 2021 to help professionals comply with the Wwft. This toolkit supports collection of the information needed to conduct client due diligence.

In 2021, BDO A&A filed 28 unusual transaction reports with the Financial Intelligence Unit (FIU) pursuant to the Wwft (2020: 21 transactions reported). No transactions were reported involving the transfer of funds between BDO's clients and BDO (objective indicator). By law, we are prevented from providing any further information about the contents of the reports.

	2021	2020
Reports of unusual transactions	28	21

Independence

In 2021, we identified two violations of independence rules (2020: 2).

- ▶ It came to light during the monitoring of the compliance statements in one case that a recently hired employee had an ancillary position as a member of a body charged with governance of a BDO audit client. This was a violation of independence rules.
- ▶ It came to light in a second case that an entity to which we had initially provided only consultancy services had wrongly not been identified as a PIE in the client records; whereas several partners had a direct financial interest in that entity's parent company, a short-term IT assurance engagement was subsequently accepted and performed. This led to a violation of BDO's internal independence policy, which prohibits BDO partners (regardless of whether they themselves perform work for the relevant client and regardless of which LoS or central staff department they work for) and members of the assurance team from holding a (direct or materially indirect)

financial interest in an assurance client of BDO or in a third party affiliated with said assurance client. As no financial interests were held by IT Auditors involved with the engagement, the situation did not result in a violation of the applicable laws and regulations (including the *Reglement Gedragscode* ('Code of Ethics') for *Register IT-Auditors*).

- ▶ In a third case, it came to light that a partner had failed to alienate a prohibited direct financial interest in a timely manner, despite an explicit request to that end.

The underlying causes were investigated in these three cases and appropriate (remedial) measures were taken in response.

	2021	2020
Number of internally identified violations of independence rules	3	2

The EU Regulation's *fee cap* applicable to service overlaps at PIEs (to the extent permitted in terms of substance) was once again assessed for 2021: This means that if BDO provided other services to a PIE audit client (or to the parent company or one or more subsidiaries of that PIE) during the period 2018-2020), the total fees for those services in FY 2021 may not exceed 70% of the average fees paid in financial years 2018-2020 for statutory audits of the (consolidated) annual accounts of that PIE (and, if applicable, of the parent company or subsidiary of that PIE). A comprehensive (risk) analysis shows that the fees will remain well below the fee cap in 2021.

In the context of monitoring the financial situation of audit partners/shareholders, in 2021 the partner designated for that purpose assessed the financial situation of the partner/shareholders appointed on 1 January 2022. This assessment did not yield any comments that could have prevented these appointments.

Confidentiality, information security and privacy

The increasing dependence on information and communication technology makes society and the economy vulnerable. Digital security, risk management, privacy and information security are very important for the prevention of service disruptions at BDO. That is why we constantly focus on the security of our products, services and ICT infrastructure. In order to promote awareness of information security and privacy and promote the desired conduct, e-learning modules on these topics were again made mandatory in 2021 for and followed by all BDO employees. In addition, professionals are regularly alerted to specific (new) information security and privacy risks by means of information on the intranet and via email.

In 2021, risk analyses were updated in respect of the availability, integrity and confidentiality of the main processes within the organisation and both internal and external audits were performed on the BDO Information Security Management System (ISMS). These audits show that BDO is effective in managing risks and meets the requirements set in accordance with the ISO 27001 standard.

BDO A&A registered 20 security incidents in 2021 (2020: 25), 15 of which were data breaches (2020: 20). None of these data breaches were found to be 'serious' data breaches that could have led to a considerable risk of serious, adverse consequences for the protection of personal data; accordingly, no data breaches were reported to the Dutch Data Protection Authority (DPA) (2020: 1).

	2021	2020
Number of registered security incidents	20	25
Number of registered data breaches	15	20
Number of data breaches reported to the DPA	0	1

Dealing with complaints, whistleblowers, and claims

In 2021, the total number of external and internal complaints, whistleblowing reports, claims and disciplinary complaints in relation to statutory audit engagements and/or external auditors fell to three (2020: 4). One claim was submitted and two disciplinary complaint lodged. No external complaints, internal complaints or whistleblowing reports were received.

	2021	2020
Number of external complaints submitted <i>see the Rules on the Handling of Complaints by the BDO Complaints Committee</i>	0	0
Number of internal complaints submitted <i>see the Rules on the Submission and Handling of Complaints</i>	0	0
Number of whistleblowing reports <i>see the Procedure for dealing with reporting suspected misconduct ('Whistleblowing Procedure')</i>	0	0
Number of claims filed against the organisation	1	3
Number of disciplinary complaints lodged against external auditors	2	1
Total	3	4

The claim received from an audit client in 2021 pertains to a discussion with said client about a payment for performance of an upward contract variation.

In 2021, the following disciplinary cases were lodged against external auditors employed by BDO or are still pending before the Accountancy Division and/or the Trade and Industry Appeals Tribunal (Dutch acronym: CBb):

- ▶ An external auditor has been accused of failing to exercise sufficient care and professionalism when auditing a fund's profit and/or dividend distributions and that the fund's 2016 and 2017 annual accounts provide insufficient or incorrect insights. On 27 December 2021, the Accountancy Division declared the complaint partly well-founded and gave the external auditor a written warning. The complainant and the external auditor both lodged an appeal. A date has not yet been set for the hearing.

- ▶ An external auditor has been reproached for the inaccuracy of the (unqualified) purport of the auditor's opinion on a foundation's 2020 annual accounts. The complainant asserts, among other things, that the foundation's annual accounts are not in compliance with the law and the articles of association and that the auditor's report contains incorrect information about the responsibilities and powers of the management and the board. The oral hearing is scheduled for 10 June 2022.
- ▶ A former employee of an audit client of BDO claims, following an employment conflict with his employer, that the external auditor made mistakes in the audit of the 2017 and 2018 annual accounts (the complaint was filed in 2020). His complaint concerns, among other things, the size of the provision for major maintenance and the absence of the deferred investment grants. The hearing was held at the Accountancy Division on 4 December 2020. On 2 April 2021, the Accountancy Division declared the complaint unfounded. The complainant lodged an appeal. The auditor in question is no longer affiliated with BDO. A date has not yet been set for the hearing. This is the second disciplinary complaint lodged by the complainant against the person in question (the earlier complaint was declared partly well-founded and led to a written warning). In the past, the complainant had also filed a disciplinary complaint against two other auditors employed by BDO who were involved in the audit. Both complaints were declared unfounded.

- ▶ An external auditor is accused of the fact that the audit opinion issued does not comply with the law (Article 2:393(3) and/or (5)(e) of the Dutch Civil Code), in so far as the opinion pertains to events after the balance sheet date and the directors' report in the 2018 annual accounts of an audit client (the complaint was filed in 2019). In addition, the complainant contends that the auditor should have withdrawn or amended the unqualified opinion. The complaint was filed on 30 September 2019; the oral hearing was held on 20 November 2020. On 9 April 2021, the Accountancy Division declared the complaint partly well-founded and imposed a written reprimand on the auditor in question. The external auditor lodged an appeal. A date has not yet been set for the hearing.

In 2021, the following disciplinary case was concluded:

- ▶ An external auditor is accused of having violated the fundamental principles of the Dutch Code of Conduct and Professional Practice for Accountants Regulation (Dutch acronym: VGBA) in the audit and the issuance of an unqualified opinion on the 2016 and 2017 annual accounts of an audit client (the complaint was filed in 2019). On 20 March 2020, the Accountancy Division declared the complaint partly well-founded and imposed a written reprimand on the external auditor. The complainant and the external auditor both lodged an appeal. On 26 January 2022, the CBB upheld the Accountancy Division's decision, which rendered the written reprimand final and conclusive.

ACCEPTANCE AND CONTINUATION OF CLIENT RELATIONSHIPS AND ENGAGEMENTS

Acceptance and continuation of client relationships and engagements

BDO applied its tightened policy for the acceptance and continuation of client relationships and engagements in 2021 as well. This will give us more time and better conditions to ensure the quality of the performance of the engagement. Requests for tenders for audit engagements are examined very carefully, particularly in the case of large international clients, including with regard to any professional risks, the expertise required and the available capacity within BDO. The policy of the A&A MT is aimed at further increasing the average size of each engagement and reducing the number of engagements for each external auditor, so that more attention, commitment and focus can be given to each engagement. To that end, practice leaders and partners annually evaluate the entire engagement portfolio and assess the balance between quality, risk, return and the so-called 'fun factor'. Orders lacking in a workable balance are not continued.

A limited number of engagements were refused in 2021 as a result of the engagement acceptance process, including a few PIE audit engagements that had also been refused by other PIE audit firms. After careful consideration, BDO concluded in these cases that the combination of capacity issues and quality issues prevented us from performing the engagement in a professional manner. The total number of refused engagements is probably higher given the reinforced internal quality climate, as partners themselves are increasingly critical when starting a client or engagement acceptance procedure. We have also refused audit engagements submitted from within the BDO network (referrals) in several cases, thus allowing the social interest of the quality that BDO can supply in the Netherlands to prevail.

If, at the time of acceptance or continuation of an engagement, there are certain risks or certain criteria have been met, the QRM department will assign one or more risk-mitigating and/or quality-promoting measures. QRM has imposed one or more measures on BDO A&A for 460 engagements (2020: 482) where the expected end date of the work fell in 2021. The measures imposed concern, among others, EQR, TBQA, IFRS review, mandatory PPD consultation, mandatory

rotation or an instruction for the team composition. Subsequently, additional measures may be awarded after acceptance or continuation of an engagement. This mainly concerns quality measures during the performance of the engagement, such as ETD coaching, TBQA, IFRS review and EQR (see also the totals of these quality measures in chapter '[Quality management in the performance of the engagement](#)').

Number of engagements for which QRM imposed measures upon acceptance or continuation

	2021	2020
Number of engagements	460	482

* Comparative figures adjusted further to the observed incompleteness.

Procedure and systems

QRM and the A&A MT discuss received requests for audit engagements twice a week for a controlled process of engagement acceptance. This ensures that the necessary quality considerations will already be an issue in the offer phase. The Board of Directors must also be involved in requests for offers from PIEs (with the exception of housing corporations).

In connection with engagements related to the NOW scheme (based on Dutch Standards on Auditing 3900N and 4415N), specifically developed templates have been used to obtain sufficient insight into the (potentially unusual) circumstances of the client in question when accepting an engagement. In order to perform such engagements efficiently and effectively, BDO has focused almost entirely on accepting engagements from companies of which BDO is already the regular auditor.

Revenue

(Amounts in € millions) *	2021	%	2020	%
Audit & Assurance	120.1	37.7%	114.2	37.2%
Accountancy & Business Advisory	77.4	24.3%	80.7	26.3%
Tax Services	76.5	24.0%	75.7	24.7%
Advisory	45.0	14.1%	36.3	11.8%
Total	319.0	100%	306.9	100%

* The total amounts/percentages may deviate due to rounding differences.

BDO Netherlands' total revenue for the 2021 financial year was € 319.0 million (2020: € 306.9 million), of which € 120.1 million (2020: € 114.2 million) was generated by the A&A Line of Service.

The breakdown of revenue into various types of services is shown below:

COMPOSITION OF REVENUE BDO 2021*	Statutory audits of annual accounts	Other audits of annual accounts	Other statements and assurance reports	Other services	Total	%
Statutory audits of annual accounts - PIE	8.9		0.4		9.3	2.9%
Statutory audits of annual accounts - other	72.3	3.2	6.0	15.2	96.6	30.3%
Other audits of annual accounts		22.3	1.3	3.3	26.9	8.4%
Other statements and assurance reports			7.1	5.2	12.3	3.9%
Other				173.9	173.9	54.5%
Total	81.1	25.5	14.8	197.6	319.0	100%

COMPOSITION OF REVENUE BDO 2020*	Statutory audits of annual accounts	Other audits of annual accounts	Other statements and assurance reports	Other services	Total	%
Statutory audits of annual accounts - PIE	5.2		1.0	0.2**	6.4	2.1%
Statutory audits of annual accounts - other	74.3	1.6	2.2	16.0	94.0	30.6%
Other audits of annual accounts		25.6	1.6	3.7	30.8	10.0%
Other statements and assurance reports			5.8	4.1	9.9	3.2%
Other				165.7	165.7	54.0%
Total	79.5	27.2	10.6	189.7	306.9	100%

* The total amounts/percentages may deviate due to rounding differences.

** These are permitted audit services under Dutch Standard on Auditing 4400, as referred to in Article 16(4) of the Regulation regarding the Independence of Accountants in the case of Assurance Engagements or services for 'new' PIEs permitted under transitional law in 2020.

The revenue relates to engagements charged by the entities that are part of BDO in the Netherlands. The amounts charged directly to our internationally operating (audit) clients by Member Firms of the international BDO network are not included in this table.

In the above overview, the revenue from statutory audits was presented on the basis of the definition of a statutory audit as described in Article 1(1)(p) of the Audit Firms (Supervision) Act (including annex).

The grouping of revenue is in line with Article 13(2)(k) (i-iv) EU Regulation 537/2014:

- i. Revenues from the statutory audit of annual financial statements and consolidated financial statements of Public Interest Entities and entities belonging to a group of companies whose parent company is a Public Interest Entity;
- ii. Revenues from the statutory audit of annual financial statements and consolidated financial statements of other entities;
- iii. Revenues from authorised non-audit services to entities audited by the statutory auditor or audit firm; and
- iv. Revenues from non-audit services to other entities.

PERFORMANCE OF THE ENGAGEMENT

Number of engagements

In 2021, BDO performed 1,261 statutory audits (2020: 1,341), 81 of which at Public Interest Organizations (PIE) (2020: 81). The list of PIEs where BDO performed statutory audits in the past year is included in [Annex A](#).

The 6% decrease in the number of statutory audits reflects our critical stance when accepting and continuing an engagement, where we focus as much as possible on engagements that are in line with the quality level that we pursue when performing an engagement.

The number of PIE audit clients remained the same in 2021, although with a bit of turnover: we accepted eleven new PIE audit clients and did not continue the client relationship with eleven PIEs, mainly due to rotation obligations.

COVID-19 crisis and quality management for performance of an engagement

The changes to our quality management for the performance of engagements developed in 2020 were continued in 2021 due to the COVID-19 crisis. PPD keeps our professionals informed of all relevant publications via an intranet theme page so they always have the right information and tools (including FAQs and templates) for their work activities.

The performance of engagements connected to the NOW scheme was a challenge that required postponed deadlines and further explanation of the scheme throughout the year. PPD provided support for the performance of such engagements in the form of training courses, tools and templates, an intranet knowledge base, and the deployment of regional specialists. In order to identify potential points of improvement and best practices for the performance of NOW assurance engagements (DSA 3900N), the A&A MT had an exploratory quality survey conducted into a selection of this type of engagement and shared the results with the professionals involved in the performance of such engagements.

Availability of sufficient time, people and resources

The total number of hours spent on audit engagements decreased slightly by 1.8%, while the total number of hours worked increased by 1.7% (see table next page). In 2021, partners, (senior) managers and other employees devoted a relatively greater amount of time to performing other engagements, including NOW engagements. Despite the stable number of PIE audit engagements, the total number of hours spent on those engagements in 2021 was considerably higher than in 2020. This difference is mainly due to the fact that a great number of PIEs (housing corporations, in particular) were not regarded as PIEs until 1 January 2020, and thus with de facto effect from FY 2020. The hours spent in early 2020 auditing the 2019 financial statements of those organisations still counted as 'non-PIE hours'.

The relative amount of overtime, compared to the total number of contract hours, remained stable at 3.3% in 2021.

Amount of overtime and percentage compared to the total number of contractually available hours

2021	Partners	(Sr.) Managers	Other	Total
Overtime	1,242	15,604	42,679	59,526
Overtime % (compared to contract hours)	0.9%	4.5%	3.3%	3.3%

2020*	Partners	(Sr.) Managers	Other	Total
Overtime	1,344	13,546	42,642	57,532
Overtime % (compared to contract hours)	0.9%	4.2%	3.3%	3.3%

* The 2020 data have been adjusted, as it turned out that an earlier organisational change had not been correctly processed.

Average ratio of hours per partner, (senior) manager and other team members (leverage), separately for PIE audit engagements and non-PIE audit engagements

2021*	PIE audit	%	non-PIE audit	%	Total	%
Partners	5,373	7.8%	51,880	6.0%	57,252	6.1%
(Senior) Managers	13,435	19.5%	149,635	17.3%	163,070	17.4%
Other staff	50,206	72.7%	664,806	76.7%	715,012	76.4%
Total	69,014	100%	866,320	100%	935,334	100%

2020*	PIE audit	%	non-PIE audit	%	Total	%
Partners	3,123	8.0%	56,412	6.2%	59,535	6.2%
(Senior) Managers	8,020	20.7%	153,146	16.8%	161,167	16.9%
Other staff	27,682	71.3%	704,257	77.1%	731,939	76.8%
Total	38,825	100%	913,816	100%	952,641	100%

* The total amounts/percentages may deviate due to rounding differences.

Number and percentage of hours of partners, (senior) managers and other team members devoted to audit engagements (divided into PIE and non-PIE), other engagements, internal activities

2021*	PIE audit		non-PIE audit		Other engagements		Other activities		Total
Partners	5,373	5%	51,880	44%	7,952	7%	52,193	44%	117,397
(Senior) Managers	13,435	5%	149,635	52%	26,861	9%	96,802	34%	286,732
Other staff	50,206	5%	664,806	69%	67,464	7%	174,572	18%	957,048
Total	69,014	5%	866,320	64%	102,277	8%	323,566	24%	1,361,177

2020	PIE audit		non-PIE audit		Other engagements		Other activities		Total
Partners	3,123	3%	56,412	49%	4,767	4%	50,055	44%	114,357
(Senior) Managers	8,020	3%	153,146	62%	11,423	5%	76,309	31%	248,899
Other staff	27,682	3%	704,257	72%	52,619	5%	190,141	20%	974,699
Total	38,825	3%	913,816	68%	68,810	5%	316,504	24%	1,337,955

* The total amounts/percentages may deviate due to rounding differences.

Quality management during the engagement performance

Quality instruments

The quality instruments aimed at safeguarding the quality of the performance of the engagement were embedded in the revised BDO Quality Policy. On the one hand, the quality measures for the performance of the engagement support the (external) auditor and the engagement team in delivering quality on the one hand and the audit firm on the other in controlling and monitoring quality. With the concept of the learning organisation as the premise, quality management makes a clear distinction in the performance of the engagement between comprehensive and coherent measures aimed at learning, coaching and improving the quality of the audit practice by PPD under the direct control of the A&A MT (before the audit opinion was issued) and measures aimed at monitoring and testing by QRM (after the audit opinion was issued). (For a description of the measures, see annex '[BDO Quality Management System](#)').

In accordance with quality policy, at least two engagements per partner are selected each year upon which quality measures such as ETD coaching, deployment of specialists, TBQA or EQR must be imposed. In addition, quality measures such as consultation, Support Team or IFRS review can be imposed on engagements in which one or more specific risk indicators are present or emerge during the performance of the engagement or, for example, instructions can be given regarding the composition of the team. The choice for the type of quality measure depends in part on the nature and scope of any quality risks identified for the engagement in question and whether the engagement meets the criteria that require a specific quality measure.

BEFORE OPINION WAS ISSUED

ETD SUPPORT
USE OF SPECIALISTS
CONSULTATION PROCEDURE
TBQA
EQR

INCIDENT MANAGEMENT
/ SUPPORT TEAM



AFTER OPINION WAS ISSUED

MONITORING:
COLD REVIEWS
AND
THEME-BASED
QUALITY REVIEWS

ETD coaching

The quality measure of ETD coaching was imposed on sixteen engagements in 2021 (2020: 14). Engagement teams were coached during the Engagement Team Discussion (ETD) in looking at the structure of the audit with sufficient depth and focusing on aspects that are important.

Number of engagements with ETD coaching

	2021	2020
Number of engagements with ETD coaching	16	14

Deployment of specialists

The relative involvement of IT specialists in audit engagements decreased in 2021 compared to 2020, particularly in PIE audit engagements.

The use of tax specialists is aimed at increasing the quality of the (tax) risk analysis, for example with regard to corporate income tax or cross-border activities. The tax specialists participate in the ETD and, where appropriate, in meetings with the audit client about taxes. Forensic specialists will participate in the ETD and will join discussions with the audit client about fraud risks and to assess the audit plan, aimed at increasing the quality of the (fraud) risk analysis and responding to those risks with the correct auditing activities. The overall involvement of other specialists, such as tax specialists and forensic specialists, remained roughly the same.

Number/percentage hours of IT specialists on audit engagements, divided into PIE and non-PIE

IT SPECIALISTS	2021	%	2020	%
PIE audit	3,143	4.4%	2,473	6.4%
non-PIE audit	30,975	3.4%	33,728	3.7%

Number/percentage hours of other internal specialists on audit engagements

OTHER SPECIALISTS	2021	%	2020	%
Audit engagements	13,388	1.4%	13,900	1.3%

Consultation procedure

Below is an overview of the number of formal consultations submitted to the Professional Practice Department (PPD). The total number of consultations increased by more than 6% in 2021 to 709 (2020: 669).

For a number of topics, the number of consultations on several topics differs considerably in 2021 from 2020:

- ▶ In 2021, the number of consultations on engagement letters and/or reports for third parties for the performance of agreed-upon procedures engagements increased by 27% to 187 (2020: 147), as consultations on engagements related to the NOW scheme were also included in this category.
- ▶ In 2021, the number of consultations on significant going-concern risks increased by 136% to 59 (2020: 25). The consultation requirement for significant going-concern risks was changed in 2020: previously, this topic would often be combined with the consultation for a (potential) deviation from the standard audit opinion and classified there. As from 2021, consultations on risks and deviating audit opinions are registered separately. In addition, the COVID-19 crisis has led to uncertainty for several companies and institutions about their financial future.
- ▶ In 2021, 'other' consultations more than halved to 53 (2020: 108), partly due to the fact that a temporary consultation obligation applied in the first half of 2020: consultation was mandatory if an audit opinion *did not* contain a section whose emphasis was the COVID-19 crisis. This led to a temporary increase in consultations in 2020. The 'regular' consultation requirement once again applies as from the second half of 2020, pursuant to which there must be consultation on a non-compulsory emphasis of matter paragraph in the audit opinion under Dutch Standard on Auditing 706 in so far as it pertains to references to passages in the annual accounts and the directors' report on the impact of the COVID-19 crisis.

Number of formal reporting and auditing consultations submitted to the Professional Practice Department

CONSULTATIONS	2021	2020
Deviation from standard opinions	264	255
Compliance with rules and regulations	0	6
Engagement Letters and/or reports on assurance engagements other than audit or assessment (attest engagements or direct engagements on the basis of DSA 3000A/D)	46	47
Engagement Letters and/or reports for third parties in engagements to perform agreed-upon procedures (on the basis of DSA 4400N)	187	147
(Presumable) error in the annual accounts *	44	43
External reporting	56	38
Significant going-concern risk	59	25
Other	53	108
Total	709	669

* This concerns all consultations registered with PPD regarding the remediation of (potential) errors based on DAS 150. Remediation could be applied within DAS 150 guidelines (2020: 13) in eighteen statutory audits. Four statutory audits had fundamental errors, with the notification being made based on Article 2:362(6) DCC (2020: 3).

Theme-based quality assessment (TBQA)

In 2021, a total of 36 TBQAs were conducted on audit engagements completed in 2021 (2020: 30). A TBQA is a quality assessment of specific elements during the audit. The TBQA pertained to an audit of the turnover or to the topic of 'fraud and corruption' in most cases.

In 2021 (for the audit of FY 2020), 54 (2020: 53) audit engagements involved a mandatory IFRS review. It was found in each case that the review procedure was complied with upon the audit of annual accounts.

Number of theme-based quality reviews and IFRS reviews

TBQA	2021	2020
Number of TBQAs	36	30
Number of IFRS reviews	54	53

Engagement Quality Review (EQR)

In 2021, a total of 138 EQRs were assigned to audit engagements (2020: 120). These are EQRs of audit engagements, the completion of which was scheduled for 2021 (audit engagements relating to FY 2020).

57 EQRs have been assigned to audit engagements that meet the internal assessment criteria, not involving PIEs (2020: 79). The percentage of non-PIE audits subjected to an EQR is 4.8% (2020: 6.3%).

Number of EQRs with the mandatory and voluntary EQRs shown separately

EQR	2021	2020
Listed companies (PIE)	10	20
Other PIEs	71	21
Voluntary EQRs	57	79
Total	138	120

The standard for hours spent on an EQR is set on a relative scale and varies between 4% and 6% of the total number of hours. The average hours spent by EQR-ers compared to the total number of hours spent on the statutory audits to which EQR-ers were assigned was 4.8% (2020: 5.0%).

Number of hours spent on EQRs expressed as a percentage of the total number of hours spent on the audit of engagements where an EQR has been conducted

	2021	2020
Number of hours spent by an EQR-er (partner and managers)	5,357	4,365
Average relative hours spent on an EQR per engagement	4.8%	5.0%

In the second half of 2021, we brought the BDO Quality Policy on EQRs into line with the new International Standard on Quality Management 2: *Engagement Quality Reviews* (ISQM2). Among other things, the role of the quality reviewer and the allocation of EQRs to engagements were clarified and the criteria on the basis of which someone can act as an EQR-er were tightened up (including the independence criteria). In addition, there was an assessment of how EQR culture could be improved to ensure that the organisational preconditions are in place to allow EQRs to function effectively in practice.

Support Team

In 2021, due to specific circumstances in two audit engagements that may have consequences for the integrity of the audit firm, a support team worked on assisting the external auditor and the audit team (2020: 3).

Number of engagements with an assigned support team

	2021	2020
Number of engagements with support team	2	3

Methodology and technology

Each year, BDO invests in both existing and new auditing methodology and technology. Some of these investments concern the contribution we make to the international network to develop the methodology used worldwide, the BDO Audit Manual, and the technology used to perform and document our audit engagements, the Audit Process Tool (APT). Other investments concern the creation of an integrated vision of IT innovations within the auditing process and the development and application of concrete tools and applications.

In addition to the regular updates of the BDO Audit Manual, Positions (mandatory provisions) and Guidance (guidelines), further investments were made in 2021 in how these are applied effectively and efficiently in the performance of audit engagements. Use of the process framework 'scrum for the audit' was evaluated. The experiences are largely positive: scrum provides insight into work progress, allows for immediate problem resolution, and helps ensure that team members stay connected on a structural basis, even in a period when many hours are worked from home. At the same time, the evaluation still reveals challenges: continued attention is required for providing feedback on the manner of collaboration, making the process side of an audit engagement open to discussion, and finishing 'baggage' projects (delayed or postponed work).

Various technological innovations contribute to improving and simplifying our auditing activities. The 'Centre for the Audit of Tomorrow - The Netherlands' team (CAT-NL team) makes innovations in the Dutch audit practice technically applicable. In addition, HR, for change management, and PPD, for technical support and audit methodology, play an important role in the implementation of innovative technology in auditing. In 2021, we worked on the further integration of tools such as Robot-X, Datasnipper and BDO Advantage into audits. An APT Next Gen Dashboard was put into operation, thus enabling engagement partners and teams to monitor the progress of their engagements more effectively. Audit Automation is used to perform routine auditing activities and document them in a structured manner. We are constantly investigating how to expand this application even further.

Parallel to the continuous incremental improvement of audit methodology, 2021 saw the start of a pilot project in the 'Audit in Control' process aimed at a more fundamental renewal of the audit process to enable external auditors to meet the legitimate quality expectations of stakeholders. This requires a different approach to the organisation of audits aimed, in particular, at strengthening cross-team collaboration, job satisfaction and the deployment of the available talent/expertise in order to deliver top quality together.

Fraud

In 2021, 44 internal reports were made to the company hotline for fraud, unusual transactions and other irregularities relating to statutory audits (2020: 63).

If, during the performance of a statutory audit, there is a reasonable suspicion of fraud of material importance in respect of the audit client's financial accounting, this must be reported to the National Investigation Service's police accountants information line, unless the audit client investigates the fraud and takes adequate action in a timely manner. In 2021, none of the internal reports led to an external fraud report (2020: 0).

Number of internal reports of fraud and/or irregularities and external fraud reports

	2021	2020
Number of internal reports of fraud and/or irregularities	44	63
Number of external fraud reports	0	0

The BDO fraud panel assesses the (external) developments in the field of fraud and the number of cases within the organisation and met four times in 2021 (2020: 4).

Professional Practice Department

Het totaal aantal professionals werkzaam voor Bureau Vaktechniek (BVT) A&A is in 2021 toegenomen naar zeventien (2020: 15).

Number of FTEs partners/directors, (senior) managers and other team members working at the A&A Professional Practice Department

	2021	2020
Partners	2	2
Directors	1	0
(Senior) Managers	11	11
Other	3	2
Total	17	15

MONITORING AND EVALUATION

Monitoring of compliance with quality measures

The QRM department constantly monitors compliance with the measures that make up the quality management system on behalf of the Board of Directors under the supervision and responsibility of the compliance officer. In early 2022, the compliance officer reported to the Board of Directors on the monitoring performed in 2021. The statements of policymakers included in this Transparency Report are partly based on this reporting.

The QRM department grew to 27 people in 2021 (2020: 22).

Number of FTE partners, managers and other team members engaged in compliance and risk management

	2021	2020
Partners	3	3
Directors	1	0
(Senior) Managers	9	7
Other	14	12
Total	27	22

Supervision of professional services

The supervision of professional services was implemented in part by conducting file reviews: internal assessments that take place after an audit opinion has been issued. A file review focuses on the quality of an audit file and the effective operation of elements of the quality management system that can be found in the audit file. We distinguish two types of file reviews: cold reviews and theme-based quality reviews.

- ▶ Cold review. A cold review focuses on certain focus areas that are decisive for the engagement and leads to an opinion on the entire file. The assessment of the file and the choice of focus areas are risk-based. Cold reviews are performed for every partner every three years.
- ▶ Theme-based quality review (TBQR). A TBQR focuses on the quality of a specific theme in the audit file or the effective operation of a specific theme within the quality management system. Unlike a cold review, a TBQR is not aimed at qualifying the quality of the entire engagement or the entire audit file, but only at the specific component being tested. TBQRs were conducted as part of the promotion process for partners who had integrated horizontally and for partners in an improvement process.

The A&A MT has evaluated and followed up the results of the internal quality reviews in conjunction with the results of root cause analyses. It did so by, among other means, including relevant topics in the company training programme, including quality-promoting measures in the 2022 A&A annual plan and conducting individual interviews about the focus on quality of the external auditors who rated as unsatisfactory.

Based on the premise of the learning organisation, a file marked as unsatisfactory does not lead to anyone being punished, but is reason to determine with those involved how the work in subsequent files can be performed differently and better. The organisation facilitates every employee who wishes to contribute to improving quality being able to do so. A remediation plan has been implemented for files deemed unsatisfactory. Remediation activities reveal that there were no undiscovered material inaccuracies or inaccurate audit opinions in any of the annual accounts audited.

Number of file reviews performed in the context of cold reviews and theme-based quality reviews and the results of such reviews

	2021	2020*
NUMBER OF COLD REVIEWS	20	20
Result satisfactory	11	11
Result unsatisfactory	3	9
In progress	6	0
NUMBER OF THEME-BASED QUALITY REVIEWS	17	18
Result satisfactory	15	13
Result unsatisfactory	0	5
In progress	2	0

* The results of the reviews still in progress at the time of the previous transparency report were updated in the comparative figures to the correct category (satisfactory or unsatisfactory).

Quality reviews international

In principle, the quality reviews from BDO International, the Quality Assurance Reviews (QAR), are performed every three years. A QAR was held at BDO Netherlands in late 2021. We received the final report with findings and recommendations in early 2022. The overarching assessment of our audit practice, including the design and effective operation of our internal inspection programme, was positive. We will be following up on a number of recommendations for future-oriented improvement.

Root cause analysis

In 2021, twenty (2020: 13) standard *root cause analyses* (RCAs) were performed with engagement teams after a cold review of the relevant engagement had taken place. A total of 139 colleagues participated in the RCA (2020: 82). The results of the RCA were reported to the A&A MT and presented in broad outline during the national auditors meeting.

As part of the RCA, all engagement teams analysed factors that promoted quality in the course of their engagement (success factors) and that impeded quality (improvement factors), regardless of the outcome of the cold review of their engagement (satisfactory or unsatisfactory). The top 5 success factors in files marked satisfactory and the top 5 improvement factors in files marked unsatisfactory are shown in the table below:

Success factors - Satisfactory	Improvement factors - Unsatisfactory
1. Team composition	1. Sufficient time
2. Sense of community	2. Team composition
3. Questioning and contradicting	3. Coordinate face-to-face in team
4. Coordinate face-to-face in team	4. Short completion period
5. Overview, project planning	5. Overview, project planning

In addition to the analysis of success and improvement factors, a (thematic) analysis of the time spent on the twenty engagements in question was performed within the framework of the RCA in 2021. Among other things, we looked at the hours spent per activity (audit phase), per job level and per period of the year. These analyses provide insight into, among other things, the composition of the engagement team (team composition and stability), completion times and deadlines (time pressure and project management).

Among other things, the results of the RCA give cause to continue working on the optimum balance between, on the one hand, a focus on process optimisation, short completion times and meeting (interim) deadlines and, on the other, creating time and space for personal professional development, reflection, collaboration and face-to-face contact in the team and with the client. In addition, the time analysis shows, among other things, that the relative involvement of senior team members (including the external auditor) requires attention and consistent time records.

Breaches

In 2021, in addition to violations of independence rules determined internally (see under 'Ethical standards'), a total of two shortcomings and fourteen breaches were registered (2020: 4 and 9 respectively). See the overview below for the nature and a description of the violations identified.

Number and nature of violations identified

Qualification	Nature of the violation	Description	2021	2020
<i>Shortcoming</i>	Failure to comply with internal engagement acceptance policy	Offer submitted prior to receiving necessary approval from the A&A and QRM MTs.	2	0
	No follow up to measure imposed by QRM.	Upon the acceptance of an engagement, QRM imposed a mandatory measure (i.e. consultation with the specialist team for the audit of an accounting item). After the monitoring, it turned out that the audit opinion had been issued before the specialist team had completed its work. Due to mitigating circumstances, no breaches occurred.	0	3
	Failure to comply with internal compliance rules and independence rules.	The 'ancillary positions & independence' form was not submitted to QRM, despite reminders.	0	1
<i>Breach</i>	Insufficient quality	Internal file assessments (during or after completion of the engagement) show that the quality requirements imposed by BDO on the performance of audit engagements have not been met.	13	8
	No follow up to measure imposed by QRM.	In an audit for consolidation purposes, the planned and mandatory IFRS review was not performed.	1	0
	Failure to comply with internal investment policy	A partner's compliance statement showed that a failure to comply with previous agreements on the alienation of a financial interest in an investment fund.	0	1
Total			16	13

Reports to external supervisory bodies

In 2021, BDO made a total of nine reports to the relevant supervisory bodies (AFM and De Nederlandsche Bank (DNB)) (2020: 15).

- ▶ A measure imposed by the Accountancy Division on a (co-)policymaker was reported to the AFM as a change in the data relevant to the reliability assessment. This report did change the reliability opinion.
- ▶ Five engagements were withdrawn prematurely by the audit client, partly due to dissatisfaction with the increasing costs, rotation of responsible auditors, and changes to the engagement team.
- ▶ The two disciplinary cases instituted and reported to the AFM in 2021 have already been explained above under 'Dealing with complaints, whistleblowers, and claims'.
- ▶ Due to government measures related to COVID-19 and uncertainty about when they would end, one PIE control client was unable to comply with previous banking arrangements. This caused substantial uncertainty about the continuity of its business operations. This uncertainty was reported to the AFM and also explained in the audit opinion provided.

Number and nature of reports to external supervisory bodies (AFM and DNB)

NUMBER OF REPORTS RELATED TO:	2021	2020
Change in the data for the reliability assessment of a (co-)policymaker (AFM) (Article 7 Bta).	1	0
Prematurely terminated or withdrawn statutory audit engagements (Article 13(3) Bta) (AFM).	5	11
Incidents that have serious repercussions for the sound and controlled operational policies and processes (Article 32(4) Bta) (AFM).	0	1
Disciplinary cases instituted against external auditors (Article 26(1) Bta) (AFM).	2	1
Knowledge of a material breach of the laws, regulations or administrative provisions which lay down the conditions governing authorisation or which specifically govern pursuit of the activities of a PIE (Article 12(1)(a) of Regulation No 537/2014) (DNB).	0	1
Knowledge of a material threat or doubt concerning the continuous functioning of the PIE (Article 12(1)(b) of Regulation No 537/2014) (AFM).	1	1
The (intended) issuing of a disclaimer of opinion, an adverse or qualified opinion to the financial statements of a PIE (Article 12(1)(c) of Regulation No 537/2014) (AFM).	0	0
Total	9	15



External supervision

Monitoring by the Netherlands Authority for the Financial Markets (AFM)

During the year, several periodic conversations took place between the AFM and BDO in which topics including current developments, the progress of quality improvement at BDO and the progress and results of the AFM's inspection at the six PIE audit firms were discussed. Special cases, for example signals from media reporting or cases for which an incident report was filed, were also discussed.

In 2021, the AFM assessed the suitability and/or reliability of new members who joined the Supervisory Board on 1 October 2021 and 24 November 2021 and of the new Head of Audit and the new member appointed to the A&A MT on 1 January 2022, which resulted in positive assessment decisions.

In October 2020, the AFM launched a new investigation into the six PIE audit firms, including BDO, and reported the results thereof in 2021.

- ▶ On 27 September 2021, BDO received the final report on 'Assessment of internal supervision'. The AFM conducted an exploratory assessment of internal supervision at BDO, in this case the Supervisory Board. This assessment allowed the AFM to gain insight into how BDO's Supervisory Board performs its duties without forming an opinion on the Supervisory Board's working methods. In the 13 October 2021 public report "Assessment of the impact and working practices of supervisory boards of PIE audit firms", the AFM states that the supervisory boards of PIE audit firms have impact on realising quality objectives. Supervisory Boards have an impact by encouraging various preconditions that are conducive to quality. The AFM also notes that the degree of impact differs per supervisory board and that supervisory boards have to deal with the context of the audit firm, their governance and the vulnerabilities in the structure of the audit sector. The position of the partner-shareholders and the influence of the international network pose challenges for the independent functioning of the supervisory board.
- ▶ On 22 November 2021, BDO received the final report on 'Review of Quality Transformation: Internal Quality Review and the Quality of Statutory Audits'. The AFM conducted a review of the quality measure 'internal quality review' (IQR), for the period from 1 January 2020 through 31 December 2020 and inspected the quality of three statutory audits on which an IQR had been performed in 2020. The AFM concludes that the IQR at BDO provides insight into achieved quality and a boost to the learning organisation. The AFM makes this determination based on the objectives formulated by BDO for IQR as well as on its design and implementation. The AFM looked at the selection of files, the conduct of the investigation, the weighting of findings,

the communication, and the remediation. For two of the three statutory audits inspected by the AFM, the IQR resulted in a qualification similar to that of the AFM inspection. In its 9 December 2021 public report 'Grip on quality - Outcomes of the review of internal quality reviews and quality of statutory audits at PIE audit firms', the AFM is positive about how the reviewed components - selection, execution, weighting, communication, and remedy - of the IQR were shaped in 2020 by the PIE audit firms, and largely positive about the insights into quality that IQRs achieved. BDO analysed the causes of the identified differences in qualification and it includes the opportunities mentioned by the AFM in its public reporting to strengthen and update IQR in the further evaluation and improvement of this quality measure.

Monitoring by the Netherlands Institute of Chartered Accountants (NBA) and the Public Company Accounting Oversight Board (PCAOB)

In 2021, no inspections of any kind were carried out by the NBA and the PCAOB.

Monitoring by the Central Government Audit Service and the Education Inspectorate

In 2021, the Central Government Audit Service (ADR) reviewed (parts of) eight BDO files (2020: 3). The reviews related to the following subjects:

- ▶ SiSa: The purpose of these reviews is to establish that the audit, in so far as it is related to the Single Information, Single Audit (SiSa) accounting of local authorities, was carried out in accordance with the laws and regulations applicable to the audit. In this context, the ADR reviewed two files and deemed both satisfactory.
- ▶ Annual Accounts: The ADR reviewed one file to assess the quality of annual accounts auditing. This file was deemed satisfactory.
- ▶ Subsidy: Two files were reviewed with respect to the awarded subsidy and they were deemed satisfactory.
- ▶ Other: Three files were reviewed with respect to several other government regulations. All three were deemed satisfactory.

In 2021, the ADR did not perform any reviews of BDO files with a focus on accounting items in the context of the Dutch Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act (Dutch acronym: WNT).

The Education Inspectorate conducted no investigations at BDO in 2021 (2020: 1).

Number, nature and outcome of file reviews by the ADR and the Education Inspectorate

NATURE AND OUTCOME	2021	2020
SiSa	2	1
Satisfactory	2	1
Unsatisfactory	0	0
Annual Accounts	1	2
Satisfactory	1	2
Unsatisfactory	0	0
Dutch Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act (WNT)	0	0
Satisfactory	0	0
Unsatisfactory	0	0
Subsidy	2	0
Satisfactory	2	0
Unsatisfactory	0	0
In progress	0	0
Other	3	0
Satisfactory	3	0
Unsatisfactory	0	0
In progress	0	0
Education	0	1
Satisfactory	0	1
Unsatisfactory	0	0

Monitoring by the Financial Supervision Office (FSO)

The Financial Supervision Office (FSO) conducted no investigations at BDO in 2021.

Statements of policymakers

The measures and procedures ensuing from the quality management system, as described in this report, are aimed at ensuring, as far as reasonably possible, that the statutory audits are carried out in accordance with the applicable laws and regulations.

We continuously implement improvements in our quality management system. This is done both on the basis of the results of the internal assessments and the investigations by our supervisory bodies, as well as the expectations that society has of accountants.

The policymakers of BDO Audit & Assurance B.V. have evaluated the structure and operation of the quality management system, as outlined in this report, including annexes. The report by the compliance officer was one of the sources consulted.

Based on what has been described above, the policymakers state:

- ▶ that the quality management system is outlined correctly in this report and functions effectively in our opinion;
- ▶ that internal monitoring of compliance with the independence rules has been exercised;
- ▶ that the policy for the continuing education of our partners and employees has been followed.

Eindhoven, 21 April 2022

- ▶ R.C.M. (René) Nelis (Chairman of the Board)
- ▶ L.M. (Leon) Jansen (member of the Board of Directors, Chief Financial Officer/Chief Operating Officer)
- ▶ M.A. (Maurice) de Kleer (member of the Board of Directors, Chief Quality Officer)
- ▶ M.M.G. (Marcel) Mans (titular member of the Board of Directors, Head of Audit)



annexes

A. List of Public Interest Entities

▶ Adecco International Financial Services B.V.

▶ Almelose Woningstichting 'Beter Wonen'

▶ Anchor Insurance Company N.V.

▶ Ares European CLO IX B.V.

▶ BASF Finance Europe N.V.

▶ Forest Fruit Aardappelen Onderlinge verzekeringen BFAO U.A.

▶ Brand New Day Bank N.V.

▶ C-S-F-B Finance B.V.

▶ Coöperatie TVM U.A.

▶ Dragon Finance B.V.

▶ Emerging Markets Structured Products B.V.

▶ EnBW International Finance B.V.

▶ GarantiBank International N.V.

▶ Highbury Finance B.V.

▶ Leidsche Verzekering Maatschappij N.V.

▶ Mercurius Schadeverzekeringen N.V.

▶ Mutual Insurance Association 'Munis' (Onderlinge Verzekeringsmaatschappij 'Munis') U.A.

▶ N.V. Verzekering Maatschappij 'De Burcht'

▶ New Amsterdam Invest N.V.

▶ Onderlinge Verzekerings-Maatschappij 'Noord Nederlandsche P&I Club' U.A.

▶ Ons Huis, Woningstichting

▶ OOM Global Care N.V.

▶ OOM Schadeverzekering N.V.

▶ Roche Finance Europe B.V.

▶ Schlumberger Finance B.V.

▶ SnowWorld N.V.

▶ Stichting Arcade mensen en wonen

▶ Stichting Brabantwonen

▶ Stichting de Woonmensen

▶ Stichting De Woonschakel Westfriesland

▶ Stichting deltaWonen

▶ Stichting Dudok Wonen

▶ Stichting Elkien

▶ Stichting Habion

▶ Stichting Leystromen

▶ Stichting Mitros

▶ Stichting Nijestee

▶ Stichting ProWonen

▶ Stichting Sité Woondiensten

▶ Stichting SSHN

▶ Stichting Stadgenoot

▶ Stichting Talis

▶ Stichting Thius

▶ Stichting Vestia

▶ Stichting Vivare

▶ Stichting Viverion

▶ Stichting Viveste

▶ Stichting Waterweg Wonen

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- ▶ Stichting woCom

 - ▶ Stichting Woningcorporatie Het Gooi en Omstreken

 - ▶ Stichting Woonbedrijf SWS.Hhvl

 - ▶ Stichting Woonbron

 - ▶ Stichting Wooncompagnie

 - ▶ Stichting Woonforte

 - ▶ Stichting Woongoed Zeeuws-Vlaanderen

 - ▶ Stichting Wooninc.

 - ▶ Stichting Woonkracht10

 - ▶ Stichting Woonopmaat

 - ▶ Stichting Woonstede

 - ▶ Stichting Woonwaard Noord-Kennemerland

 - ▶ Stichting Woonwenz

 - ▶ Stichting Woonzorg Nederland

 - ▶ Stichting Ymere

 - ▶ Stichting Zaanams Volkshuisvesting (ZVH)

 - ▶ Stichting Zayaz
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- ▶ TD Bank N.V.

 - ▶ Teva Pharmaceutical Finance Netherlands II B.V.

 - ▶ TIE Kinetix N.V.

 - ▶ Tiwos, Tilburgse Woonstichting

 - ▶ UK P&I Club N.V.

 - ▶ Westland Infra Netbeheer B.V.

 - ▶ Woningbouwvereniging Bergopwaarts

 - ▶ Woningbouwvereniging De Sleutels

 - ▶ Woningstichting De Woonplaats

 - ▶ Woningstichting Den Helder

 - ▶ Woningstichting Kennemer Wonen

 - ▶ Woningstichting SallandWonen

 - ▶ Woningstichting Sint Joseph Almelo

 - ▶ Woonstichting JOOST

 - ▶ Woonstichting Stek

 - ▶ Woonstichting Triada
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B. List of BDO Member Firms within the EU/EEA

COUNTRY	COUNTRY OF ESTABLISHMENT/WORK AREA	NAME OF MEMBER FIRM
AUSTRIA	Austria	BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Steiermark GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Salzburg GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Oberösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Audit GmbH, Vienna
BELGIUM	Belgium	BDO Bedrijfsrevisoren BV / Réviseurs d'Entreprises SRL
BULGARIA	Bulgaria	BDO Bulgaria OOD
CROATIA	Croatia	BDO Croatia D.O.O.
	Albania	BDO Albania LLC
	Kosovo	BDO Kosovo
	Sarajevo	BDO BH d.o.o. Sarajevo
CYPRUS	Cyprus	BDO Limited
CZECH REPUBLIC	Czech Republic	BDO Audit s.r.o
	Czech Republic	BDO Group s.r.o.
	Czech Republic	BDO Czech Republic s.r.o.
DENMARK	Denmark	BDO Statsautoriseret revisionsaktieselskab
	Denmark	BDO Holding V, Statsautoriseret Revisionsaktieselskab
ESTONIA	Estonia	Aktsiaselts BDO Eesti
FINLAND	Finland	BDO Oy
	Finland	BDO Auditor Oy
	Finland	Finnpartners BDO Oy
FRANCE	France	BDO France
	France	BDO AUDIT DES ACTIVITES SOCIALES
	France	BDO PARIS ENTREPRISES
	France	BDO PARIS AUDIT PME
	France	BDO ATLANTIQUE
	France	BDO RENNES
	France	BDO LYON AUDIT
	France	BDO IDF

LAND	LAND VAN VESTIGING/WERKGEBIED	NAAM VAN DE MEMBER FIRM
FRANCE	France	BDO LES HERBIERS
	France	BDO FONTENAY LE COMTE
	France	BDO NANTES
	France	BDO LES ULIS
	France	BDO Paris Audit & Advisory
	France	BDO Méditerranée
GERMANY	Germany	BDO AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Oldenburg GmbH & Co KG Wirtschaftsprüfungsgesellschaft
	Germany	BDO DPI AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Dr. Daiber Audit GmbH Wirtschaftsprüfungsgesellschaft
GIBRALTAR	Gibraltar	BDO Limited
GREECE	Greece	BDO CERTIFIED PUBLIC ACCOUNTANTS S.A.
	Greece	BDO Services SA
HUNGARY	Hungary	BDO Hungary Audit Ltd
ICELAND	Iceland	BDO ehf.
IRELAND	Ireland	BDO
ITALY	Italy	BDO Italia S.p.A.
LATVIA	Latvia	SIA BDO ASSURANCE
LIECHTENSTEIN	Liechtenstein	BDO (Liechtenstein) AG
LITHUANIA	Lithuania	BDO Auditas ir Apskaita, UAB
LUXEMBOURG	Luxembourg	BDO Audit
MALTA	Malta	BDO Malta CPAs
THE NETHERLANDS	The Netherlands	BDO Audit & Assurance B.V.
NORWAY	Norway	BDO AS
	Norway	BDO AS
POLAND	Poland	BDO Spółka z ograniczoną odpowiedzialnością Sp. K.
	Poland	BDO Legal Latala is Wspólnicy Sp.K. (non-voting Firm)
PORTUGAL	Portugal	BDO & Associados, SROC, Lda
ROMANIA	Romania	BDO Audit SRL
	Romania	BDO Auditors & Accountants SRL

LAND	LAND VAN VESTIGING/WERKGEBIED	NAAM VAN DE MEMBER FIRM
ROMANIA	Romania	BDO Auditors and Business Advisors SRL
SLOVAKIA	Slovakia	BDO Audit, spol. s r.o.
SLOVENIA	Slovenia	BDO Revizija d.o.o.
SPAIN	Spain	BDO Auditores, S.L.P.
	Spain	BDO Audiberia Abogados y Asesores Tributarios, S.L.P.
SWEDEN	Sweden	BDO AB
	Sweden	BDO Göteborg AB
	Sweden	BDO Göteborg Intressenter AB
	Sweden	BDO Göteborg KB
	Sweden	BDO Mälardalen AB
	Sweden	BDO Mälardalen Intressenter AB
	Sweden	BDO Norr AB
	Sweden	BDO Norr Intressenter AB
	Sweden	BDO Stockholm AB
	Sweden	BDO Sweden AB
	Sweden	BDO Syd AB
	Sweden	BDO Syd Intressenter AB
Sweden	BDO Syd KB	

C. List of abbreviations

A&A ▶ Audit & Assurance

A&A MT ▶ Audit & Assurance Management Team

ADR ▶ Central Government Audit Service

AFM ▶ Authority for the Financial Markets

AI ▶ Artificial Intelligence

APT ▶ Audit Process Tool

AQI ▶ Audit quality indicators

BDC ▶ BDO Delivery Center

Bta ▶ Audit Firms (Supervision) Decree

B.V. ▶ Private company

CAT-NL ▶ Centre for the Audit of Tomorrow – The Netherlands

CBb ▶ Trade and Industry Appeals Tribunal

CE ▶ Continuing Education

CEO ▶ Chief Executive Officer

CFO ▶ Chief Financial Officer

CISPO ▶ Corporate Information Security & Privacy Officer

COO ▶ Chief Operating Officer

COS ▶ Dutch Auditing Standards

CQO ▶ Chief Quality Officer

CTA ▶ Commission on the Future of the Accountancy Sector

DASB ▶ Dutch Accounting Standards Board

DCC ▶ Dutch Civil Code

DNB ▶ Dutch Central Bank

DPA ▶ Data Protection Authority

EEF ▶ Engagement Evaluation Form

EMEA ▶ Europe, Middle East & Africa

EQR ▶ Engagement Quality Review

EQR-er ▶ Engagement Quality Reviewer

ERP ▶ Enterprise Resource Planning

ETD ▶ Engagement Team Discussion

EU ▶ European Union

F&O ▶ Finance & Operations

FAQ ▶ Frequently Asked Questions

FAR ▶ Foundation for Auditing Research

FIU ▶ Financial Intelligence Unit

FR CE ▶ Further Rules for Continuing Education

FRC ▶ Financial Reporting Council

FSO ▶ Financial Supervision Office

FTE ▶ Full-Time Equivalent

GDPR ▶ General Data Protection Regulation

GROW ▶ Goal-Reality-Options-Will

HR ▶ Human resources

IAASB ▶ International Auditing and Assurance Standards Board

IC ▶ Independence Champion

ICT ▶ Information & Communication Technology

IESBA ▶ International Ethics Standards Board for Accountants

IFRS ▶ International Financial Reporting Standards

IQA ▶ Internal Quality Assessment

ISMS	▶ Information Security Management System
ISO	▶ International Standards Organisation
ISPMs	▶ Information Security & Privacy Management System
ISQM	▶ International Standard on Quality Management
KPI	▶ Key Performance Indicator
LoS	▶ Line of Service
NA	▶ Not available
NBA	▶ Netherlands Institute of Chartered Accountants
NOW	▶ Temporary Emergency Bridging Measure for Sustained Employment
N.V.	▶ Public company
PPS	▶ Public Prosecution Service
PIE	▶ Public Interest Entity
PCAOB	▶ Public Company Accounting Oversight Board
PCM	▶ Profit Center Manager
PDCA	▶ Plan Do Check Act
PDP	▶ Professional Development Program
PPD	▶ Professional Practice Department
PRC	▶ Practice Review Committee
QAR	▶ Quality Assurance Review
QRM	▶ Quality & Risk Management
RA	▶ Chartered (Registered) Accountant
RCA	▶ Root Cause Analysis

RI&E	▶ Risk Inventory and Evaluation
RIVM	▶ National Institute for Public Health and the Environment
SEC	▶ Securities and Exchange Commission
SiSa	▶ Single information, Single audit
SME	▶ Small and Medium-Sized Enterprises
SPP	▶ Strategic personnel planning
TBQA	▶ Theme-based quality assessment
TBQR	▶ Theme-based quality review
TttT	▶ Talent to the Top (Charter)
TDP	▶ Talent Development & Performance
TDPP	▶ Talent Development & Performance for Partners
UBO	▶ Ultimate Beneficial Owners
U.A.	▶ Excluded Liability
VAO	▶ Dutch Accounting Bodies Regulation
VGBA	▶ Dutch Code of Conduct and Professional Practice for Accountants Regulation
ViO	▶ Dutch Regulation on the Independence of Accountants in Assurance Engagements
WNT	▶ Dutch Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act
Wta	▶ Accounting Firms Oversight Act
Wwft	▶ Money Laundering and Terrorist Financing (Prevention) Act
Wta	▶ Wet toezicht accountantsorganisaties
Wwft	▶ Wet ter voorkoming van witwassen en financieren van terrorisme

D. Table of legal framework

The contents of this Transparency Report are subject to statutory requirements. The table below provides an overview of those statutory requirements and states the source of the various elements in this Transparency Report.

ARTICLE 13(2) OF REGULATION (EU) NO 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 16 APRIL 2014:		CHAPTER
a.	a description of the legal structure and ownership of the audit firm	BDO Quality Management System > Organisational structure > Legal structure
b.	where the statutory auditor or the audit firm is a member of a network:	
	i. a description of the network and the legal and structural arrangements in the network;	BDO Quality Management System > Organisational structure > International network
	ii. the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network;	
	iii. the countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business;	Annex B: List of BDO Member Firms within the EU/EEA
	iv. the total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements	Quality in 2021 > Organisational Structure > Key figures for BDO network international
c.	a description of the governance structure of the audit firm	BDO Quality Management System > Organisation structure > Legal structure, Organisational structure
d.	a description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning;	Description of design: BDO Quality Management System Description of changes and operation: Quality in 2021 Statement: Quality in 2021 > Statements of policymakers
e.	an indication of when the last quality assurance review referred to in Article 26 was carried out	Quality in 2021 > External monitoring > Monitoring by the AFM
f.	a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year	Annex A: List of Public Interest Entities
g.	a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted	Quality in 2021 > Statements of policymakers
h.	a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC	Quality in 2021 > Statements of policymakers
i.	information concerning the basis for the partners' remuneration in audit firms	BDO Quality Management System > Our people > Assessment and remuneration of external auditors
j.	a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7)	BDO Quality Management System > Ethical Standards > Integrity and independence > Long-term commitment
k.	where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories:	
	i. revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity;	Quality in 2021 > Acceptance and continuation of client relationships and engagements > Revenue
	ii. revenues from the statutory audit of annual and consolidated financial statements of other entities;	
	iii. revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and	
	iv. revenues from non-audit services to other entities	

ARTICLE 34I(2) OF THE AUDIT FIRMS (SUPERVISION) DECREE:		CHAPTER
a.	how the body has fulfilled its role in all the tasks and powers assigned to the body	Report of the Supervisory Board
b.	the attendance rate of the individual members of the body responsible for internal supervision at meetings of the body	Report of the Supervisory Board > Meetings and attendance of members of Supervisory Board
c.	the main substantive findings, discussions and decision-making of the body	Report of the Supervisory Board
d.	how the evaluation referred to in Article 34h has been carried out and how the conclusions of the evaluation will be followed up.	Report of the Supervisory Board > Self-evaluation by the Supervisory Board

NBA GUIDELINE 1135: PUBLICATION OF QUALITY FACTORS	CHAPTER
Input: investments in quality, people, time available for audit engagements, technology and methodology (via network or other means)	
The leverage on the audit engagements by expressing the number of partner/director hours as a percentage of the total number of hours.	Quality in 2021 > Performance of the engagement > Availability of sufficient time, people and resources > <i>Average ratio of hours per partner, (senior) managers and other team members (leverage), separately for PIE audit engagements and non-PIE audit engagements</i>
The number of hours per FTE (full-time equivalent) spent on audit engagements, respectively on other engagements in total and by function.	Quality in 2021 > Performance of the engagement > Availability of sufficient time, people and resources > <i>Number and percentage of hours of partners, (senior) managers and other team members devoted to audit engagements (PIE and non-PIE), other engagements, internal activities</i>
The investments in technology and methodology for the benefit of the audit conducted by the audit firm, whether independently or through its contribution to the development as part of a network. The investments must be identified as a percentage of the audit revenue on an annual basis.	Quality in 2021 > Performance of the engagement > Methodology and technology
The average number of hours spent on training and education per employee (internal and external training).	Quality in 2021 > Our people > Development and continuing education > <i>Average number of hours (internal and external) training and education divided into partners, (senior) managers and other team members (in FTEs)</i>
The turnover of employees, with insight into the relevant characteristics the organization uses to monitor employee turnover, such as turnover per function level, years of experience or by differentiating between key talents and other employees.	Quality in 2021 > Our people > Formation > <i>Turnover in % of partners, (senior) managers and other team members</i>
Results of employee satisfaction surveys on aspects related to coaching and audit quality.	In late 2020, an employee satisfaction survey was taken, the results of which have not yet been evaluated in 2021. See also: Quality in 2021 > Culture and leadership

NBA PRACTICE NOTE 1135: PUBLICATION OF QUALITY FACTORS	CHAPTER
Process: insight into key measures and how their implementation is monitored	
<p>The number of FTEs or hours spent on supporting the audit (Technical support positions, Compliance and Independence). This can be expressed as a percentage of the total number of FTEs or audit hours.</p>	<p>PPD: Quality in 2021 > Performance of the engagement > Professional Practice Department > <i>Number of FTEs partners/directors, (senior) managers and other team members working at the A&A Professional Practice Department</i></p> <p>Compliance and Independence (QRM): Quality in 2021 > Monitoring and evaluation > Monitoring compliance with the measures in the quality management system > <i>Number of FTE partners, managers and other team members engaged in compliance and risk management</i></p>
<p>The number of consultations in the field of accounting and auditing as a percentage of the number of audit engagements.</p>	<p>Quality in 2021 > Performance of the engagement > Quality management in the performance of the engagement > Consultation procedure > <i>Number of formal consultation submitted to the Professional Practice Department in the field of reporting and audit</i></p>
<p>The number of engagement quality control reviews (EQRs) and other quality reviews prior to the issuance of the auditor's report as a percentage of the statutory audits, with the mandatory and voluntary EQRs disclosed separately.</p>	<p>Quality in 2021 > Performance of the engagement > Quality Management in the performance of the engagement > Engagement Quality Review (EQR) > <i>Number of EQRs, with mandatory and voluntary EQRs listed separately</i></p>
<p>The number of hours spent on EQRs and other quality reviews prior to the issuance of the auditor's report as a percentage of the total number of hours spent on audit engagements where a quality review was performed, with the mandatory and voluntary EQRs disclosed separately.</p>	<p>Quality in 2021 > Performance of the engagement > Quality Management in the performance of the engagement > Engagement Quality Review (EQR) > <i>Number of hours spent on EQRs expressed as a percentage of the total number of hours spent on the audit of engagements where an EQR has been performed</i></p>
<p>The percentage of hours spent by IT specialists and other specialists on audit engagements (the specialists covered by Standard 620 disclosed separately), for PIE and non-PIE organizations.</p>	<p>Quality in 2021 > Performance of the engagement > Quality management in the performance of the engagement > Use of specialists > <i>Number/percentage of hours of IT specialists on audit engagements, divided into PIE and non-PIE, Number/percentage hours of other internal specialists on audit engagements</i></p>

NBA PRACTICE NOTE 1135: PUBLICATION OF QUALITY FACTORS	CHAPTER
Output: insight into the effects of measures within the system	
The number of internal and external quality reviews conducted after the issuance of the auditor' report, as a percentage of the total number of issued auditor's reports, and the outcome of these quality reviews.	Quality in 2021 > Monitoring and evaluation > Monitoring of the professional services > <i>Number of file reviews performed in the context of cold reviews and theme-based quality reviews and the results of such reviews</i>
The number of internally reported violations of independence rules, as a percentage of the total number of employees.	Quality in 2021 > Monitoring and evaluation > Breaches > <i>Number and nature of violations identified</i>
The number of fundamental errors corrected, whereby the financial statements in which the errors were made were audited by the organization, as a percentage of the number of issued auditor's reports.	Quality in 2021 > Performance of the engagement > Quality management in the performance of the engagement > Consultation procedure > <i>Number of formal consultation submitted to the Professional Practice Department in the field of reporting and audit</i>

www.bdo.nl

BDO Audit & Assurance B.V.

info@bdo.nl

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