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2019/2020

PwC Transparency Report

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Foreword

Letscreatetomorrow_

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Putting the public interest above all else and providing assurance in uncertain times. It is the very core of the audit profession.

It is clear to all that we are living in uncertain times. During the past few months, we have been forced as a society to experience what ‘social distancing’ means, with all the questions that that entails. Is it okay or unwise to visit family? Is it safer to meet inside or outside, in the garden? And what do you do if you find yourself somewhere really crowded, or if someone moves in too close to you? These are just a few examples of the many questions to which, with the help of advice from various different experts, we have managed to formulate answers.

In our great quest for guidance and for answers to the questions arising within society, we have watched the prime minister’s press conferences en masse and we have followed the advice of the virologists and other experts. Collectively, we trust them to ‘do the right thing’, to put the public interest above all else and base their judgements and advice on what is best for us as a society.

The COVID-19 pandemic has had an unprecedented impact on society, on the worldwide and local economies, and on our people and our clients. And it is generating many uncertainties within companies and organisations. Questions about the loss of revenue, the reliability of supplies from other parts of the world, the challenges of

working from home, the implications for liquidity, and the eligibility for state aid such as the NOW scheme and whether or not to apply for it. Of course, COVID-19 has also had an impact on us as auditors. Not only did we need to start working almost full time from home, but the nature of our work also changed. For example, our mandatory consultation procedures had to be changed, the risks at the companies we audit had to be reassessed, discussed and clarified in the annual reports and financial statements and, where necessary, we needed to comment in our auditor’s reports on the impact of COVID-19 on the organisation. Also, where permitted in the context of our role, we provided support in setting up scenarios to help organisations prepare themselves as much as possible for the uncertain future. These are all examples of how we as auditors put that same ‘doing the right thing’ into practice.

As chair of PricewaterhouseCoopers Accountants N.V., I speak regularly with organisations that we audit, their supervisory bodies, and other stakeholders. In this context, at the end of May I had an interesting conversation with a member of a supervisory board of a number of rather large companies. Amongst other things, we talked about the impact of COVID-19 on the role of the auditor. His experience is that, in

these uncertain times, the auditor has an undeniably important role in supporting directors, entrepreneurs and supervisory board members by being understanding about the uncertain and complex situations in which some of them find themselves and, in particular, also by applying our professional scepticism in delivering an outside-in view of the potential inherent risks. He challenged us to continue taking that role, and to work collectively towards solutions so that auditors, boards of management and supervisory boards can, together, keep the ship of Corporate Netherlands moving forward.

Our focus both on giving insight of the impact of COVID-19 and on appropriate note disclosure thereof shows that the public interest has continued to remain paramount in our work. This past year, together with all our colleagues, we continued to work unabated on our progress along the road we have chosen towards sustainable audit quality improvement. Because we strive to do better – and in some cases still need to do better.

In this report we will take you through where we stand on quality improvement and the change of our culture. However, delivering quality is more than just carrying out a good annual audit. It is also about

helping the companies we audit to move forward, for example by challenging them on their fraud risks or on the non-financial information they use to report on their climatic impact - themes that are not just relevant for them, but for society as a whole. That is how, together, we build a sustainable, reliable, and new tomorrow. So let’s create tomorrow.

Many thanks to all our colleagues. Due to COVID-19 this has not been an easy year on many fronts, and we have asked a lot of them and of each other. We often worked long days, made tough decisions, and experienced difficult situations when working from home. And, sadly, we have also seen grief. However, the way we have all come together to make it work, including colleagues from other lines of service within PwC, has been a great source of pride and gratitude for us. We may have been physically distanced, our connection was deeper and stronger than ever.

Agnes Koops-Aukes
Chair of the Executive Board of
PricewaterhouseCoopers Accountants N.V.

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Report by the Assurance Board

We address the events of the past year
and the progress made to improve our
work and make it more relevant.

Continually on the move

“Auditors don’t learn from their mistakes, firm intervention is needed.” This was a newspaper headline at the beginning of this calendar year in response to the definitive findings of the Monitoring Committee Accountancy (MCA) and the Committee on the Future of the Accountancy Sector (CTA). That same newspaper headlined exactly half a year later that the sector had “received praise” from the Financial Markets Authority (AFM) because, as the same journalist commented in response to a new report, the four large audit firms “focus better on quality during their audits”.

Our entire financial year, particularly the first few months of 2020, was all about the definitive reports issued by various committees and the recommendations and measures resulting therefrom. You can read [here](#) and [here](#) a reaction to these reports. With the government’s recent appointment of two quartermasters, we are entering a new phase as a sector, with sustainable quality improvement being the ultimate goal.

The positive results from the AFM’s research in 2019 into our quality-focused culture, the quality circle, and several quality safeguards confirms that we are [moving in the right directions](#). And naturally we have committed our full cooperation and support to the quartermasters.

Working full time from home since March

The Covid-19 crisis had a significant impact on our work as auditors. It wasn’t just we who were working full time from home; our clients often as well. In this new situation, we tried to get grip on how to work together, on the risks that emerged, and on the potential consequences for the audited companies, their financial statements, and the auditor’s report. We also changed our consultation procedures to ensure the quality of our work maintained in these unusual circumstances (see inset). These uncertain times, with all the complex issues they bring, are an opportunity for us to demonstrate our value as auditors, by putting the public interest first and by continuing to deliver quality. Especially at the start of the Covid-19 pandemic, when not everyone had a clear picture of all the potential

impacts, we encountered some challenging moments with our clients; tough discussions had to be held and deadlines had to be postponed. See also this [vlog](#) and this [vlog](#). It is no mean feat to provide assurance in uncertain circumstances, but at the same time this strikes at the very core of our profession.

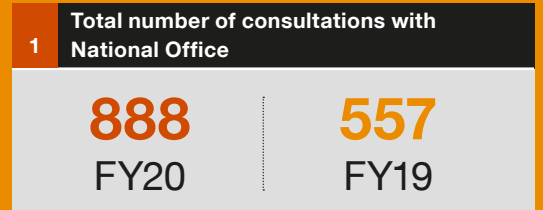
Going from full physical presence at the audit client to working full time from home, with phone and video being the only modes of contact, presented some serious challenges. With the help of guidance from our PwC network, we developed new methods of gathering the audit information needed and finalizing the audits. Moving on

from face-to-face meetings about subjects like the audit approach and provisional findings, the teams quickly shifted to videoconferencing, either one-on-one or in groups. For colleagues with young children or with other reasons for not being able to manage a full day working from home, PwC introduced a specific timesheet code to ensure that the workload remained manageable for them. In addition, a survey was sent out weekly to staff to gauge their wellbeing. As Assurance Board, we met weekly with the [Young Assurance Board](#) to pick up any signals or input they had to offer, and we took follow up action where needed.

Our consultation procedures

Uncertain situations and dealing with complex issues are precisely when it is important to consult with one other, keep each other focussed, and ask critical questions. One of the ways we achieve this is through consultation with our National Office technical experts. Immediately after the extensive Covid-19 measures were announced mid-March, it became clear that this was going to have serious consequences for organisations’ financial reporting and our audits. Unique and important questions arose for which we as a company would need to identify robust and consistent responses. In addition to providing guidelines for our auditors, we also quickly decided to put in place mandatory National Office consultation procedures dealing with

the impact of Covid-19 on our clients’ liquidity and regarding our auditor’s reports. For the period March - June 2020, this generated 469 completed consultations in this area, in which the audit teams were challenged on their assessment of continuity risks, the mitigating measures, and the related note disclosures in the financial statements. See this [vlog](#) on the subject.



With ongoing focus on further improvement in quality

An important element of our focus on quality is the involvement of our partners and directors in the audits. It has become very clear from quality reviews, both during the process (what we call Real-Time Reviews) and also thereafter (the so-called Engagement Compliance Reviews), that the more involved they are the more the quality of our work improves.

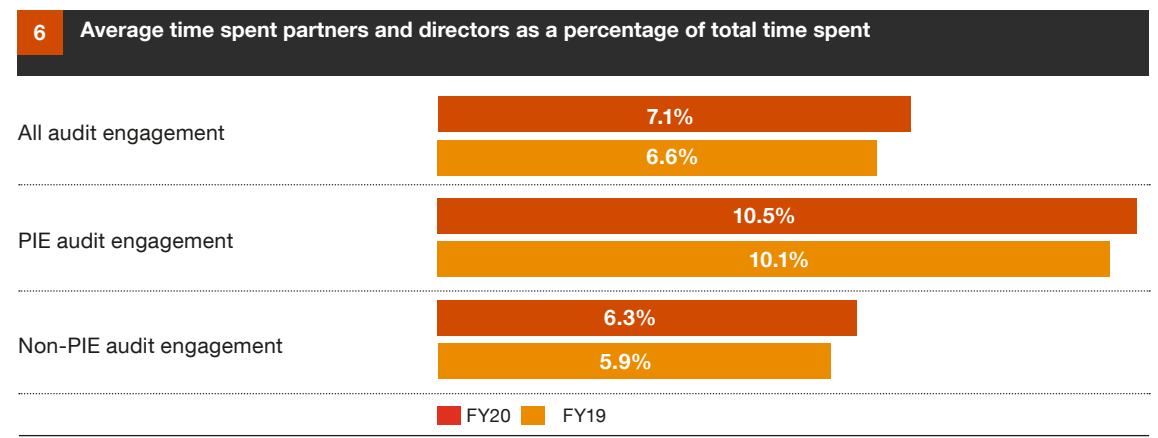
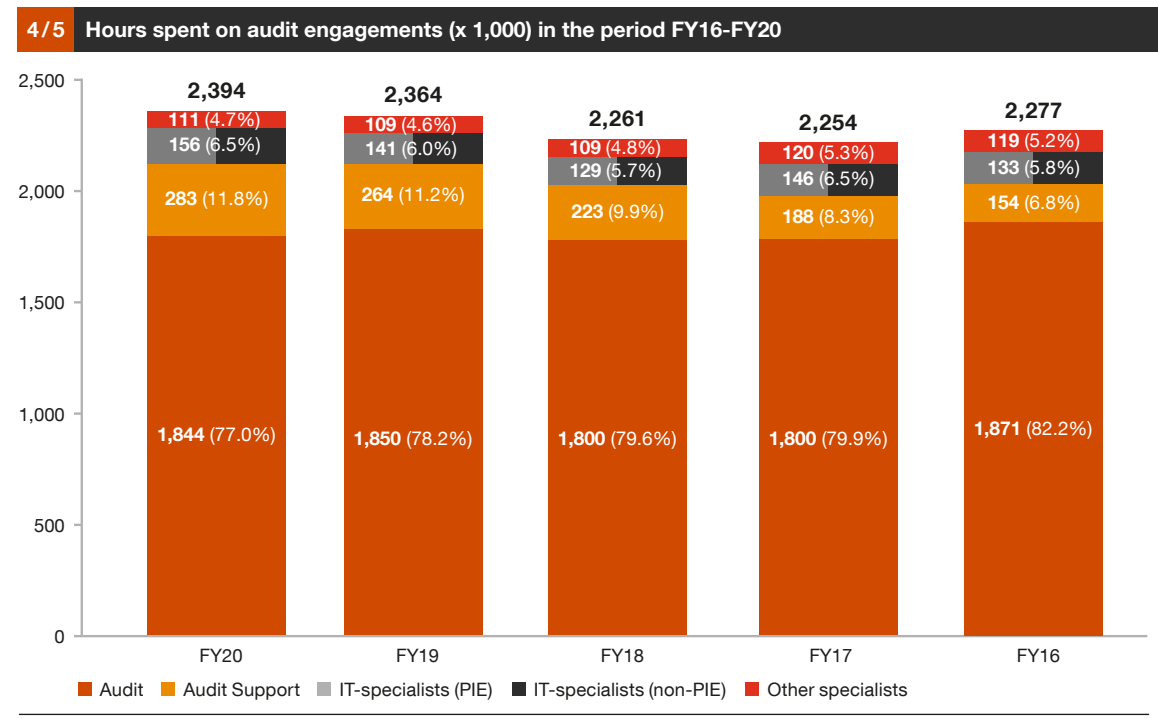
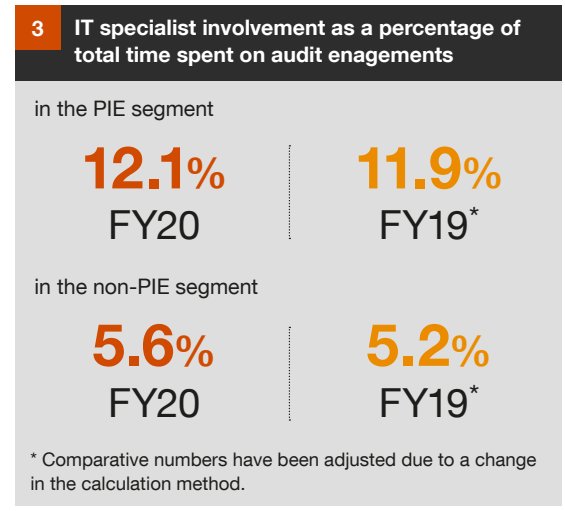


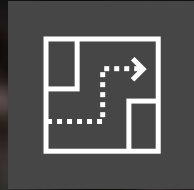
To achieve this, we encourage our partners and directors to ensure that they spend sufficient time on the organisations they audit and that they do this together with the audit team and with a strong focus on the audit file: “with the team, in the file”. Last year the average proportionate time spent by partners and directors on audits increased.

We also see an increase of the number of hours spent by other specialists on engagements. For instance, Audit Support staff spent 19,000 hours more this past year on audit engagements, taking standardized audit work or project based activities over from our audit teams, thereby freeing up our external auditors to focus even more on the more complex parts of the audit.

Furthermore, partly due to the increasing complexity of our clients’ IT environments, we have also seen that IT specialists spent more time on audit engagements than in prior year.

In order to increase the independence of our audit teams from the companies we audit, we have reassessed the accountability and responsibility for putting together a realistic fee estimate for our audit work. A fee that does not meet our criteria will automatically be escalated to a Business Unit leader and, for larger engagements, to the Assurance Board. Together with the team (or, where more appropriate or necessary, independent of the team), they then negotiate with the client with the goal to agree on a more realistic and appropriate fee.





Standardise



Automate



Harness data



Upskill



Increasingly digital

Digitisation is a contributor to quality improvement, and it also helps maintain the relevance and efficiency of our audits - not to mention the feedback from staff that digitisation makes the work more enjoyable. We have made progress along the four lines of our Your Tomorrow programme, which we use to give structure to our digital transformation.

After a successful pilot, we will be doing a comprehensive rollout of the Payment Analysis Tool, a tool that identifies actual and potential fraud risks in transactions. We will also be implementing the so-called ALI-tool which assesses financial statements based on reporting requirements and mathematical aspects, with the help of intelligent algorithms. And real-time assurance, for which we developed the Continuous Monitoring Platform (CMP) and Audit Highway, will remain an important development providing assurance during the whole process. These are just a few examples of the digital developments during the past year that help make our work more relevant, more consistent, more efficient, more fun - and therefore much better overall.

Another important component of the Your Tomorrow programme is what we call the upskilling of our colleagues. This past year, we have started training 32 colleagues to become *digital accelerators*. They offer help to the audit teams with the application of new technologies and they help colleagues innovate in their engagements and work more efficiently. The most successful applications that have been developed are available in the so-called Digital Lab, allowing colleagues to download them and apply them on other clients.

Standardisation - These past few years, we have further standardised a substantial part of our work through audit software (Aura Platinum), including standard work programmes. Work that requires no or limited judgement is outsourced to our own delivery and competence centres in the Netherlands. The delivery centres handle work that require no judgement (for example calculate the annual accounts) and the competence centres prepare the auditing of less complex financial statement items (for example cash). The percentage of outsourced activities has increased from six to twelve percent between FY15 and FY20. Our ambition for the coming years is to increase this further to about twenty percent.

Automation - This standardisation and outsourcing enables us to further automate. An important development, for example, is that nearly all clients now have a completely automated annual file delivery, with a direct link to our audit file.

Harness data - The goal is to get the client data onto our platforms, to maximise the use of our technology. In the past few years, we have automated this data extraction for the more important ERP/administration packages, so we are now able to extract data multiple times for clients who utilise these packages. We are working on further optimizing our platforms so that we can perform automated data extraction also for other administration packages.

Digital upskilling - We invest much time in training our people to further develop their digital skills and to learn how to apply tools like Alteryx and PowerBI in the audit. To this end, we have drawn up what we call the Digital Upskilling Implementation Plan. Last year, all Assurance colleagues completed the foundation level, each spending a minimum of twelve hours on data-analysis and auditing training.

7 Investments in technology in Euros

8m
FY20

7m
FY19

Learn.
Work.
Share.

Continuing to build on our project ROME

Root cause analyses are a key focus in our process of continuous improvement. Last year, we learned from our project ROME, where we carried out a more extensive and in-depth research on the factors that positively and negatively influence the quality of our audit work, about the importance of enabling and encouraging open dialogue about the (sometimes subconscious) preconceived notions and assumptions our colleagues can have. In FY20, we have increased the awareness of these mental models through, amongst other things, our Summer School, our mandatory self-assessments, and peer-to-peer sessions with partners and directors, and by regularly sharing examples of our own individual learning moments. We have taken various measures for each of the five themes from project ROME, as further explained in the box to the right.

In the past year, the Assurance Board, the Board of Management, and the Public Interest Committee (PIC) periodically discussed, via a report, the progress made on the various measures. During the coming year, we expect to be able to quantify the effects of these measures. The results will enable us to evaluate the extent to which our objectives have been achieved or if adjustment is necessary. This will include the cohesion of the measures (how they relate to each other) and not just quantification of the effectiveness of individual measures.

Project ROME

Theme	What does it mean?	Examples of measures applied in FY20
Insufficient time and capacity	Rotations, new clients, large one-off engagements, way of working, and an increasing amount of indirect activities: these are all examples from the practice that lead to pressure on planning and thereby also on our colleagues. There is insufficient flexibility in the planning to cope with setbacks as they arise.	<ul style="list-style-type: none"> • A half day each week blocked in the planning to allow senior associates to complete outstanding and ongoing work. • Set up of a Special Projects Team to focus on special and one-off projects with existing audit clients to avoid planning disruption. • Enable an open dialogue about workload as part of cultural change during peer-to-peer sessions with partners and directors.
Insufficient coaching and feedback	There is not always enough attention given to coaching and feedback, which is why it is important that we together create a safe learning environment and encourage one another to improve professionally by passing on knowledge relevant to the audit.	<ul style="list-style-type: none"> • Renewed focus on the presence of partner/director: "with the team, in the file". • Incorporate moments of reflection in the audit process. • Adapt our Recognition and Accountability Framework as part of learning from our mistakes. • Increase the safe learning environment within the audit teams. • Develop a 'growth mindset' among our colleagues.
Insufficient control of the audit process	The audit process has become more complex. We outsource more work to so-called delivery centres, and we work more often with different specialists. So, adequate project management has become even more crucial, though it still does not always receive the attention it needs to ensure the smooth beginning-to-end running of the audit process.	<ul style="list-style-type: none"> • Sharpen our existing project Flow to bring planning activities to the forefront: a well-planned audit means better quality, greater efficiency, and less additional work. • Removal of certain mandatory consultations with a view to clearly shifting responsibility for professional judgement in certain specific situations back to the audit team.
Being overly service-minded towards the companies we audit	Because of personal values (such as desired to be liked, wanting to help) or preconceived notions, our colleagues can be reluctant to be firm in raising and clarifying, with the companies we audit, who is responsible for what in the audit process.	<ul style="list-style-type: none"> • Peer-to-peer sessions with partners/directors about personal dilemmas in serving the client. • Survey sent to all staff to gather feedback on the quality of the client and follow-up on that feedback (in collaboration with our Young Assurance Board). • Use data from our Connect tool which provides information regarding the timeliness of each client's delivery of the documentation needed for the audit.
Do we focus on quality?	In our communications, centrally as well as within the audit teams, we are not always clear enough that quality in our audit work is, and always will be, our number one priority, with financial goals secondary.	<ul style="list-style-type: none"> • Continuous focus on quality in our communications internally as well as externally. See, for example, our reaction to the interim findings of the CTA.

We learn from ourselves

A key test of the quality of the services we provide is the Engagement Compliance Review (ECR). This internal review process is carried out by partners, directors, and managers independent of the audit team, some coming from our world-wide network organisation. Another objective of the ECR is to identify areas for improvement. In the past financial year, 58 of our assurance engagements were subject to an ECR (prior year: 48). Two files were assessed as non-compliant (prior year also two). The non-compliant files, both in the non-PIE segment, related to an audit of financial statements and an ISAE 3402 auditor’s report. We have done substantive assessments on the findings and circumstances relating to the two non-compliant files and the files with improvement required. We have made use of the flexibility provided since FY20 by the Recognition and Accountability Framework (RAF) to give weight to the nature of the error in the evaluation of the colleagues involved – thereby giving a clear signal that we are a learning organisation and that making a mistake does not necessarily mean an immediate penalty, but that we do expect our colleagues to use it as a learning opportunity.

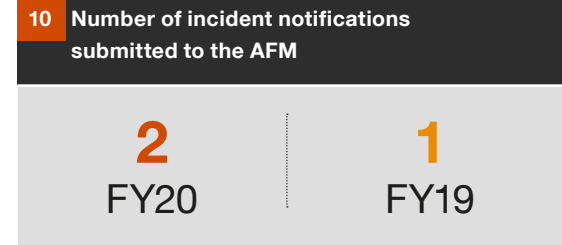
We ask all colleagues with a non-compliant file or a “compliant with improvement required” file to reflect on the results and to include this in their personal goals for the following year to avoid any repetition. In addition, the results are included in our annual root cause analysis, which feeds into our quality improvement plan.

We also perform root cause analyses on (possible) breaches of our independence. Last year, there were five situations regarding the independence of our firm and one in relation to personal independence, more than in prior year. In all instances, we performed further assessments of the extent to which these were isolated incidents, control failures, or control deficiencies, and whether they were likely to recur. Moreover, to underscore the importance of this within the entire firm and to encourage the necessary improvement, the Board of Management has this year appointed an experienced Assurance partner to the role of Partner Responsible for Independence. To further increase awareness and reduce the relatively high number of independence violations identified, there has been more frequent communication on

the theme this past year, and the number of staff subject to a personal independence review has increased by more than half.

Three of the five instances referred to led to termination of the audit engagements. In two of the cases, the audit engagement had to be terminated as from next financial year. In one case the independence violation was of such a nature that we had to terminate the audit engagement before completion of the current audit work. We have submitted an incident notification to the AFM in this regard.

The other incident notification we submitted to the AFM in FY20 relates to the interim termination of a statutory audit following press reports of, amongst other things, seizure of the assets of the ultimate shareholder. We have instigated an internal review and keep the AFM informed of progress.



9	FY20	FY19
Number of completed reviews of personal independence firm wide	271	174
Number of identified violations firm wide	20	14
- Number of warnings issued	18	14
- Number of reprimands issued	2	0
Number of financial sanctions imposed	10	-

8	Number reviewed			Compliant			Of which compliant with improvement required			Non-compliant		
	FY20	FY19	FY18	FY20	FY19	FY18	FY20	FY19	FY18	FY20	FY19	FY18
Assurance engagements	58	48	37	56	46	36	11	14	5	2	2	1
CMAAS engagements	7	5	10	7	5	10	0	0	6	0	0	0
Risk Assurance engagements	2	7	9	2	6	9	0	0	0	0	1	0
Total	67	60	56	65 (97%)	57 (95%)	55 (98%)	11	14	11	2 (3%)	3 (5%)	1 (2%)

And learn from others

The measures implemented in the past few years are clearly and steadily leading to real quality improvement and a change of our culture. We see this ourselves, and our internal reviews confirm this. External reports in this past year also acknowledge the steps we have taken. For instance, at the beginning of this year, the Monitoring Committee Accountancy (MCA) noted that the sector is doing better than in 2015. The CTA came out with its definitive findings at the end of January and spoke of a positive cultural change. At the same time, both reports are critical, giving a clear message that we as a sector 'are not there yet'.

This is something we also recognize ourselves; cultural change is happening, but real transformation to a purpose led and values driven organisation requires tenacity and discipline. And, in the absence of a more recent AFM file review, these committees believe that quality improvement has not yet been sufficiently substantiated.

During this past year, the AFM has reviewed our quality-oriented culture, the quality circle (the so-called 'plan-do-check-act' cycle) and four quality management measures. On the last day of our financial year, 30 June, we received the definitive report on how we have embedded these three

topics in our quality improvement drive. We scored a 'modestly positive' assessment on all three topics, which for this review process means that we have achieved results, with the AFM identifying only a limited number of attention points. Particularly in the quality circle area, we feel that we have made clear progress given the concerns expressed in the previous 2017 report. At the same time, we have also identified some inter-related aspects for further improvement

in the so-called quality improvement drive. Some of these have already been addressed (such as the continued focus on workload, learning from mistakes, and the importance of effective coaching and feedback), and others will be incorporated into reinforcement of quality initiatives such as consultation procedures and the EQR (engagement-specific quality review (OKB)) process.

Greater focus on our quality management system

We have recalibrated our quality management system this past financial year. Where the system was previously operated and maintained mainly centrally, those involved in the various quality management measures are now more aware of their impact on the quality delivered by our audit firm. As a starting point, a risk analysis is drawn up for each quality objective and mitigating control measures are then identified. Monitoring activities are performed on an ongoing basis, and finally each quality objective is linked to quality indicators to evaluate the achievement of the objective.

A striking example is that our recruitment colleagues are now more aware of how non-achievement of intake goals affects the quality of our service. It could, for instance, lead to an inadequate number of colleagues to staff our engagements adequately, or with an unproportionally distributed workload to perform to the desired level of quality.

By being explicit about the responsibilities of the colleagues involved and with regular reporting thereon to the Assurance Board, we have taken a step forward in putting the quality management system into practice. And we expect to continue to extend this during this coming year.

11 Review by	Number of reported file reviews		Number of non-compliant files	
	FY20	FY19	FY20	FY19
Audited financial year	2018	2017	2018	2017
AFM	-	-	-	-
PCAOB	-	3	-	0
NBA*	19**	-	0	-
ADR	11	6	0	1
Inspectorate of Education	4	4	0	0
NZa	5	6	0	0
Other	-	2	-	0
Total	39***	21	0	1

* In the context of its regular monitoring role (once every six years), the NBA reviewed our quality management system. No findings were identified by the NBA, though several recommendations were made.

** Three of the nineteen files related to audit work on financial year 2017 of the audited organisation.

*** Seven of the 39 files assessed as compliant received recommendations for improvement.

Continuing to work on reducing the workload

One of the most important themes in our quality improvement process is the further reduction of workload. We have come to understand more clearly than ever that there needs to be a proper balance between work and leisure, between meeting deadlines and having a private life. Getting that balance right improves the quality of the work. We issued [this column](#) on the subject this year.

In this context, we have committed ourselves this past year to reducing the workload.

While the number of direct hours has reduced, workload is very much a matter of perception and this differs from person to person. So, not only do we consider the number of hours worked, but we also do our best to get a clear view of what makes workload feel like overload and how we can address this. We referred in last year's Transparency Report to the results of the research carried out by the Inspectorate of the SZW (Ministry of Social Affairs and Employment) into the workload within our audit practice. Based on these results, we commissioned Arbo Unie to research the psychosocial workload of our staff. (Arbo Unie is a workplace welfare service provider.) Their observations and recommendations were included in the root cause analysis regarding workload, as were the results of some further in-depth sessions (pre-Covid-19) of our own. Our root cause analysis has provided us with insight into stress factors and sources of energy.

Stress factors

Theme	What does it mean?
Sharing mutual expectations adequately	In the audit, we work in different team environments, and our colleagues often work with people they hardly know. While this is beneficial for our colleagues' learning experience, it also makes it even more important to take the time to get to know each other, to understand who the other is, and to discuss explicitly what we expect, both of each other and of the client. People can be apprehensive about coming forward ("I should probably know this or be able to do this"). Good examples that have been suggested are to take more time in the preparatory phase to discuss expectations and to plan for moments of reflection throughout the process.
Individualism in the working environment	We always work in teams at PwC, which is a clear source of energy. At the same time, our colleagues tend to make decisions on an individual basis, as a consequence of the high degree of self-reliance expected of employees ("everything is possible within PwC, but you have to arrange it yourself") and the KPI-overviews that are being used in some of the business units. These can be taken as an implicit evaluation and thereby encourage individualistic behaviour.
Proactive discussion of workload	Dialogue about workload and pressure is not always made explicit within the team or with the coach. This sometimes means that the understanding of the seriousness of the workload experiences is restricted only to noises from the workplace and the absenteeism statistics. Furthermore, discussing things only with direct peers can again lead to a further increase in the perceived workload. Moreover, our colleagues have a strong sense of responsibility and are therefore unlikely to proactively raise the alarm.
Client focus inhibits action	Sometimes people delay or refrain from taking action on an excessive workload, as they may feel the need to meet client expectations.
Being focussed	Communication takes place through many different channels: chats, over the phone, by email, and so on. Any one day can consist of several meetings about different clients and internal matters. This dynamic can be energizing, but also distracting. Teams may sometimes have only a few moments when the entire team is together and involved as a team, and this can negatively affect efficiency – which often is then compensated by working longer and harder.

Our root cause analysis also indicated that our colleagues are positively energized when two themes are running in parallel and well-balanced in daily practice.

Sources of energy

Theme	What does it mean?
Working together in teams	When teamwork is considered the norm, the work experience is more positive than when there is little teamwork. Together, everything is better: "Working overtime is not a problem, as long as we do it together". Teams where colleagues know each other well receive better reviews for experience and workload, because colleagues know what to expect from each other, and are often open about uncertainties. Problems surface more quickly and are passed on to the appropriate individual.
Performing in a professional environment	Two things that particularly motivate employees are achieving concrete results and being able to work in a professional environment. Collaborating with clients is also an important facet in this area.

During this financial year, we have discussed the themes mentioned above and established the extent to which they have been addressed in the measures currently in place (such as the training programme for our coaches and our culture and behaviour plan based on project ROME) and whether additional measures are necessary.

The employee satisfaction survey recently held among our Assurance colleagues tells us that they very much appreciate the increasing options for a more flexible way of working. However, we have also noted that individual differences in the perceived workload have increased with Covid-19. During this coming year, we will be investing more time in dialogue with our colleagues on an individual basis, as well as in training to help each other to get the best out of this dialogue.

And we keep on working to keep our profession relevant

Reporting has long since ceased to be just about the numbers. The need in society for assurance is growing. Information flows are increasing, fraud and continuity have become social issues, and non-financial information is of increasing interest to the users of financial statements.

As in previous year, we have in FY20 engaged our colleagues from forensics to assist in the audit of financial statements. They supported 138 audit teams (FY19: 104) in their reviews of fraud risks at our audit clients. Together with the audit teams, they engaged with the client to increase awareness of fraud risks. The number of consultations with our fraud panel has remained stable, with 117 this past year in comparison to 121 in prior year.

The number of reports of unusual transactions fell from 246 to 153, following the abolishment of the objective indicator. The number of reports based on the subjective indicator has increased from 128 to 140.

Where continuity risks are identified at an audit client, we mandate in certain circumstances the deployment of specialists in the area of organisational restructuring on top of the regular mandatory consultation with National Office.

Last year, in part due to the impact of Covid-19, these specialists contributed more than 1,650 hours to 47 audit files (FY19: more than 800 hours to 25 audit files).

Reporting of non-financial information continues to increase, partly as a result of pressure from politicians, interest groups and investors. Social reports are being prepared more frequently in addition to the financial statements, for instance to report on the organisation's contribution to the United Nations' Sustainable Development Goals (SDGs). International legislation and regulation in this area are growing apace. We provide support, where appropriate and desirable, for example by

reacting proactively to the consultation regarding the European Commission's directive on non-financial reporting by large enterprises. At some of our larger clients we already see reporting, usually based on the Sustainability Reporting Standards of the Global Reporting Initiative (GRI), on which we provide limited or reasonable assurance. The number of hours involved in this has grown in the past financial year by slightly more than 5%.

However, at the same time, we are not there yet

On the one hand, we are proud of the quality improvements we see in our files. On the other hand, we are still very much an organisation on the move. Change never happens quickly enough - a sentiment we fully agree with. The various reports issued during the past year motivate us to continue undeterred in our progress. Any transformation project is a long-term process and requires endurance. But the will to improve is deeply rooted in our organisation. During this coming year, we will continue to move forward, keeping a sharp eye out for areas for further improvement.

Workload will also continue to be a key focus. Our work still has a seasonal pattern, and we will continue to press forward with our current measures to reduce the workload.

12 Average number of client hours per FTE in the audit practice (FTEs)	FY20	FY19
Partner/director	1,071	1,058
Senior manager and manager	1,337	1,374
Senior associate and associate	1,377	1,410
Total	1,338	1,369

13	FY20	FY19
Total number of notifications to the FIU of unusual transactions*	153	246

* Notifications based on the objective indicator relate to transactions by or on behalf of a person/legal entity who/that is a resident/established or with its registered office in a territory with a higher risk of money laundering or financing of terrorism. This objective indicator was abolished as of 18 October 2019. Notifications based on a subjective indicator relate to transactions where, in our opinion, there is reason to assume that these transactions may be related to money laundering or financing of terrorism. There is guidance available providing examples of circumstances that could indicate an unusual transaction.

14 Number of consultations with the fraud panel
<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>117</p> <p>FY20</p> </div> <div style="text-align: center;"> <p>121</p> <p>FY19</p> </div> </div>

We expect a challenging audit year

We are preparing for a challenging audit year ahead. A year where our people are very likely to still be working mainly from home, physically distanced from each other and from the organisations we audit. Aside from the practical and sometimes professional challenges this will generate, we particularly foresee challenges in the audit. At clients working from home or who have implemented other changes within their internal organisation risks of fraud can increase, and we will need to assess how they have addressed these risks and how we mitigate those risks in the audit. The Covid-19 crisis can impact the financial results and liquidity of organisations and therefore also the valuation of assets and going concern assumptions. And a new audit standard (COS 540) will require us to perform more audit work on estimates as from financial year 2020.

In these uncertain times, to be able to continue to provide the same level of assurance to the reliability of financial statements, it will require a lot from us as auditors and thereby also from the organisations we audit. At the same time, this strikes at the very core of our profession and provides us with the energy to deliver on our commitment of assurance, particularly in these times.

During the coming year, we will need to deal with the audits of the NOW-subsidy claims on top of our regular audits of the financial statements. This subsidy comes with its own risks, and the Dutch government has called upon the audit sector to play a role in the mitigation of these risks by providing assurance on the accuracy of the

claims. Though we are not able to eliminate all risks in the claims, which we have stated up front, we acknowledge our responsibility to contribute, and we will deliver on this.

In a rapidly changing and uncertain world, we see that organisations are once again assessing their roles within society. The call for relevant, comparable, and trustworthy non-financial information, and thereby being accountable across a wider spectrum, is becoming louder. It is our goal not just to support those clients who are already actively integrating financial and non-financial information, but to actively bring this theme to the attention of our wider client base. This is another element of what we consider to be our role in society.

With sometimes difficult dilemmas

We regularly run up against dilemmas as we strive to achieve our ambitions. The road to better and more sustainable audits and a greater level of societal trust is not travelled in one day, and this sometimes forces us to face up to difficult dilemmas. Here are a few examples:

Being critical as to which organisations we audit versus our societal responsibility

In recent years, we have focused hard on reducing the number of clients per partner and director, enabling them to spend more time and attention on each client. Our root cause analyses show that more involvement from our partners and directors leads to a higher level of quality. In addition to checking our available capacity when evaluating continuation and acceptance of audit engagements, we also focus on the quality of the

organisation to be audited, the timely delivery of information necessary for the audit, and the collaboration between the organisation to be audited and the audit team. We consider it crucial to the quality of the audit that this collaboration is based on respect and understanding of each other's responsibilities.

This critical review leads not only to robust conversations about that collaboration, but also to saying no to existing and new clients where we feel that their quality is insufficient or where the collaboration is too difficult. We do not take these decisions lightly, as we give careful consideration to our responsibility to society and to the organisation to be audited.

Open and transparent communication versus our client confidentiality requirements

Communicating openly and transparently is a prerequisite for an organisation with a public responsibility to increase societal trust. We do this increasingly by setting out in the media and in vlogs what we do, why we do it, and how we do it. However, when it comes to issues concerning our clients, things become complicated. In such situations, our legal obligations relating to confidentiality between the auditor and the audited company comes into play and we believe that we are obligated to respect that, especially if the audited company has not given us permission to break that confidentiality.

The confidentiality between auditor and client is one of the five principles an auditor must apply in fulfilling their responsibility to act in the public interest. The auditor must have access to all the

information necessary to be able to reach a well-informed opinion. Confidentiality is an important safeguard in this process, a prerequisite for being able to perform a high-quality audit, and we are therefore very cautious about breaching this safeguard.

Having said this, because we know that being open about what we are doing and why we are doing it can sometimes contribute to increased societal trust, respecting confidentiality is regularly a dilemma for us.



Members of the Assurance Board

Agnes Koops-Aukes (1969) joined PwC in 1992 and has been a partner since 2007. She has been a member of the Board of PricewaterhouseCoopers Accountants N.V. since 1 September 2018. She has been Chair of the Board of PricewaterhouseCoopers Accountants N.V. and an authorised executive director of the Board of Management since 1 July 2018.

Michel Adriaansens* (born 1963) joined PwC in 1987 and has been a partner since 1999. He has been a member of the Board of PricewaterhouseCoopers Accountants N.V. since 1 May 2015. His portfolio consists of Human Capital, Quality Focused Culture and Markets.

Wytse van der Molen* (born 1969) joined PwC in 1994 and has been a partner since 2006. He has been a member of the Board of PricewaterhouseCoopers Accountants N.V. since 1 July 2016. He is responsible for the Risk & Quality portfolio.

Joris van Meijel* (born 1973) joined PwC in 1997 and has been a partner since 2011. He has been a member of the Board of PricewaterhouseCoopers Accountants N.V. since 1 July 2018. He is responsible for the Finance and Operations portfolios and the Assurance Change Programme.

* Authorised executive director of PricewaterhouseCoopers Accountants N.V.

And we cannot do it alone

Innovative thinkers, disruptive thinkers with a critical mind: we recognize the importance of greater diversity among our colleagues in all areas, and not just for the quality of our work but also to improve our organisation at all levels - which is why we strive for an inclusive and non-threatening culture in which everyone may and can be themselves - and be appreciated for it. The Black Lives Matter movement and the conversations we have within our organisation about this issue teach us that, though we are making progress, the progress is too slow. So, this will remain an important priority on which we will focus our energy this coming year.

Collaboration is crucial in our ambition to provide society with assurance - not just with specialists in other disciplines of our organisation, but also with the organisations we audit, their supervisory bodies and other stakeholders. Quality improvement and re-establishing trust is not something we can do alone, the entire financial chain has a role to play - external auditors, organisations and their management boards, supervisory boards, shareholders, and regulators. We look forward to working closely with them to sustainably improve the quality of the statutory audit.

In conclusion

This report provides an overview of this past year. Though we have been working full time from home since March, our focus on quality improvement has continued unabated - to become more digital, to continue to build on our project ROME, and to reduce the workload. We have learned from ourselves as well as from others. But, having said that, we are not there yet. We regularly face difficult dilemmas, and we know we cannot do it alone. So, coming year, which we expect to be challenging, we need to stay in close contact with each other. Let's create tomorrow.

Amsterdam, 21 September 2020

The Assurance Board,
 Agnes Koops-Aukes (chair)
 Michel Adriaansens
 Joris van Meijel
 Wytse van der Molen

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The PIC reports on how it has discharged its supervisory responsibilities with regards to safeguarding the public interest within the audit firm.

Report of the Public Interest Committee



The past reporting year will long be remembered as the year in which Covid-19 so radically disrupted our lives and our work. A personal tragedy for many, especially for those who lost loved ones, for those who suffered from the social isolation requirements, and for those who were laid off or went out of business and are still facing an uncertain future. It will take a long time to overcome all the societal and economic ramifications.

For an audit firm, such a disruptive event generates its own unique dynamic. On the verge of signing the annual auditors' reports, many auditors found themselves facing levels of uncertainty about the future rarely seen before. And yet, even though both the audit clients and the auditor had to invest great effort to understand the risks and draw their conclusions thereon, the challenge was well met. The Public Interest Committee (PIC) has been impressed by the professionalism and resilience of the audit firm, and hereby expresses its appreciation for the dedication and efforts expended.

As a sub-committee of the Supervisory Board of PwC in the Netherlands, the PIC hereby reports its findings relating to the past reporting year 2019-2020.

The PIC observes that significant effort has been devoted in recent years to improve audit quality. Quality has been a central theme in the policies pursued, and this past year the focus has been on anchoring the measures necessary to ensure quality statutory audits, with workload continuing to be an area of concern. Additionally, progress continues to be made in quality management. This is an area in which the PIC believes that the quality management system must leave room for the auditor's professional judgement. Having said this, incidents do keep occurring, and this is

worrying. Therefore, we endorse the approach taken by the audit firm to systematically analyse these incidents through its root cause analysis process. The PIC expects further progress to be made in terms of achieving the desired culture.

The definitive report of the Committee on the Future of the Audit Sector (CTA) in January 2020 marked an important moment for the Dutch audit sector. The committee made a significant number of recommendations based on the facts and science-based insights at its disposal. The PIC believes that the report the CTA has produced is diligent and balanced, although high expectations of the Audit Quality Indicators (AQIs) proposed by the CTA need to be viewed with caution. We find the three levels of quality introduced by the CTA to be very useful, and we concur with the importance of broadening the scope to include the entire financial chain.

In conclusion, the PIC believes that societal expectations remain high – for example, on such subjects as (dis)continuity, fraud, corruption, money laundering and financing of terrorism. Though auditors will certainly need to do their utmost to meet these expectations, they need to be able to rely on the support provided in the legal framework that reflects these societal expectations. The PIC also notes that PwC has been challenged for some years now by its stakeholders to step up to a greater level of social responsibility, and the PIC encourages PwC to do more to meet those expectations

Quality is improving, but incidents do still occur

Quality has been the number one priority for PricewaterhouseCoopers Accountants N.V. for years now, which is why quality has been extensively discussed by the PIC in every meeting this past year. Much needed to be achieved during these past few years, and much has indeed been achieved. Quality has become the key cornerstone of the policies that PwC pursues. Naturally, such changes take time and, while they are not finished yet, the PIC believes that considerable progress has been made to date. This conclusion is based on three particular findings emerging from our regular meetings with PwC's policymakers and conversations with 62 partners and 14 directors from across the PwC firm. The policymakers did not attend the conversations with partners and directors.

Firstly, we have seen time and effort being put into anchoring the basic prerequisites for ensuring quality audits: appropriate levels of resources, sufficient management attention, learning from mistakes, awareness of culture, and an improved system for remuneration. The PIC has spoken extensively about workload within the audit practice, a subject that has concerned the PIC for some time now. Even in the relatively busy audit season, the workload must remain manageable. The PIC has noted that PwC has performed a root cause analysis on workload and has invested in reducing the workload, for example by deploying more staff and flattening the peaks throughout the year. Despite the positive results achieved this past year, there is still the risk of falling back into old habits, and many within the firm are still in the

habit of working hard. The working from home situation poses an additional challenge.

Another area of focus has been quality management: checks, coaching, consultations, reporting, and reviews. For instance, project ROME, launched during prior year, was aimed at speeding up and deepening the existing quality improvements. And the plan-do-check-act cycle has been improved, as was confirmed by the recent AFM report. Another ongoing improvement has been the quality management system, through the transition from QMS to QMSE (implemented as from 1 July 2019). The PIC is well aware that the regulator also has its own expectations of the quality management system. The PIC recognises the generic risk that further rigid restructuring of the quality management system can lead to a culture of ticking checklists, which can in turn restrict professional scepticism in the auditor's judgement and detract from the quality of the audit. Therefore, the right balance needs to be found between procedural aspects and thorough analysis.

At the same time, and as the third of the three findings, the PIC believes that simply meeting basic prerequisites and having a good system of quality management are not enough. Incidents keep occurring. They may be incidental exceptions, but painful nonetheless. In the sector as a whole – including internationally – we have seen some breath-taking blunders. It is of the utmost importance that in-depth root cause analyses be performed to identify the underlying causes and that this be supplemented by targeted reinforcement of quality management.

Deficiencies often date back to before the recent quality drive. This could be the result of an organizational culture in which the quality drive at the time was still insufficiently anchored. As previously mentioned, the organization has worked hard to improve on this in recent years. The reasons may also be found in a lack of decisiveness and determination on the part of the auditor concerned, in other words insufficient follow up of situations and suspicions that had merited further analysis. Usually these are situations where the auditor has good reasons to believe that something is not right, but does not take the necessary action. The PIC sees a further opportunity here to improve the culture of the organisation. Although it is possibly the most difficult to manage aspect of the quality improvement implemented in recent years, cultural change is ultimately the most durable safeguard of quality. Relevant is that the culture of the audit firm needs to be closely interlinked with the other parts of the organisation. Cultural change needs to take place consistently and equally across the entire organisation.

Future of the audit sector

The Committee on the Future of the Audit Sector (CTA) published its definitive report in January 2020, concluding that, while positive cultural change is happening, much still needs to be done, and that is not an easy matter. The CTA believes that, while the far-reaching measures frequently mentioned in the public debate are sometimes neither proportionate nor effective, they do nevertheless merit further consideration. Some of the solutions the CTA has come up with include: setting up uniform Audit Quality

Members of the Public Interest Committee



Jan Sijbrand (1954) was a director of De Nederlandsche Bank (DNB - the Dutch Central Bank) from mid-2011 to mid-2018. As Chair of Supervision, he was responsible for DNB's supervisory duties and policies. He also held supervisory roles at the ECB in Frankfurt and the EBA in London and was Chair of the Post-Doctorate Compliance & Integrity Curatorium of the Vrije University (Free University) in Amsterdam. From 2008 to mid-2011, Jan Sijbrand was a member of the Managing Board and Chief Risk Officer of NIBC. Prior to that, he worked with ABN AMRO, Rabobank and Shell amongst others. Jan Sijbrand has been a member of PwC's Public Interest Committee since 1 January 2019 and was appointed Chair as of 5 February 2019.



Naomi Ellemers (1963) is a social psychologist and professor at Utrecht University, working in areas such as integrity and diversity in organisational behaviour. Amongst other things, she is also a member of the Royal Netherlands Academy of Arts and Sciences and a Corresponding Fellow of the British Academy for the Humanities and Social Sciences (FBA). In 2010, Naomi was awarded the KNAW Merian Prize for excellence among women in science and NOW's (the Netherlands Organisation for Scientific Research's) Spinoza Prize. Naomi Ellemers has been a member of PwC's Supervisory Board and Public Interest Committee since 1 May 2015.

In her primary role as university professor at Utrecht University, Prof. Dr. N. Ellemers is involved with a collaborative arrangement between Utrecht University with the AFM. Amongst other things, this arrangement involves carrying out academic research into the psychological processes involved in supervision, a chair has been established, and doctoral courses are being followed. Given her secondary role as supervisory director at PwC, she will not be involved in any way in research into audit firm.



Carel van Eykelenburg (1952) was CFO/CRO of Bank Nederlandse Gemeenten (the banking institution for Dutch public sector local authorities and institutions) from 2005 and he served as Chair of the Executive Board from 2008 to 2018. Prior to that, his roles included Chair of the Managing Board of MN Services, General Director of Stichting Bedrijfspensioenfonds voor de Metaal en Technische Bedrijven (PMT - a pension fund for companies in the metal and technical industries), Managing Director of Informatie Beheer Groep and Deputy Managing Director of Informatiseringsbank (both independent organisations that assist the Ministry of Education, Culture and Science) in the implementation of legislation, and Head of the Office of the Secretary General of the Ministry of Education, Culture and Science. Since 2012, Carel van Eykelenburg has been a member of the board of Stichting Pensioenfonds ABP and member of the Board Committees on Investment Policy and Pension Policy and also of the Shareholders' and Remuneration Committee. Carel van Eykelenburg joined PwC's Supervisory Board on 12 November 2018 and has been Chair since 1 July 2019.



Annemarie Jorritsma (1950) has been a VVD member of the Eerste Kamer (Dutch Senate) since 9 June 2015 and Parliamentary Party Leader in the Senate for the VVD since November of that year. She has been Chair of the Nederlandse Vereniging van Participatiemaatschappijen (NVP - the Dutch private equity association) since 1 September 2015. Her roles also include Chair of Koninklijke Nederlandse Heidemaatschappij, Chair of the Supervisory Board of Alliander, and Chair of the jury for Businesswoman of the Year. She stepped down as Mayor of Almere in September 2015, a position she had held since 2003. She was also Chair of the VNG (the Association of Netherlands Municipalities) for seven years. Prior to that, she was a minister in the Kok Cabinet for eight years, four with the Ministry of Transport and Water Management and four with the Ministry of Economic Affairs. Annemarie Jorritsma has been a member of PwC's Supervisory Board since 1 September 2015 and a member of the Public Interest Committee since 1 July 2017.



Frits Oldenburg (1961) has been of-counsel with FG Lawyers since 2013. He was a member of the Board of Trustees of the International Bureau of Fiscal Documentation from 2004 to 2014 and a partner with NautaDutilh from 1995 to 2013. As a notary, he specialised in company law. His other roles have included board member of de Koninklijke Notariële Beroepsorganisatie (the Dutch professional organisation for notaries). He is also a member of the Managing Board of Stichting Vrouwe Groenevelt's Liefdegesticht (an historic Rotterdam courtyard building providing living accommodation for elderly women), Stichting Astma Bestrijding (the Dutch foundation for combatting asthma) and Stichting Behoud Rotterdams Erfgoed (a foundation set up to help protect the heritage of the City of Rotterdam).



Gees van Rijn (1947) was CFO and member of the Board of Management of Nutreco from 2001 to 2011. His previous appointments included CFO of Sara Lee Meats Europe, CFO Northern Europe of the McCain Foods Group, and several positions with Nutricia. He is also a Supervisory Director of Bankiva (a company providing custodial and trust services) and Erasmus Q-Intelligence (an executive programme offered by Rotterdam University), and Chair of the Supervisory Boards of the Detailresult Groep and Plukon Nederland. Gees van Rijn has been a member of PwC's Public Interest Committee since 1 July 2013 and a member of the Supervisory Board since 1 May 2015.



Yvonne van Rooy (1951) has been, amongst other things, Chair of the Executive Boards of both Tilburg and Utrecht Universities, Deputy Crown-appointed member of the Social and Economic Council of the Netherlands (SER), a Board Member of VNO-NCW (the largest employers' organisation in the Netherlands), and Chair of the Nederlandse Vereniging van Ziekenhuizen (the Dutch Association of Hospitals). Her current appointments include Chair of the Supervisory Board of Philips Electronics Nederland, Supervisory Director of Fuji Europe, Chair of the Supervisory Board of the Dutch Accreditation Council, member of the Supervisory Board of 's Heeren Loo (a foundation that provides support to people with mental and other disabilities), board member of Stichting Continuïteit PostNL (a foundation set up to protect the interests of what was then TNT Post Group N.V.), Chair of the Camp Vught National Memorial Protectorate Foundation, and a member of the Supervisory Board of the Nationaal Kunstbezit (the Netherlands Art Collection Foundation), the Advisory Board of the Nexus Institute and the Supervisory Board of the Gemeentemuseum The Hague (the Municipal Museum of The Hague). Yvonne van Rooy has been a member of PwC's Public Interest Committee since 2013 and a member of the Supervisory Board since 2015.

made of the expectations society has of the audit sector. Nevertheless, the PIC does have some concerns about the feasibility of a comprehensive AQI system. The audit is a product where quality is not always easily quantifiable. Quality stems mainly from the way in which the audit has been carried out. This involves decisiveness, reflection, and the readiness to get into tough conversations. These things do not always manifest themselves in a way that facilitates quantification, and any objective indicator is likely to be only an approximation. The risk inherent in AQIs, therefore, is that the focus will be too much on only the aspects that can be properly quantified, and it is precisely that shortcoming which may in turn harm audit quality. Consequently, the AQIs must be drawn up not only with care but also with caution. Gaining more insight and having a better comparison between individual audit firms' quality levels is a welcome initiative, but it is not a panacea.

The CTA has introduced the concept of three levels of quality, which the PIC considers a very useful distinction and they are consistent with the three findings mentioned above in the section on 'Quality'.

And finally, an important outcome of the CTA report is that it highlights the importance of the financial chain, a chain that, as is often the case, is only as strong as its weakest link. It is important that the focus given to the work of the auditor be widened to include the other links (audit clients, internal auditors and management, the audit committee and supervisory board, the shareholders, and finally the external supervisory

Indicators (AQIs), devoting more audit attention to fraud and continuity (and lack thereof), and strengthening the financial chain in which the auditor operates.

The PIC considers that the CTA's report is thorough and well-informed and that the recommendations are based on the facts and science-based insights at its disposal. As such,

the committee has differentiated itself from the social debate, which is often not well nuanced. The concept of quality has rightfully been put at centre stage and proper analysis has been

bodies). The final product of the audit reflects the work of a number of these links in the chain, and the auditor is dependent on the quality of that work. The chain needs to be strengthened in the areas where the links are weak, and this cannot be achieved only by putting pressure (legislative or otherwise) on the auditor.

To make the recommendations of the CTA actionable, the minister of Finance has appointed two quartermasters for a period of over three years. This is a welcome development. However, considering the complexity and importance of their assignment, the PIC would have liked to have seen more time and resources allocated to support these quartermasters.

Societal expectations remain high

It is clear that not only does society still have high expectations of the work of the auditor but that these expectations change constantly over time. This is a fact of life that calls for sensitivity and agility. The public interest is best served by an auditor who knows what the expectations are and acts accordingly for as long as practically possible, even when these expectations require more than the auditor is legally obligated to provide, for example on subjects such as financial continuity (and lack thereof), fraud, corruption, money laundering and financing of terrorism. There is an expectation that, in serving the public interest, the auditors will push the boundaries of their mandate and technical ability, on the grounds that regulation is rarely put in place before expectations are formed. Standards are often insufficient, an uncomfortable fact of life for a profession that is keen to stay near

the boundaries of the legal framework. But this does not detract from the need to support these societal expectations with solid legislation and regulation. In providing assurance, the auditor needs to have certainty about society's expectations and a correspondingly sound legal framework.

This past year, therefore, the PIC has had extensive discussions about stakeholder expectations, the expectations that PwC has accumulated during stakeholder dialogue that was four times as extensive this year than in prior years. In some cases, members of the PIC were themselves present during the conversations. From this stakeholder dialogue, it is clear to the PIC that, above all else, stakeholders expect a more proactive approach from PwC when it comes to sharing knowledge, living the purpose, and contributing to the future of the audit. They are challenging PwC to identify more opportunities for collaboration with stakeholders about topical subjects such as sustainability, AQLs, and the reliability of business models post-Covid-19. PwC is also being encouraged by stakeholders to speak out publicly on these matters more often. It is clear that the debate on the future of the audit will continue; stakeholders have clearly differing views on the role of the auditor in the audit of the future, for example when it comes to the audit of non-financial information.

A remarkable constant in the stakeholder messages during recent years is that PwC is encouraged time and again to make a greater and more visible contribution to the society it is a part of, be it either as a knowledge institute regarding

the work of the advisor, as guardian of the public interest regarding audit work, or as a moral agent in its own right acting in compliance with the values and behaviours it claims to hold dear.

The PIC acknowledges that meeting these expectations requires a new focus, but it also encourages PwC to put greater effort into it. Though many meaningful steps have been taken in this area this past year, more is needed if the organisation is to realize its societal potential and meet the expectations of its stakeholders to the full extent possible.

Extending the PIC's scope of responsibility

The responsibilities of the PIC have to date consisted of advising the Supervisory Board and assisting it in its decision making processes regarding the safeguarding of the public interest of the audit. As from 2020-2021, and within the context of the Supervisory Board's responsibilities for all parts of the PwC organisation, the responsibilities of the PIC are to be extended to include other areas that affect the public interest, and this will involve extending its scope to include not only PwC's assurance services in the Netherlands but also its tax advisory and consultancy services.

Supervision

The PIC supervises the manner in which PricewaterhouseCoopers Accountants N.V. safeguards the public interest in terms of its audit quality. Through this written report, the Committee reports back on the manner in which it discharged its supervisory role during 2019-2020

and presents its findings regarding PwC's current position in terms of safeguarding the public interest.

The PIC has been one of the committees of the Supervisory Board of Holding PricewaterhouseCoopers Nederland B.V. (hereafter: Holding) since the inception of the Supervisory Board. The members of the Supervisory Board are all independent third parties. The Committee consists of all members of the Supervisory Board. During 2019-2020, the PIC held five meetings, of which two were virtual. All meetings were conducted in an open and constructive atmosphere and the members of the Committee have sought, and have received, discretion to critically evaluate the policies pursued by the firm. In addition to the members of the Committee, the following persons were also present at the meetings: the chair of the Supervisory Board of Holding, the chair of the Assurance Board, the portfolio holder for Risk & Quality in the Assurance Board, as well as the Compliance Officer and his deputy and the Public Policy & Regulatory Affairs Officer. The person responsible in the Supervisory Board for Risk & Quality and the chair of the Tax Board were also present at three of the five meetings.

The discussion of specific subjects – such as legal procedures or outline of technical issues to improve audit quality – were mostly conducted in the presence of the person directly responsible within the organisation.



A recurring item on the agenda has been the developments concerning the audit profession and the PwC audit firm, including: the Committee on the Future of the Audit Sector (CTA), the Monitoring Committee Accountancy (MCA), and later in the year the impact of Covid-19 on audit work. An important element of the agenda was once again dedicated to quality, including progress on the quality agenda and the quality management system QMSE and project ROME. The discussion on quality also included developments relating to the AFM, the reports issued by external supervisory bodies, internal investigation of incidents, the approach to fraud risk, the workload experienced, and the evaluation and remuneration of assurance partners and directors in relation to quality. The Compliance Officer's updates included independence issues and matters related to Ultimate Beneficial

Owners, and the PIC also received regular updates on the stakeholder dialogue. Other discussion items included current issues and the shifting expectations of tax and other advisors. Views on optimising the scope of the PIC were also explored.

In addition to consultation within the Committee during the regular meetings, there were also ad-hoc consultations from time to time between the chair of the PIC and the chairs of the audit firm, the Board of Management and/or the Supervisory Board. The Committee's annual self-assessment was rolled into the overall evaluation of the Supervisory Board as a whole and is addressed in the Report of the Supervisory Board in Holding's [Annual Report 2019-2020](#).

Transparency report

The policy makers of PricewaterhouseCoopers Accountants N.V. have discussed this Transparency Report 2019-2020 with us, and we consider the tone of the report to be appropriate to the insight we have gained this past year into the manner in which PricewaterhouseCoopers Accountants N.V. safeguards the public interest and the status of its quality management system.

Public Interest Committee,

Jan Sijbrand (*chair*)
Naomi Ellemers
Carel van Eykelenburg
Annemarie Jorritsma
Frits Oldenburg
Cees van Rijn
Yvonne van Rooy

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Monitoring Quality

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- Our quality monitoring system
- Our process of quality improvement
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Monitoring quality

In this chapter we describe our definition of quality, our quality management system, the process of quality improvement and the development of quality indicators (KPIs) this past financial year.

Monitoring Quality

- Our definition of quality
- Our quality monitoring system
- Our process of quality improvement
- Highlighting a few quality indicators

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Our quality management system

Our definition of quality

For an audit firm, service quality begins with compliance with legislation and regulation, in particular the fundamental principles of professionalism, integrity, objectivity, competence, carefulness and confidentiality, in order to fulfil our responsibility to act in the public interest. But more is needed for us to live up to our purpose. For quality in the broader sense, we need to create value for our stakeholders that goes beyond compliance and that differentiates us as a firm, for instance by providing insight through public benchmarks, participating in the public debate, contributing to the development of our people, and contributing to our clients' business processes through, for instance, management letters and improved financial statements and reporting.

So, in this context, we define quality as follows:

1. Compliance with legislation and regulation; plus
2. Delivering added value to society, our people, and our clients.

The objective of a quality management system is to ensure compliance with all applicable legislation and regulation and to assure continuous delivery of and improvement in the quality of our assurance services.

As a member firm of the global PwC network, we are required to comply with the PwC network standards and the PwC Network Risk Management Policies. These are designed to assure consistency of service quality across the PwC network. Our Assurance Risk Management Database (Matrisk) sets out our internal requirements in the area of risk management. This database is accessible to all our professionals, for instance via Inform (our central system for professional technical information).

Our policies and procedures for quality are consistent with these international frameworks and are naturally focussed also on compliance with the applicable legislation and regulation in the Netherlands. The standards framework in the Netherlands for statutory audit fall into different levels (see table below).

The audit firm

The Audit Firms Supervision Act (Wet toezicht accountantsorganisaties (Wta)), the Decree on the Supervision of Audit Firms (Besluit toezicht accountantsorganisaties (Bta)), and EU Regulations set out requirements applicable to the operating structures of audit firms that are licensed to perform statutory audits. An audit firm is required to have a system of quality management and safeguards to ensure that work is performed in a managed environment and with integrity.

The external auditor

All external auditors are required to comply with the Code of Ethics regarding professional competence (including continuing professional development training), objectivity, integrity, professionalism and confidentiality. The Audit Profession Act (Wet op het accountantsberoep (Wab)) gives the NBA the authority to prescribe professional requirements for auditors in the practice of their profession, and the NBA has issued instructions regulating the auditing profession in the form of so-called Regulations and Supplementary Requirements (Verordeningen of Nadere Voorschriften) and,

in particular the Regulation Code of Ethics for Professional Accountants (Verordening gedrags- en beroepsregels accountants (VGBA)), the Regulation concerning the Independence of Auditors in Assurance Engagements (Verordening inzake de Onafhankelijkheid van accountants bij assurance-opdrachten (ViO)), the Regulation concerning Audit Firms (Verordening accountantsorganisaties), and the Supplementary Requirements regarding Auditing and Other Standards (Nadere Voorschriften controle- en overige standaarden (NV COS)). The scope of these regulations extends beyond the statutory audit and applies also to other services provided by auditors.

A cohesive quality management system needs to comply not only with this framework of standards but also with the international framework ISQC1 (International Standards on Quality Control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements) issued by the International Auditing and Assurance Standards Board (IAASB). This standard defines the objective of the quality management system as follows:

The Dutch regulatory framework for the statutory audit

Who	What	Standards framework in short	Legislation and regulation
The audit firm	Operations	<ul style="list-style-type: none"> • Quality management system • A managed and ethical performance of operations 	Wta, Bta, EU regulations
External auditors	Practice	<ul style="list-style-type: none"> • Rules of professional conduct • Independence requirements • National and international auditing standards (e.g. ISA's) 	Wta, Bta, Wab (VGBA, ViO), EU-verordeningen

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The objective of the firm is to establish and maintain a system of quality control to provide it with reasonable assurance that:

The objective of the firm is to establish and maintain a system of quality control to provide it with reasonable assurance that:

- a) *the firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and*
- b) *reports issued by the firm or engagement partners are appropriate in the circumstances.*

The quality management system for our audit firm, as set out in our quality management for service excellence (QMSE) framework, is focussed on this objective. During this past financial year, we have recalibrated our quality management system in preparation for the upcoming transition from ISQC1 to ISQM1 (International Standards on Quality Management 1). Our QMSE is structured along fifteen of what we call objectives:

- 1) Leadership and quality management approach
- 2) Ethical requirements and values
- 3) Objectivity and independence
- 4) Client selectivity
- 5) New Solutions
- 6) Engagement acceptance and continuance
- 7) Recruit, develop and retain
- 8) Learning and education
- 9) Assignment of people to engagements
- 10) Evaluation and compensation
- 11) IT systems and tools
- 12) Support for engagement performances
- 13) Direction, coaching and supervision
- 14) Expert knowledge
- 15) Quality controls in performing engagements

Each objective has been assigned to a person responsible for achieving the underlying quality objectives, whom we call the Functional Area Leaders. They carry out risk assessment, define mitigating procedures and controls, run continuous monitoring activities, and finally link each objective to quality indicators with a view to assessing the extent to which the quality objective is being achieved. The most important quality indicators for the various objectives are included in the Assurance Board Report.

There is periodic reporting to the central team that coordinates and monitors the cohesion of the quality control system's recalibration; this reporting addresses the operational implementation of the procedures and controls and the findings that result. The Assurance Board also receives periodic reporting on key findings, the root cause analyses carried out, and any resultant mitigating procedures.

Providing clarity regarding the Functional Area Leaders' functional responsibility represents a further step in more deeply integrating our quality management system. Whereas, previously, the system was mainly centrally maintained, the process-owners and those responsible for quality management measures are now more aware of the impact that their daily work has on the quality of the services delivered by our audit firm. We are expecting further progress in this area during this coming year.

Pages 7-27 of the appendices to this Transparency Report 2019-2020 describe in further detail our system of quality management and how the various elements link into each other.

Reporting back on the system of quality management

The management board of PricewaterhouseCoopers Accountants N.V. (also referred to as the Assurance Board) and the Board of Management of Holding PricewaterhouseCoopers Nederland B.V. are the policymakers of the audit firm PricewaterhouseCoopers Accountants N.V. The Assurance Board is responsible for the design, maintenance and operation of the quality management system, and the Assurance Board assesses the adequacy of the design, existence, and operating effectiveness of the system on an annual basis. Where shortcomings are noted, a remediation process is set in motion to correct the practices and/or to update the systems affected.

Our Internal Audit Department has reported no significant findings from its annual review of the design, existence, and operation of the quality management system, as a result of which PwC has concluded that both the Wta requirements and the PwC standards have been met in all material respects. The annual policymakers' statement regarding the efficacy of the quality management system is included elsewhere in this Transparency Report.

Under QMSE, some of the procedures and controls are delegated to the Business Unit Leaders and their management teams (consisting of a quality assurance partner, a change partner, a human capital partner, and an operations partner). They are responsible for implementing PwC's policies for quality within their respective business units, and the Business Unit Leaders acknowledge this through an annual confirmation process. The Functional Area Leaders include the Business Unit management teams' implementation of the policies for quality in their evaluation of the operational effectiveness of the system as it relates to the objective for which they are individually responsible. The Functional Area Leaders also confirm annually that they have discharged their responsibility and have followed up on any findings.

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Our process of quality improvement

Quality improvement is a continuous process within our quality management system. External and internal factors, not only changes in legislation and regulation and internal PwC standards but also technological change and innovation, result in updates to our quality management system and therefore impact our strategic priorities in Assurance and our QMSE.

To monitor the operating effectiveness of the QMSE and process of quality improvement, we use the results of the procedures and controls included in QMSE itself as well as the results of the

analysis of progress made in achieving objectives as measured by the quality indicators.

The outcomes are incorporated into the annual cycle of root cause analyses. Examples are the outcomes of internal and external reviews (see KPIs 8 and 11). Thematic root cause analyses are also carried out during the year, this past year, this covered:

- workload (see page 11);
- project Flow (see page 8);
- outsourcing of standardised work to the Audit Support department (see page 6);

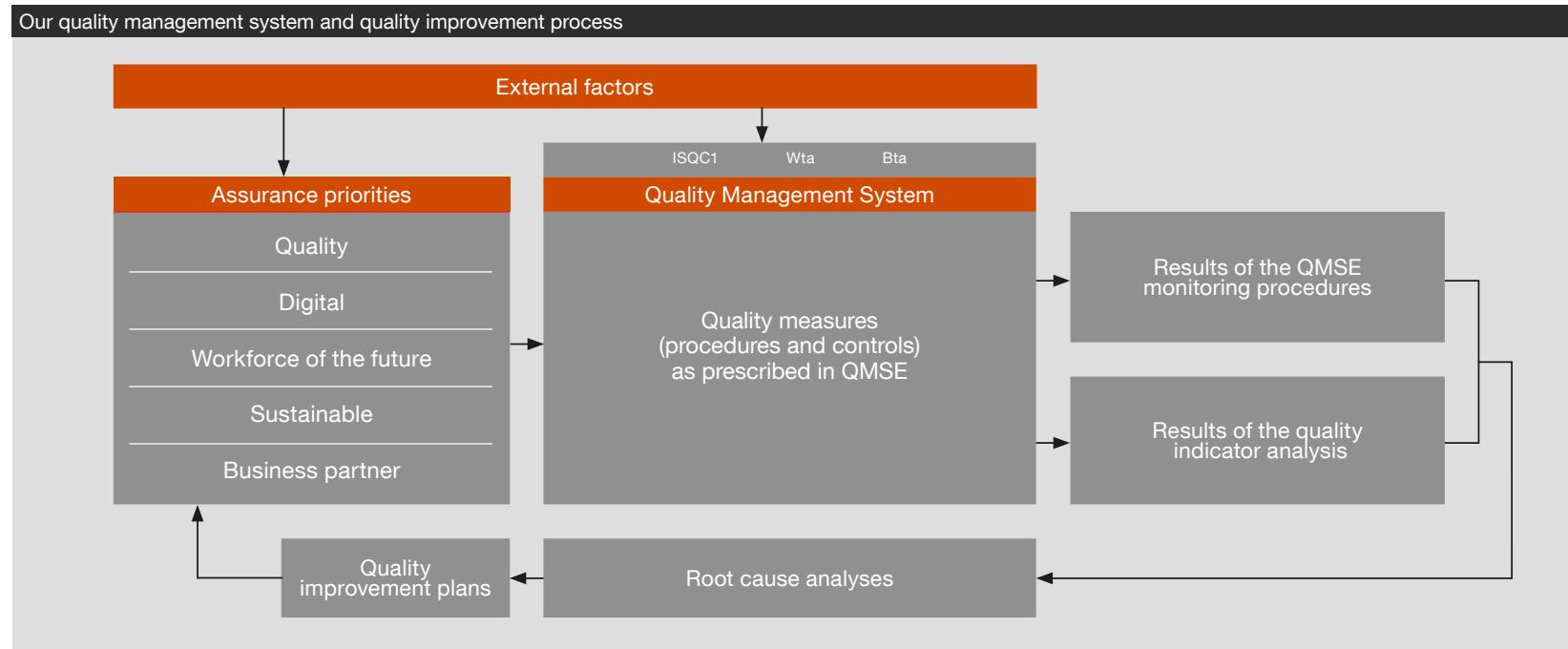
- errors noted (see KPI 20);
- our audit work on subsidy claims (following prior year's internal and external review findings); and
- use of the Count app in stocktaking procedures.

A plan for procedures and actions focused on quality improvement is then put together based on the outcome of the root cause analysis process. The quality improvement process is set out in the schematic below.

All indicators relating to quality in our audit firm are included in one integrated report, what we call the

Integrated Dashboard, that allows us to manage our quality and quality improvement processes effectively. The Integrated Dashboard also includes the quality indicators referred to in the NBA Guideline 1135 'Publication of quality factors'.

To enable us to measure how we are achieving our ambitions, the assessment of the operating effectiveness of the quality management system (for each objective individually and also in aggregate) and of the measures and steps taken includes a comparison of the quality indicators with the goals set. The insight that this provides is then in turn input into the root cause analysis process and into the Quality Improvement Plan.



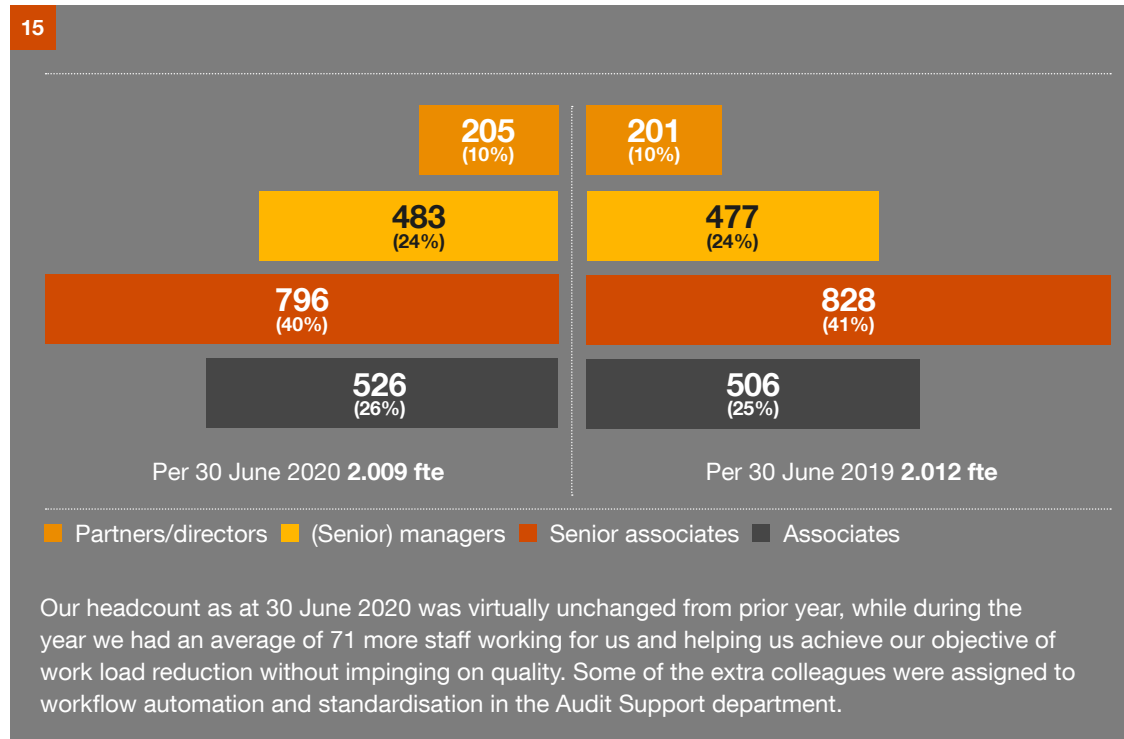
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Highlighting a few quality indicators

The Assurance Board Report highlights the more important of the quality indicators relating to the various objectives. The other indicators set out in the NBA's Guideline 1135 are included below.

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The average number of hours spent per FTE on internal and external training and education increased as a result of our digital up-skilling programme (see page 7) and the additional Summer School day held to address the results of project ROME (see page 8).

	FY20	FY19
Average number of external education and training hours per FTE	69	72
Average number of internal and other education and training hours per FTE	133	112
Total average number of education and training hours per FTE	202	184

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As in prior year, staff turnover has been low, with a particular highlight being the welcome fall in turnover among non-western colleagues, helping us to achieve our goal of becoming a more diverse organisation and thereby contributing positively to the quality of our work.

Turnover	FY20	FY19
Turnover total	10.8%	10.5%
Turnover among our more highly rated staff	7.6%	11.9%
Turnover among men and women		
- Men	11.3%	10.5%
- Women	10.1%	10.4%
Turnover among differing cultural backgrounds		
- Dutch	10.1%	9.3%
- Western	14.1%	10.4%
- Non-western	9.8%	13.1%

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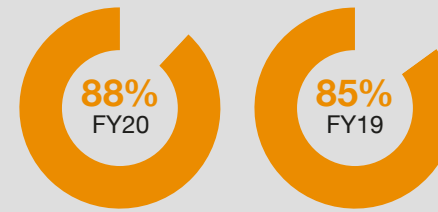
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We have again carried out our annual staff satisfaction survey within the Assurance practice. This survey provides insight into our colleague's views on aspects that affect our quality and our quality-focused culture. We see that our people engagement index (i.e. how proud our people are to be working at PwC, whether they still expect to be with PwC in twelve months' time, how satisfied they are with PwC, and whether they would recommend PwC to others) rose even further this year from 85% to 88%, our highest rating ever.

The results indicate that our colleagues are more satisfied about the focus on wellbeing and flexibility, and on innovation and change. Staff satisfaction in the key areas of quality and integrity remain at pretty much constant levels. We see a fall-off in the demand for education and training, particularly in the non-audit parts of our Assurance practice (CMAAS and Risk Assurance). This is a result of the increasing diversity of know-how, education, and backgrounds of the colleagues in these departments. Our colleagues also comment back that they hear less discussion about the PwC values. On the other hand, there has been an increase in the extent to which we demonstrate true values-driven behaviour. The average ratings for the question 'How consistently do leaders you work with demonstrate the value?' are provided in the table (on the right) per value.

The people engagement index - which indicates the attractiveness of PwC as an employer.



Statements from the People Survey	FY20	FY19
Questions concerning purpose and integrity		
I have had a discussion about PwC's Values and how they influence my work.	58%	77%
I am encouraged to try new things and learn from failure.	83%	82%
The people I work for have high standards of ethical conduct.	90%	87%
At PwC, I feel comfortable discussing or reporting ethical issues and concerns without fear of negative consequences.	77%	81%
At PwC I can speak openly, even if my ideas are in disagreement with others	81%	80%
Questions concerning quality		
The leaders I work with discuss with my team the ways in which we can build better trust and solve important problems.	60%	60%
The people on my team take accountability for the outcomes of their work.	82%	76%
Questions concerning coaching and supervision		
The learning and development I have received at PwC have prepared me for the work I do.	76%	82%
The people I work with support me through regular on the job feedback and coaching.	79%	79%



Act with integrity

83% **81%**
FY20 FY19



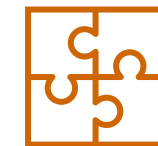
Make a difference

67% **65%**
FY20 FY19



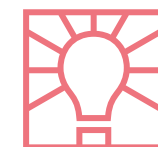
Care

71% **64%**
FY20 FY19



Work together

79% **68%**
FY20 FY19



Reimagine the possible

53% **55%**
FY20 FY19

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Annual financial statement reviews by National Office

With the objective of improving the quality of the financial statements and providing coaching to the teams, National Office financial reporting specialists, in some cases supported by sector specialists from within the practice, carry out reviews of the financial statements of a selected group of audit clients prior to the issue of the audit opinion. The number fluctuates depending on the predetermined criteria and selection. These reviews did not cover the financial statement impact of Covid-19.

FY20
110

FY19
119

20

Number of errors

Any errors noted in financial statements audited by us are referred to National Office for consultation. Since the prior year's extended consultation requirement regarding material errors in Dutch GAAP financial statements, there has been an increase in awareness within the practice and fewer recurring errors have been noted. Root cause analysis is carried out for each error noted, and the error is corrected (in the interim) where necessary. The results are also taken up in our annual root cause analysis process.

	FY20	FY19
Number of errors noted under section 362, subsection 6 (NL GAAP)	2	3
Number of material errors noted (NL GAAP)	11	21
Number of material errors noted (IFRS)	1	4
Total	14	28
As a percentage of all statutory audits	0.6%	1.1%

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Independent quality reviews

This year there were slightly more statutory audits subject to a regular engagement-specific quality review (EQR), as required by the Bta or EU Regulation 537/2014. The number of EQRs depends on the composition of our client portfolio. In addition to these legally required EQRs, a further 142 EQRs (FY19: 107) were carried out by a concurring reviewing partner (CRP).

As in prior year, at least one file for every external auditor (partners and directors) is selected for EQR by the RTR team. The RTR team provides support to the audit teams in improving the quality of the audit engagements and it provides support to the QRPs and CRPs in their EQRs. Where the RTR team sees areas in which an audit or file documentation can be improved, it provides coaching to the audit team involved.

	FY20	FY19
Number of legally required EQRs carried out by QRPs	315	301
As a percentage of the total number of statutory audits	14%	12%
Number of hours spent by QRPs on EQRs	4,404	4,382
Average number of hours spent by QRPs on regular EQRs as a percentage of the total number of hours spent on the statutory audits involved	0.6%	0.7%
Number of hours spent by CRPs on EQRs	3,288	2,790
Total number of hours spent by QRPs and CRPs on EQRs	7,692	7,172

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Hours spent by National Office

During this past year, our technical department (National Office) has spent more time on technical matters and development of technical material, partly due to the implementation of QMSE, the focus on quality improvement through root cause analysis, and Covid-19. In addition to these hours spent by National Office colleagues, several colleagues from the practice were also involved; not all their hours on projects have been included in this summary.

FY20
82,329 uur

FY19
71,662 uur

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Our evaluation and remuneration processes look not only at engagement review results but also at how partners and directors stand firm when they need to, resign from clients that do not meet our quality requirements, and arrange for agreed reporting deadlines to be delayed when this becomes necessary. The processes also look at contributions to our quality management system and performance in the People element of the evaluation process. How these are reflected in partner and director evaluation and remuneration is set out in the table below.

Evaluation elements	Test reference	Internal assessment	Evaluation ³	Impact on total remuneration ¹	Financial sanctions	
					FY20	FY19
Engagement quality	<ul style="list-style-type: none"> - Internal reviews (ECRs) - External reviews - Disciplinary rulings 	Assessment levels: <ol style="list-style-type: none"> 1. Compliant - 'best in class' 2. Compliant 3. Compliant with review matters (CWRM) 4. Non-compliant (NC) 	Distinctive performance in terms of engagement quality/best in class engagement file: Positive effect on evaluation	Up to +16,66% impact on total remuneration	10 positive	15 positive
			Compliant: No effect on evaluation	No effect on remuneration	-	-
			CWRM: No effect on evaluation, unless there are other negative quality indicators or if caused by repeat situations	No effect on remuneration unless in combination with other quality indicators or if caused by repeat situations: up to -50% impact on total remuneration	0	0
			NC: negative effect on evaluation, larger negative effect with repetition.	Up to -50% impact on total remuneration.	0 negative	3 negative
Quality management system PwC (QMS)	<ul style="list-style-type: none"> • External reviews • Internal reviews • Internal audits 	Results of QMS reviews and audits Individual contribution to PwC quality (in terms of roles, projects etc.)	Distinctive contribution: Positive effect on evaluation	Up to +8,33% impact on total remuneration	15 positive	12 positive
			Effects the evaluation of management	Up to -16,66% impact on total remuneration	4 negative	2 negative
Personal independence	<ul style="list-style-type: none"> • External reviews • Internal reviews • Internal audits 	Independence Sanctions Committee decision: <ul style="list-style-type: none"> • Warning • Reprimand 	Warning: Letter of notification, with no effect on evaluation	No effect on remuneration	-	-
			Reprimand: Note in file, though the effect can be greater in the case of ownership of prohibited securities or in more serious cases	More serious reprimands: up to -50% impact on total remuneration.	0	0
Personal behaviour / Business conduct	<ul style="list-style-type: none"> • Complaints and notifications 	BoM decision based on advice from the Business Conduct Committee or the Complaints Committee	Letter of notification, with no effect on evaluation	No effect on remuneration	-	-
			Note in file, though the effect can be greater in more serious cases and even greater in repeat situations	More serious reprimands: up to -50% impact on total remuneration	0	0
Compliance with requirements and standards (baseline expectations)	Specific objectives: number of training hours, financial management etc	Evaluation of baseline expectations	If unsatisfactory: Negative effect on evaluation	Up to -50% impact on total remuneration	0	0
People component in evaluation	<ul style="list-style-type: none"> • People KPIs (incl. People Survey) • 360 degree feedback 	<ul style="list-style-type: none"> • Evaluation business unit results (People Survey)³ • Evaluation 360 degree feedback 	Above average: Positive effect on evaluation	Up to +8,33% impact on total remuneration	8 positive	22 positive
			Unsatisfactory: Negative effect on evaluation	Up to -12,5% impact on total remuneration	0 negative	5 negative

1 For a 'regular' good evaluation. 2 Partners and directors are evaluated collectively per business unit hereon. 3 In addition, a partner or director can receive both a positive and a negative remark regarding quality on one of the areas of evaluation Clients, People, Firm. This remark has no direct effect on the performance rating, but it does influence the evaluation of the partner or director concerned and is included in the BMG&D form. Last year, this concerned 28 partners and directors.

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Composition of turnover PwC the Netherlands 2019-2020 ¹ (x € millions)	Statutory annual financial statement audits	Other annual financial statement audits	Other reports and assurance reporting	Assurance- related services	Other services	Total	% of total
Statutory annual financial statement audits (PIE clients)	i 56	iii 0	4	0	0	60	6%
Statutory annual financial statement audits (Subsidiaries of EU PIE clients)	21	0	2	0	2	25	3%
Statutory annual financial statement audits (non-PIE clients)	ii 156	5	7	1	24	193	20%
Other annual financial statement audit clients		iv 20	2	0	5	27	3%
Other reports and assurance reporting clients			51	1	121	173	18%
Assurance-related services clients				1	1	2	1%
Other clients					470	470	49%
Total	233	25	66	3	623	950	100%

Composition of turnover PwC the Netherlands 2018-2019 ¹ (x € millions)	Statutory annual financial statement audits	Other annual financial statement audits	Other reports and assurance reporting	Assurance- related services	Other services	Total	% of total
Statutory annual financial statement audits (PIE clients)	i 45	iii 0	6	0	0	51	6%
Statutory annual financial statement audits (Subsidiaries of EU PIE clients)	32	1	2	0	2	37	4%
Statutory annual financial statement audits (non-PIE clients)	ii 149	4	5	1	31	190	21%
Other annual financial statement audit clients		iv 19	1	0	3	23	3%
Other reports and assurance reporting clients			83	2	121	206	23%
Assurance-related services clients				0	2	2	1%
Other clients					375	375	42%
Total	226	24	97	3	534	884	100%

¹ Turnover represents the amounts charged for engagements by all entities of the PwC Netherlands member firm. Amounts charged directly by other international PwC member firms to our multinational clients, including audit clients, are excluded from this table.

The allocation of revenue is in line with Article 13, paragraph 2, sub. K (i-iv) of EU Regulation 537/2014:

- revenues from statutory audits of annual and consolidated financial statements of public interest entities and of entities belonging to a group of undertakings whose parent undertaking is a public interest entity;
- revenues from the statutory audits of annual and consolidated financial statements of other entities;
- revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and
- revenues from non-audit services to other entities.

Re i) and ii) The summary sets out the revenue earned from statutory audits as defined in Article 1, first paragraph, sub. p of the Law on the Supervision of Audit Firms (including the annex). This definition differs from that included in Article 13, paragraph 2, sub. k of EU Regulation 537/2014. Re i) In the summary, the revenue earned from statutory audits at entities that are part of a group of companies of which the parent company is a public interest entity is limited to those entities that are part of a group of companies of which the parent company is an EU PIE audited by PwC or an international PwC network member firm.

The consolidated revenue reported in the annual financial statements of PricewaterhouseCoopers Accountants N.V. for 2019-2020 amounted to € 386 million (2018-2019: € 405 million), of which € 244 million (2018-2019: € 253 million) related to statutory audit work and € 142 million (2018-2019: € 152 million) to other services. The comparable amounts for 2018-2019 have been adjusted in line with the adjustment made in the 2018-2019 annual financial statements of PricewaterhouseCoopers Accountants N.V.

PricewaterhouseCoopers Accountants N.V. is part of an international network of independent member firms. Total revenue earned from the statutory audits of annual financial statements and consolidated financial statements by all audit firms (established in EU/EEA member states) that are part of this network of independent member firms (see appendix) amounted to € 3.2 billion in 2019-2020 (2018-2019: € 3.1 billion). This represents the combined revenue recorded for the most recent financial year of all member firms, translated into Euros at the exchange rate prevailing on 30 June 2020.

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Statements by the policymakers

The purpose of the Transparency Report is to inform society, in a transparent manner, as to our vision and efforts in relation to our policies for Quality.

The quality management framework of PricewaterhouseCoopers Accountants N.V., as summarised in this Transparency Report, is designed to provide a reasonable level of assurance that our statutory audits are performed in accordance with the legislative and regulatory requirements that apply.

We are continuously implementing improvements to our quality management framework. The steps we have taken, as set out in this Transparency Report, have been taken based on the results of reviews (carried out both internally and by our external supervisory bodies) and on the expectations that society has of auditors.

Policymakers' statement PricewaterhouseCoopers Accountants N.V.

The policymakers of PricewaterhouseCoopers Accountants N.V. have evaluated the design and operating effectiveness of the quality management framework as summarised in this report. In doing so, they have made use of the reports issued by the Compliance Officer. Based on the evaluation the policymakers confirm that the quality management framework operates effectively.

Amsterdam, 21 September 2020

Members of the Board of Management of Holding PricewaterhouseCoopers Nederland B.V.
Ad van Gils (Chair)
Agnes Koops-Aukes (also Chair of the board of directors of PricewaterhouseCoopers Accountants N.V.)
Marc Borggreven
Marc Diepstraten
Jolanda Lamse-Minderhoud
Renate de Lange
Maarten van de Pol

Members of the board of directors of PricewaterhouseCoopers Accountants N.V.
Michel Adriaansens
Joris van Meijel
Wytse van der Molen

Statement of the board of directors PricewaterhouseCoopers Accountants N.V.

Based on the previously described, the board of directors of PricewaterhouseCoopers Accountants N.V. confirms that the internal monitoring of compliance with independence policies and requirements has been carried out, and that the policy regarding permanent education of our partners, directors and staff has been followed.

Amsterdam, 21 September 2020

PricewaterhouseCoopers Accountants N.V.
Agnes Koops-Aukes
Michel Adriaansens
Joris van Meijel
Wytse van der Molen

Assurance Report of the independent accountant

To: the Management board of
PricewaterhouseCoopers Accountants N.V.

Our opinion

We have examined the enclosed, certified numbers and percentages for the financial year 2020 in the tables Quality Performance Indicators 1 till 24 of the Transparency Report 2019-2020 (further: 'the reported data') of PricewaterhouseCoopers Accountants N.V., based in Amsterdam.

In our opinion, the information on the reported data is prepared, in all material respects, in accordance with the applicable criteria as set out on the pages 43-44 of the appendices (further: 'the appendices') of the Transparency Report 2019-2020. The information about the reported data includes the Quality Performance Indicators 1 till 24 of the Transparency Report 2019-2020.

Basis for our opinion

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

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

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

Applicable criteria

The applicable criteria for this engagement are included in the appendix Legislative and Regulatory Framework and appendix Reporting criteria of the quality indicators of the Transparency Report 2019-2020.

Responsibilities of management for the reported data

Management is responsible for the preparation of the information on the reported data in accordance with the applicable criteria, including the identification of the intended users and the criteria being applicable for their purposes. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation, measurement or evaluation of the information on the reported data free from material misstatement, whether due to error or fraud.

Our responsibilities for the examination of the reported data

Our objective is to plan and perform our examination in a manner that allows us to obtain sufficient and appropriate assurance evidence for our opinion.

Our examination has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our examination included among others:

- ▶ identifying and assessing the risks of material misstatement of the reported data whether due to errors or fraud, designing and performing assurance procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- ▶ obtaining an understanding of internal control relevant to the examination in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- ▶ evaluating the suitability of the reporting criteria used as set out in the appendix Legislative and Regulatory Framework and appendix Reporting criteria of the quality indicators.

Utrecht, September 21, 2020

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

R.W.A. Eradus RA

Acknowledgements

Transparency Report PricewaterhouseCoopers Accountants N.V. 2019-2020

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The original Transparency Report was prepared in Dutch. This document is an English translation of the original Report. In case of differences between the English and the Dutch version, the latter shall prevail.

This Transparency Report relates to PricewaterhouseCoopers Accountants N.V. In this report, 'PwC' refers to PricewaterhouseCoopers Accountants N.V.

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