

TRANSPARENCY REPORT 2020



PERSPECTIVES

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

1. Report of the policymakers

Over the past year, we have been faced with an unprecedented, rapidly changing environment in the form of a global pandemic. From the start of this crisis, we have given priority in our operations to the challenges presented by the crisis. Like all other companies, we have reviewed our procedures at BDO, forcing us to find new ways to interact with our clients and each other. 2020 was an exceptionally challenging year that placed great demands on our adaptability. We are enormously proud of the effort made by and positive commitment of our people in these difficult times, and of the steps we have taken together to work largely from home and to structure the service provided to our clients from there. The agility and creativity of our people and the level of our IT support have allowed us to respond quickly to the new business environment. No matter how difficult this period is, knowing that we can deal with change and stay connected with each other gives us strength. As a result, our organisation has remained resilient and strong and we have continued to make a significant contribution to society in the past year by continuously 'adding certainty'. This has led to an acceleration in achieving our objective, as an organisation, to be as adaptive as possible and create a culture in which change is embraced and viewed as an opportunity, and not something to be feared or discouraged by.

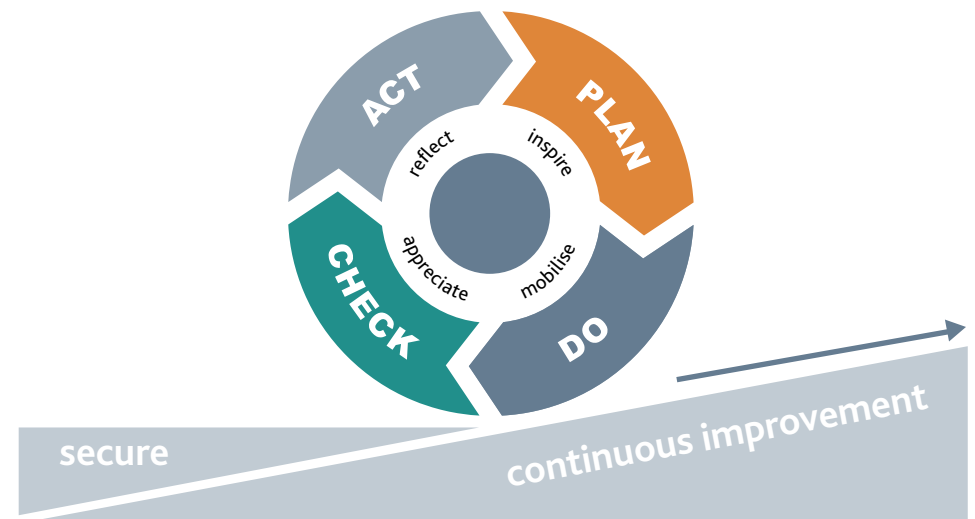
In addition to all the attention given to the challenges presented by the COVID-19 pandemic, we also focussed on key administrative topics, which will also have our continuous attention in the new 2021–2025 strategic period.

Top quality: our raison d'être

We believe that aiming for delivering top quality constitutes BDO's licence to operate. The trust that society and our clients have in our services is essential to BDO's success. For BDO, quality is a decisive factor in the service provision to existing clients and in winning new clients. In addition, BDO wants to contribute to improving the quality of the entire profession and to restoring the reputation of the profession in general. The reputation of the BDO brand is inextricably linked to the trust and role of the auditors and advisers we employ. BDO seeks to be a firm of professionals who act as trusted partners to those around them and who intrinsically want to do 'the right thing' for clients, society and other stakeholders.

In this Transparency Report, we provide insight into how we are actively working to achieve our ambition of 'delivering top quality anywhere and at any time'. The activities, measures and description of the quality management system, as laid down in this transparency report, relate to BDO Audit & Assurance B.V., the audit firm that performs statutory audits within the BDO group. However, the activities and measures do not relate exclusively to the audit firm, but also often apply to the other Lines of Service within the BDO group, as top quality is at the heart of the strategy for our organisation.

In order to focus on quality in accordance with the Plan-Do-Check-Act governance model, the strategic objectives are translated into annual plans that describe the priorities based on core themes in terms of objective, intended result, actions to be taken, key performance indicators (KPIs) and the investments required.



A number of follow-up steps were taken in 2020 with regard to stepping up the quality policy and the use of quality-enhancing instruments. For instance, the BDO-wide quality policy was worked out in greater depth, which was approved and published at the beginning of 2020. With this quality policy, BDO has taken a first step towards the implementation of ISQM1 by incorporating the concept of quality objectives with related quality measures. The mission to 'deliver top quality anywhere and at any time' was further fleshed out as well. For the purposes of creating an effective quality management system, 'top quality' was defined as the sum of 'quality' (the minimum we need to do to meet our stakeholders' legitimate expectations) and 'the extra step' we can take to exceed those expectations. In formulating this definition, explicit focus was placed on the socially responsible role of BDO as a whole. The quality-oriented culture is also described in the quality policy and explained in conjunction. This has further enhanced the accessibility and awareness of the quality policy for professionals at BDO, including new colleagues.

In 2021, too, we will continue to work on a risk-oriented and cyclical quality management system, including the right allocation of duties and responsibilities within our governance structure. An important aspect remains striking the right balance between the identifiability, verifiability and reconstructibility of the PDCA quality circles at different levels on the one hand and the effectiveness and encouraging and motivating effects of that system for everyone involved on the other.

Our quality-oriented culture

The extent to which we can achieve our ambition 'to deliver top quality anywhere and at any time' depends on the people we manage to hire, their level of education and their passion and drive to do the right thing every single day and whose mission is to add certainty, for clients, for society and for the survival of the profession and the continuity of the firm. We cannot deliver quality if we do not have a sound corporate culture. Culture and conduct affect how the quality policy is enforced and the effectiveness of quality systems.

With a view to promoting a quality-oriented culture, we launched the BDO Horizon programme in 2016 to initiate and maintain a sustainable culture drive. The programme focuses on creating a climate in which top quality is vigorously promoted. To further strengthen and develop the quality-

oriented climate, the BDO Horizon programme was intensified in 2018, taking the step from improving more process-based and instrumental aspects to increasing the firm's learning capacity by focusing on learning behaviour.

Employees feel that the firm's decisions contribute to delivering top quality anywhere and at any time. The 2019 culture survey, the results of which became known at the beginning of 2020, also shows a sustainable movement compared to the previous two surveys. The results show that our people are firmly committed to delivering quality and that they know how they can contribute to quality in their day-to-day work. Our people have also said that they feel more comfortable sharing their opinions and they have a more positive opinion of managers leading by example. These were both important aspects at the start of BDO Horizon. The overall conclusion is that BDO is and will stay on the move. At the end of 2020, a new employee survey was conducted to monitor the next steps in the movement that we started.

Propagating the quality-oriented culture by management requires our partners to play a leading role. They are the exponents of our culture; their conduct is key in bringing about the change in culture. To this end, BDO also started a leadership development programme in 2019. In 2020, an evaluation was carried out of the objective and effect of the interventions achieved, in order to set about an up-to-date development of the design of the 'Leadership in Motion' programme. In doing so, we looked at the participants' energy and motivation, the impact of the change implemented and the connection with where we stand as BDO and which stretch is possible to break through patterns and become more agile. The evaluation shows that participants have great enthusiasm and that the programme is in line with their needs and wishes for learning. They tell us that the subject matter is very useful in practice, allowing them to grow as leaders. Coaching and mentoring are considered to be of great added value and the group composition offers added value. The participants also experience great solidarity and security with other participants. The current COVID-19 crisis has resulted in a delay in the next phase. We intend to resume the programme in 2021, if conditions allow.

We seek to keep challenging ourselves and identifying areas for continuous improvement. We are committed to being a learning organisation that constantly shows that it is moving forward. In this context, we are happy to engage with others.

Further implementation of our annual plan

In addition to focusing on our quality-oriented culture, in 2020 we also carried out other actions as part of the annual plan to further strengthen the BDO quality management system. The main actions are summarised below.



Quality management system of BDO Audit & Assurance B.V.

Our professionals

The quality of our statutory audits is inextricably linked to the quality of our professionals and the support we give them in their development. We are committed to creating loyalty among a sufficient number of starting assistant accountants. Despite the COVID-19 crisis, we saw an increase in the number of new employees in 2020 and were able to retain most of them. Having to work from home turned out to be a challenge to implement the mentoring process properly. By starting new initiatives such as digital daily conference calls and assigning 'buddies' to new employees in engagement teams, we have provided the best possible support.

In addition to the starting assistant accountants, specific attention was also given to mentoring professionals in the phase just before or just after their graduation as a chartered accountant. This group of professionals fulfils a crucial and pivotal role in our audit practice. They manage audit teams on the one hand and they are the first point of contact for engagement management on the other. These colleagues are given the opportunity to be mentored to help them identify their ambitions and development needs, and to provide support in achieving them.

In 2019 and early 2020, the current system of assessment, remuneration, promotion and the job structure were reviewed. This resulted in changes made to the assessment cycle in 2020 and comes with the challenge to continuously keep an eye on how policy can affect the learning organisation and how we can further stimulate the learning organisation. At the end of 2020, the changes to the assessment cycle made in 2020 evaluated as positive: 93% of employees who participated in this evaluation indicated that they had found the changes to be positive. They indicated that they had more time and space, both during the meetings and the preparations for these meetings.

The theme of 'Work pressure, time pressure and budget pressure' was also given particular attention in the 2020 annual plan. In the autumn of 2019, BDO received a visit from the Labour Inspectorate (Social Affairs and Employment Inspectorate (SZW)) who paid specific attention to the psychosocial work stress experienced by young employees within the organisation. We took the ensuing warning of the Labour Inspectorate in 2020 to heart and conducted an in-depth investigation into work pressure and detailed the deadlines for the action plan pertaining to the Risk Inventory and Evaluation (RI&E). It was decided for A&A to give priority to the following aspects from the action plan:

- ▶ inadequate scheduling and insufficient agreements with the client regarding the quality and content of the collaboration process;
- ▶ too often coaching seems to be a side task, resulting in improper performance of this task in terms of quality;
- ▶ specifically for young professionals, a large amount of work combined with fear of appearing to be vulnerable.

The 'Work pressure, time pressure and budget pressure' theme and the focus areas ensuing from the action plan were discussed during the various meetings with the Young A&A MT. We have jointly looked back on the steps we have taken in recent years and looked ahead at the steps we will be taking as an organisation. The 'Scrum in the audit' project was started in 2020, with one of its objectives to reduce the workload of employees (see also below under 'Engagement performance').

We also continue to pay full attention to mentoring, on-the-job training and engagement evaluations with employees, especially during these exceptional COVID-19 times when working remotely. In addition, we introduced 'training-on-the-vlog', laying down basic principles for the performance of certain auditing activities by means of vlogs and making them accessible.

Our clients

In 2020, we continued our engagement acceptance policy unchanged. These assessments focus on available capacity, complexity, risks (partly based on the amended policy regarding the Money Laundering and Terrorist Financing (Prevention) Act (Wwft policy)) and whether the engagement can be performed. In addition, we want new clients to be an appealing challenge and a pleasant working environment for our employees; at BDO we call this the 'fun factor'.

As a result of this policy, we refused several requests for new engagements in 2020, both within the Netherlands and from the international BDO network. As a result, we were able to accept a very limited number of new engagements from PIEs. In this context, we await with interest the bill announced for early 2021 in which an allocation policy will be regulated for companies unable to find an accountant. Of course, we are well aware of our social function of auditing the annual accounts of companies subject to a statutory audit obligation. At the same time, we have a social function to perform such audit to the best of our ability and to carefully assess in advance whether we are able to perform the audit. Any allocation of engagements is expected to have consequences for our ever careful risk assessment when accepting an engagement. At present, we are critical of the problem that this bill intends to solve and whether allocation is the most suitable solution for all cases that have this problem.

Many of our clients have been able to adapt to the current crisis situation or avail themselves of the temporary support measures. However, the differences are substantial. On the one hand, we see clients who have been hit hard in sectors such as the hospitality sector, the events and travel sectors and the physical retail sector, where some of these companies may not survive the crisis. On

the other hand, we see sectors such as business services, automation, online shops, high tech and construction that are experiencing an economic boom. We assist our clients with our knowledge and systems, paying extra attention to the clients that are having a hard time.

In 2020, we prepared and trained our professionals to audit the NOW records. To this end, we have set up a programme, a framework and tools, with the support of the Professional Practice Department, to share the knowledge of the audit protocol and the explanation of various specific terms as efficiently as possible with our practice. Almost no NOW audits were completed in 2020, partly because a number of terms in the scheme were still being discussed. Furthermore, we mostly audit the NOW records, also at the request of businesses, simultaneously with the audit of the annual accounts to the extent possible. As a result, we intend to limit the additional costs for the separate audit of the NOW records as much as possible. It has now been announced that the deadline for submitting the NOW-1 records has been postponed to 31 October 2021. This in any event meets the expectations and concerns expressed by the sector that the earlier date of 30 June 2021 will in any event not be possible. In 2021 we will continue to do our utmost to help our clients get through these difficult times.

Performance of the engagements

Within the Audit & Assurance LoS, major steps have been taken in recent years to achieve top quality. For example, we established a structural approach aimed at changing culture and conduct to improve the quality of statutory audits.

In 2020, the next step was taken in the quality-oriented development aimed at improving the effectiveness of auditing activities and better managing project-based working in teams. By working more efficiently and effectively, the audit objectives can be better achieved, for example by making and documenting more selective choices or by using technology or the Delivery Center on a larger scale. This development is necessary because the size of our audit clients continues to increase. More extensive engagements require different and better project management. That is why in 2020, in line with existing programmes (e.g. Horizon and Leadership in Motion), we launched the new 'Scrum in the audit' programme in which the basic principles of the Scrum Framework and agile working are applied in the performance of the audit engagements. In addition to increasing the effectiveness of the audit, we hope that this will also reduce the workload of our employees and increase customer satisfaction. We continue this theme in the structure of the training programme for 2021.

Innovation

We use the most modern technology and innovations to achieve our goals and will continue to innovate and make a digital transformation together with clients, stakeholders and market players. We are working to enhance our innovative strength by innovating the existing audit process and by implementing new IT applications. We have succeeded in setting up an organisation that provides us with a good basis to work on IT innovation in a structured manner. In our Center for the Audit of Tomorrow (CAT), we are constantly seeking ways of enriching and renewing the audit process, driven by data and based on new technology. In this effort, we collaborate with and use initiatives from BDO International.

When performing audit engagements, we use the Audit Process Tool (APT) developed by BDO International, which is used worldwide for all audit engagements. A shell has been built around this cloud application which we have used to develop a dashboard for monitoring quality indicators for regional practices. The first version of this dashboard was put into operation in the autumn of 2020 and made available for our practice. This dashboard will see further development in the coming years.

In 2019, we implemented a robotics solution in which routine auditing activities are performed entirely automatically and documented using artificial intelligence (AI). This successful application of AI was further developed in 2020 to robotize as much routine work as possible. Our clients have also been given access to this secure environment, so that the particulars and deviations identified are immediately known to the audited company and can be investigated.

Finally, we will continue to explore the use of data analysis, which we conduct in almost every engagement. We are able to access and analyse large data files using dashboards for specific industries that we have developed ourselves. The audit teams are assisted in this respect by a team of data analysts.

External developments

In March 2020, the Dutch Ministry of Finance responded to the final report by the Commission on the Future of Accountancy Sector (Dutch acronym: CTA) by appointing two quartermasters. These quartermasters were instructed to monitor and promote the progress and coherence of the improvement measures announced by the Ministry for the accountancy sector and to implement a number of specific measures.

One of these measures is to draw up a set of audit quality indicators (AQIs) to make the quality of statutory audits more transparent and comparable. The quartermasters are expected to submit a proposal to the sector for the purpose of consultation by the summer of 2021, so that a final set of AQIs can be published in the autumn of 2021. We will of course fully cooperate in this project and implement it.

Another important social theme is the focus on fraud and corruption. In 2020, the AFM conducted an exploratory (themed) investigation into the management of corruption risks. The AFM has established that in its policy, BDO systematically devotes attention to the risk of BDO's audit clients becoming involved in domestic and foreign corruption, as part of a broader quality policy. The policy also contains measures to control these risks. The AFM expects BDO to evaluate and reflect on the AFM's observations, considering the extent to which these observations lead to an adjustment to the quality control system. We consider these observations to be constructive and valuable in the process of achieving further quality improvements.

Lastly, we contributed to several scientific studies conducted under the supervision of the Foundation for Auditing Research (FAR). We provided both general audit data and audit teams, along with anonymised data from our audit files. In addition, several BDO employees participated in studies by completing surveys. The FAR focuses on expanding the knowledge of high-quality auditing and on improving audit processes in a lasting way. The FAR pursues these objectives by conducting academic research into the drivers of audit quality, by collaborating with other research institutes internationally and by sharing findings through research conferences and master classes.

Outlook for 2021

In 2021, we will start the new 2021-2025 strategy period. Our mission 'To add certainty to organisations, entrepreneurs and society by delivering top quality anywhere and at any time' keeps us on course. This is where our relevance lies, both now and in the future. Clients want to be able to hold their own in a rapidly changing world with a changeable labour market. Adding certainty contributes to that trust. Our clients expect BDO to limit or control the risks of doing business or conducting management, for example by auditing the annual accounts, advising on legal or tax issues, performing due diligence in a takeover or by investigating the integrity of data and systems.

We are proud of where we stand as an organisation and what has been achieved under the direction of our predecessors in the past strategy period. As the new board, we want to ensure that BDO remains relevant in a changing world and we are committed to providing innovative and sustainable services. This calls for balance between steering a steady course on the one hand and having the capacity to respond quickly to outside changes on the other. To strike this balance, we need to see where we are now and to have a look from the outside in. This allows us to monitor relevant developments both in BDO and elsewhere, not only in products, services and processes, but also in the public perception of our profession. We provide input to the quartermasters on how we can further increase public confidence in the auditors.

2021 will again be dominated by COVID-19, albeit that there is now some light at the end of the tunnel. The roll-out of vaccinations among vulnerable groups is in full swing, with the rest of the Dutch population to follow within a few months; there is now the prospect of going back to normal in the second half of 2021. We see that there is a need for perspective and that we like to see each other in the flesh again.

Thanks to the solidarity, flexibility and tremendous commitment of our employees, we managed to overcome the challenges in 2020 and to safeguard the continuity and quality of our services. Our people form the basis of this success and the confidence we have in them means that we look forward to 2021 with confidence, despite the challenging circumstances.

Eindhoven, 22 April 2021

BDO Audit & Assurance B.V. Board of Directors

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

Audit & Assurance Management Team

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





2. Report of the Supervisory Board

2020 was the fourth full year in which BDO had a Supervisory Board. Our role is to supervise the Board of Directors and BDO's general management. This supervision extends to the audit and advisory practices, and the synergies and challenges that come with the coexistence of these practices within BDO. As a result, our duties and responsibilities cover firm-wide aspects. We supervise the policies pursued by the Board of Directors, particularly when it comes to achieving the firm's objectives, the strategy and the risks associated with the business activities, the risk management and internal control systems, and financial reporting.

In addition to exercising supervision and our role as employer of the directors, the Supervisory Board also has an advisory role. In this role, we act as a sparring partner to the Board of Directors when considering the development and implementation of policy in key areas and major projects or investments. Experience, expertise and competencies gained by members of the Supervisory Board in other sectors help to offer the Board of Directors a broader perspective and new insights. The roles and responsibilities of the Supervisory Board have been formalised in BDO's Articles of Association and in the Rules of Procedure for the Supervisory Board, with due observance of the amendments that have been made to the Dutch Audit Firms (Supervision) Act.

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

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

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

This report describes how in 2020 we supervised the BDO Board of Directors and the general situation at BDO in the reporting period.

Developments in 2020

2020 was dominated by the developments resulting from the COVID-19 crisis. As a result, BDO, too, had to reprioritise its objectives, in which we identified 'the continuity' of BDO as the first priority. We note that BDO's policymakers were extremely flexible, decisive and communicative in fulfilling their role in circumstances that were unprecedented for them too. This and other factors led to everyone at BDO giving their loyal support. We have seen much resilience and flexibility in the organisation, both as far as processes are concerned and in terms of providing support to clients in navigating the crisis.

At the end of FY 2020, the financial impact of the COVID-19 virus proved to be unexpectedly limited. Ultimately, in large part due to substantial cost savings, the results have been very positive. The services were continued virtually without a hitch and BDO successfully started working remotely.

Another important development in 2020 was the appointment of Leon Jansen as a member of the Board of Directors in the position of CFO/COO with effect from 1 September 2020. We are pleased to note that he and the members of the Board of Directors who were nominated at the end of 2019 and appointed with effect from 1 January 2021 have vigorously started preparing for their new positions. A new strategic plan for the period 2021-2025 has been drawn up with due care. In the second half of 2020, the Board of Directors in office gradually transferred their duties to the future board at the time. We monitored the induction programme and the transfer of the administrative duties. We believe that the new Board of Directors is ready to responsibly manage the entire BDO organisation. The members in office at the time properly assisted in this transfer. We would like to thank Dick den Braber and Erik Peeters for all their work for BDO and the manner in which they collaborated in our success.

We also would like to thank Dorine Burmanje and Paul Thijssen, who resigned from the Supervisory Board in 2020. We are very grateful to them for their contribution in the past few years to internal supervision at BDO, in particular in their role as members of the Remuneration and Appointment Committee. We were appointed as current members of the Supervisory Board to a new term of four years starting 1 May 2020. The departure of the two members in 2020 has meant a temporary increase in the efforts required on our part during 2020 and part of 2021. The explicit recommendations by the Commission on the Future of Accountancy Sector regarding the positioning, as well as the duties and powers of the Supervisory Board, made us decide to await the forthcoming legislation and to perform the supervisory duties with three members for the time being. It has now been decided not to wait for this legislation any longer, and it was decided after the summer of 2020 to establish a nomination committee tasked with assessing candidates' suitability for appointment as a Supervisory Board member, taking into account the profile drawn up by the Supervisory Board, and to nominate suitable candidates for such an appointment. The Nomination Committee is initially focussing on a new candidate chair of the Supervisory Board, as the current chair will resign in 2021, based on the retirement schedule. We will then look for candidates for the two other vacancies. We expect to have the Supervisory Board back at full strength in Q3 of 2021.

Key themes and decisions in 2020

In the reporting period 2020, in the performance of supervision, in addition to the focus on the continuity of BDO as a whole and the administrative continuity of BDO, attention was specifically devoted to a number of important themes related to the strategic objectives for 2020:

1. Strategy and long-term value creation

We advise the Board of Directors on the firm's long-term vision and strategy and monitor the transposition of strategy into concrete policy. In 2020, the Board of Directors asked for our input in developing the 2021-2025 strategy and the annual plans for 2021. In June 2020, a strategy session was held with the Board of Directors during which the strategy document and the themes addressed therein were discussed at length. In this context, specific consideration was given to the process of involving the various stakeholders in the development of the strategy, and we are satisfied with how this took place. We are pleased to see that external stakeholders are also involved in this effort and that the Board of Directors intends to initiate a structural, outside stakeholder dialogue in 2021. As the Supervisory Board, we monitor the continuous safeguarding of BDO's strategic plans and stakeholder confidence, aimed at creating long-term value.

In addition, 2020 marked the end of the 2016-2020 strategic period. In the context of the 2021-2025 strategic period, the 2016-2020 strategic period was evaluated, and the objectives that have been achieved and which points still need further attention during the new strategic period were determined. We have established that during the 2016-2020 strategic period, the policymakers worked with great ambition and effort to achieve the objectives laid down in the strategic plan. Major steps have unmistakably been taken in many areas, including with regard to objectives relating to quality, conduct and culture, leadership, client service concepts, further digitisation and innovation.

2. Quality and social relevance

As the Supervisory Board, we encourage and monitor quality improvements in the organisation. A key aspect of the BDO strategy is the pursuit of increased quality. BDO has put this at the heart of its mission: 'delivering top quality anywhere and at any time'. In 2020, we placed particular focus on updating the quality manual of the audit firm and integrating it into the BDO Quality Policy, which we approved in early 2021.

At the same time, we became more aware of the fact that strategic quality objectives are often never fully achieved, mainly due to changing social views. The term "quality" is a dynamic concept that constantly requires an adjustment of the objectives formulated. We continue to emphasise the importance of a quality-oriented culture, not only in the audit practice, but BDO-wide. This will remain an important aspect in our supervision and we will continue to encourage and support Board of Directors initiatives aimed at promoting such a culture. We are confident that BDO's client services will benefit from a quality-oriented culture in the medium and long term.

As part of our monitoring, we consulted with the Board of Directors on how to better monitor developments in quality during the year. It was decided to initiate regular dialogue with a delegation from the Quality Council to discuss the developments in BDO-wide quality management. Further to this dialogue, we will also consider whether the current written reports meet our requirements.

In addition, an Internal Audit Officer was appointed early 2021 who will focus on internal control at BDO and review how it is structured and functions. Based on his findings, the Internal Audit Officer will make recommendations aimed at enhancing BDO's efficient and effective internal control.

In the context of quality monitoring, in 2020 we discussed the evaluation of the monitoring instruments used in the audit and assurance practice with the policymakers of BDO Audit & Assurance B.V. Following this evaluation, it was decided to change the scope of the review programme for 2020. This changed scope is aimed at emphasising other aspects of the audit, so that we obtain information other than the information that followed from assessments in previous years. We do so in the context of the learning organisation in which BDO continuously reflects on the quality delivered, to learn from successes and mistakes, and to ensure continuous quality improvement. In our role, we monitor how the PDCA quality cycle is fleshed out.

Together with the Board of Directors, we also explicitly look at the external social developments and the expectations that outside stakeholders have of BDO's services. In society, business service providers, and audit firms in particular, are closely scrutinised. Not only is the quality of the services provided and the related service process under scrutiny, but also increasingly the organisation as a whole.

As instructed by the Dutch Ministry of Finance, the Committee on the Future of the Accountancy Sector (Dutch acronym: CTA) investigated in 2019 how to sustainably improve the quality of statutory audits, what policy or legislative changes would be advisable to achieve this and whether those changes would be legally feasible. In 2020, the findings and recommendations of the Monitoring Committee Accountancy (MCA) and the Commission on the Future of Accountancy Sector (CTA) were published. Based on an analysis of these findings and recommendations, we discussed their possible impact on BDO with the Board of Directors. A draft bill is expected to be publicly consulted in 2021 and we will continue to discuss it. We are pleased to see that BDO is actively involved in the working groups set up by the quartermasters that support them in formulating proposals to drive the quality improvement in the entire accountancy sector.

3. Culture and conduct

An audit firm cannot deliver quality if it does not have a sound corporate culture. In 2020, the BDO Horizon programme, which was launched in 2016, was evaluated. This is in the context of the new strategy for 2021-2025. We are pleased to note that BDO Horizon will play an important role in the new strategy in the next few years as a central programme that supports the realisation of the strategy for 2021-2025 and the culture that BDO aims to implement in this context. We consider such a programme to be a key element, because culture and conduct strongly affect how quality policy is enforced and the effectiveness of quality systems. We also endorse the fact that BDO

Horizon creates a link with the programmes that contribute to culture and conduct, such as the Leadership in Motion and Diversity & Inclusion programmes. This way, the organisation moves as one, with the various programmes keeping their own focus area.

We hope that this will give the Leadership in Motion programme a boost, as it had largely come to a standstill in 2020 because of the COVID-19 crisis. Leadership development is an important driving force for the desired cultural change.

What is more, the diversity programme also contributes to the quality culture that BDO aspires to. Greater diversity leads to more diverse competencies and perspectives, boosting innovation. Considerable steps were taken in 2020 in the area of promoting diversity, including the development of a parental programme, activities related to the women's network and the signing of the Charter of the Talent to the Top Foundation. We very much hope that BDO will reach the target of 20% women in senior positions by 2025. As the Supervisory Board, we will closely and critically monitor developments in this area. It is a regular item on the agenda of the meetings between the Remuneration and Appointment Committee and the Board of Directors.

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

4. Transformation

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

However, this transformation does require the effort of the people at BDO. BDO's distinctive character lies in the combination of technology and people. The people are the life-blood of the organisation. In view of the many challenges facing HR, including a challenging labour market, in filling Supervisory Board vacancies, we also want to look at strengthening HR knowledge to also bring the Remuneration and Appointment Committee to full strength again.

In 2020, we also monitored developments in the new ERP system known as 'BDO Base'. Part of this programme will not be going live at this time due to the COVID-19 crisis. We understand that introducing a new system is too much of a challenge in these circumstances. However, we do see that work on the technical aspects and the implementation of the training programme continued undiminished. We are regularly informed of the progress and will continue to monitor this, with a specific look at what this means for the progress of a number of processes that depend on this programme going live.

2020 also saw the launch of the development of a separate business unit, BDO Digital, positioned with effect from 1 January 2021. This unit supports the strategic direction for BDO's further growth as a data-driven firm. The objective is a BDO-wide bundling of digital knowledge, skills and resources to optimally support the ambitions of the Markets from the market segments and the LoS and to optimise the return from technology investments. In addition, clients are offered technology-driven consultancy services, as a one-off advisory engagement or managed service in subscription form. With such developments, BDO is working on future-proof business operations with greater effectiveness and more opportunities for innovation.

Other issues

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

- ▶ status of internal and external quality controls;
- ▶ status of the actions within the scope of the Board of Directors' Annual Plan for 2020;
- ▶ financial performance (actual and estimated);
- ▶ management information and non-financial KPIs;
- ▶ QRM quarterly reports (updates on independence, claims, risk management, regulations, etc.);
- ▶ assessment of strategic risks;
- ▶ claims and risks;
- ▶ Information Security & Privacy;
- ▶ exit monitoring of partners and staff in key positions;
- ▶ monitoring of compliance with key policies and processes;
- ▶ evaluation of policymakers' remuneration policy;
- ▶ the assessment of the policymakers;
- ▶ remuneration policy for partners and employees;
- ▶ assessment and remuneration of assurance partners;
- ▶ termination of management agreements with equity partners;
- ▶ assessment of Compliance Officer and QRM annual report.

Decisions taken by Supervisory Board

Formal decisions taken during meetings of the Supervisory Board included:

- ▶ approval of integrated annual report, including the 2019 annual accounts;
- ▶ approval of the transparency report for 2019;
- ▶ appointment of auditor for the audit of the 2020 annual accounts;
- ▶ modification of the position of specific annexes to the Supervisory Board's profile;
- ▶ nomination to appoint a CFO/COO;
- ▶ approval of the budget for 2021;
- ▶ setting of the level of variable remuneration for members of the Board of Directors and the Head of Audit for 2019;
- ▶ approval of policy for external inspections involving policy-makers;
- ▶ approval of nomination of independent external auditors;
- ▶ approval of assessment and remuneration of compliance officer.

Meetings and attendance of members of Supervisory Board

The Supervisory Board met five (5) times in a formal setting in 2020, first with only the members of the Supervisory Board in attendance and then with the members of the Board of Directors joining. The Head of Audit is present at these meetings and the agenda items relating to BDO Audit & Assurance B.V. and interactions with the AFM and professional associations are discussed with him in particular. The entire Supervisory Board was present at all meetings.

In addition to these meetings, the Supervisory Board and the Board of Directors held many various informal sessions and conference calls. In addition, meetings were held with the Works Council and there were meetings with partners. These meetings provide the Supervisory Board with important input and help it to perform its role within BDO as well as possible.

Other activities

The Supervisory Board has two standing committees: the Audit Committee and the Remuneration & Appointment Committee. These committees have an advisory role within the Supervisory Board and have been instituted by, and are made up of, members of the Supervisory Board. No separate committee has been appointed for monitoring the public interest; we see this as a mission for the entire Supervisory Board.

The Audit Committee focuses on finance and accountability, information security & privacy, internal and external audits, and risks. This Committee reviews the budget and the integrated annual report, including the annual accounts. The Audit Committee meets regularly with the persons responsible for the internal audit, risk management and finance, and holds annual meetings with the independent

external auditor to discuss the audit plan, the audit approach, the audit report and the management letter. This Committee met twice in 2020. The attendance rate for both members was 100%.

The Remuneration & Appointment Committee makes proposals for the remuneration of BDO policy-makers. It supervises the appointment process and the nomination of new members of the Board of Directors for the Supervisory Board. This Committee also supervises the effectiveness of the performance management system and the appointment process of new partners in the Audit & Assurance practice. All aspects involving employee development and satisfaction in relation to the quality policy were discussed in 2020 as well.

In view of the resignation of the two members of the Remuneration and Appointment Committee, it was decided in 2020 to discuss the subjects that are normally on the agenda of the meetings of this committee during the regular meetings involving the Supervisory Board and the Board of Directors.

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

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

Self-assessment of Supervisory Board

Each year, we evaluate both our collective performance and that of the individual members. In January 2020, the Supervisory Board performed a self-assessment based on experiences in 2019. As part of this self-assessment, all members of the Supervisory Board completed a questionnaire, after which the chair of the Supervisory Board grouped these five questionnaires together in an overall summary. On 30 January 2020, this self-assessment was completed with a meeting of the Supervisory Board, during which the overall summary was discussed. The 2019 Transparency Report contains a brief summary of the conclusions and findings from this self-assessment as part of the Report of the Supervisory Board.

Overall, the Supervisory Board believes that its performance in terms of its standard supervision and the exercise of its powers was satisfactory. That said, there are issues that require more attention or deserve to be prioritised. A specific aspect that was discussed was the composition of the Supervisory Board and that we attach value to a five-member Supervisory Board, so as to allow for a balanced division of duties and having two members available for each committee. As indicated in this report,

at this time priority is given to the details of the chair of the Supervisory Board's position. The need for more legal support from the Board has also been considered. By filling the vacancy of the general counsel at BDO, we expect this to be fleshed out in more detail.

We also want to deepen the relationship with important internal stakeholders, in particular the equity partners, by communicating more with this group and providing them with more specific information during the year about how the Supervisory Board performs its supervisory role.

Remuneration of members of Supervisory Board

The members of the Supervisory Board receive a fee, which has been set by the Meeting of Participants. For details on our remuneration, we refer to the 2020 annual accounts.

Performance assessment and remuneration of members of Board of Directors

We also conducted performance assessment interviews with the members of the Board of Directors in late 2020. In these interviews, we discussed whether the objectives for 2020 were achieved. The basis for these interviews was the agreements made with the Board of Directors. On this basis, we set the variable remuneration for 2020 of the day-to-day policy-makers of the accountancy firm and/or the hierarchically highest-ranking body, including the members of the Board of Directors, in early 2021.

Independence

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

In 2020, a number of conditions were laid down to guarantee that a member of the Supervisory Board is independent of the BDO organisation. This requires the members of the Supervisory Board to take the necessary measures to prevent them from having a financial stake or maintaining relationships that are prohibited or limited under the independence regulations. These conditions have led to changes in the quality policy (policy rules on Supervisory Board independence) and will also be included in the Supervisory Board's regulations.

At the end of 2020, all members of the Supervisory Board qualified as independent in accordance with the aforementioned rules and regulations.

Training

In 2020, given the developments surrounding COVID-19 and the increased efforts requested from the three members of the Supervisory Board to cover the duties of the departed members, no specific training was given. Details on how the Fraud theme will be deepened will now be given in 2021.

Transparency Report

BDO's policymakers have discussed the Transparency Report 2020 with us. In our opinion, the report and its tone are in line with our impression of the past year and accurately reflect the relevant issues and developments that were presented to us in the past year and that we have monitored.

In summary

We are pleased to note that BDO managed to properly continue its work despite the challenging times. Within a short period of time, a COVID-19 policy was drawn up in which the health and safety of employees, clients and suppliers were paramount. The right conditions for working from home were created for BDO employees to properly continue their work and to support clients in the challenges they were facing. Various initiatives created a great sense of being connected, which helped to get through this challenging year 2020. In addition to strict cost management, BDO was able to close the financial year with good results because of this interconnectedness, effort and adaptability.

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

Outlook

COVID-19 will continue to have a lasting economic impact in 2021. Both the public and private sectors are starting to feel the impact of the pandemic and the financial impact is increasingly felt by both individuals and the business community. The crisis also had a major effect on the development of younger generations. In addition to the development gap, the crisis also deeply affects people's social lives and their mental state of mind. These are developments for which we cannot fully oversee the effect at this time. Consumer and business confidence have been undermined and the recovery of some sectors will take longer than others. Such uncertainty will undoubtedly continue to have an impact on BDO's clients and thus also on the services provided by the Lines of Service. Given how resilient BDO and its employees have been in getting through the crisis over the past year, we are confident that the BDO organisation will be able to cope with the challenges ahead of us, also seeing how well we cope with change. As the Supervisory Board, we not only see challenges, but certainly also opportunities to further increase the agility of the organisation. We will support and encourage the new BDO Board of Directors to increase our agility, supported by a solid foundation and outlook offered by the new 2021-2025 strategy.

Eindhoven, 22 April 2021

Supervisory Board

- ▶ A.P.H. (Ton) Rutgrink, chair
- ▶ B.J.M. (Bernadette) Langius, deputy-chair
- ▶ D.J. (Dennis) Raithel

The Supervisory Board comprises the following persons:

- ▶ **TON RUTGRINK** (1947) is chairman of the Supervisory Board. He was previously a partner in BDO's audit practice and chair of the BDO board from 1997 to 2004. From 2007 to 2016, he chaired the Board for the Restructuring of Care Institutions [College sanering zorginstellingen]. Rutgrink attended all meetings of the board in 2020. With effect from 1 May 2020, he was reappointed for a term of four years. Based on the retirement schedule, he will resign in 2021 as chairman and member of the Supervisory Board.
- ▶ **BERNADETTE LANGIUS** (1960) is vice-chair of the Supervisory Board and chairs the Audit Committee. She is also a director of Dutch Venture Initiative I and II and is a member of the supervisory board of Global Collect, IBM Netherlands and Van Lanschot Bankiers. Langius attended all meetings of the board and the Audit Committee in 2020. With effect from 1 May 2020, she was reappointed for a term of four years.
- ▶ **DENNIS RAITHEL** (1967) is a member of the Supervisory Board and a member of the Audit Committee. He was also chairman of the board of Bank ten Cate & Cie until 1 September 2020. Raithel attended all meetings of the board and the Audit Committee in 2020. With effect from 1 May 2020, he was reappointed for a term of four years.



3. Quality in 2020

In this chapter, we describe the most relevant state of affairs and developments for FY 2020 as regards our vision of quality and our quality management system, partly based on quality indicators. This chapter also contains a description of the external supervision of our organisation performed in 2020 by external supervisory bodies such as the AFM. Lastly, this chapter contains the required statements of policymakers regarding the effective functioning of the internal quality management system, the internal assessment of compliance with the independence requirements and compliance with the policy on continuing education of our partners and employees.

A full description of the quality management system applicable at BDO Audit & Assurance B.V. in 2020 can be found [here](#).

Quality and quality management

In order to achieve further quality improvements, we are constantly working to further clarify what we mean by (top) quality (the quality standard) and improving the knowledge and associated fundamentally critical attitude of the professional. The organisation also creates the right preconditions for delivering quality. In 2020, the revised quality policy for the entire BDO group in the Netherlands, the BDO Quality Policy, was implemented. The policy describes what BDO means by quality (see box on the next page) and our ambition to deliver top quality anywhere and at any time. The BDO Quality Policy also outlines the BDO quality management system, in which we anticipate the new *International Standard on Quality Management 1 (ISQM 1)*, as published by the IAASB in December 2020. The quality policy and the quality management system as applicable at BDO A&A align with and are a further addition to the overarching BDO Quality Policy and BDO quality management system.

Quality management system

We describe the most relevant developments in our quality management system in 2020 using the following components:

WHAT DO WE MEAN BY QUALITY?

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

...IN CONTINUITY

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

...FOR ALL TYPES OF SERVICES

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

...WITHIN THE APPLICABLE RULES AND REGULATIONS

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

...MEETING EXPECTATIONS

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

...OUR KEY STAKEHOLDERS

In order to deliver top quality, we meet at least the expectations of our key stakeholders. Stakeholders are individuals, groups or organisations that have an interest in our services or are affected by their results. Our audit clients are our most direct stakeholders, but not by definition our key stakeholders. They are our principals and pay for our services. We deliver quality by meeting their legitimate expectations. In making quality considerations, we primarily consider the public interest if this were to deviate from the client's interests. In addition to our clients, there are other stakeholders who have legitimate expectations of our services: key stakeholders of our client, society (for example, citizens, government, politicians and the media), BDO professionals and professional colleagues.

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

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

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

...EXCEED THOSE EXPECTATIONS WHEREVER POSSIBLE

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

In the process, our work and conduct are always guided by our core values described in the BDO Company Code which outlines our beliefs and our DNA; the aspects that set us apart and make us successful. Our core values show how we translate our ambition to deliver top quality anywhere and at any time into concrete actions. They guide us in our day-to-day dealings. We hold each other accountable for observing the Code and we expect our stakeholders to do the same.

ORGANISATIONAL STRUCTURE

Meeting of Depositary Receipt Holders

As at 31 December 2020, BDO had 73 holders of depositary receipts (2019: 77) of which 30 are external auditors (2019: 34), who work for BDO Audit & Assurance B.V.

Board of Directors

On 31 December 2020, the Board of Directors consisted of the following persons:

- ▶ A.D. (Dick) den Braber (CEO, chair)
- ▶ H.P.W.M. (Erik) Peeters (CQO)
- ▶ L.M. (Leon) Jansen (COO/CFO)
- ▶ J.H. (Hans) Renckens (titular member, Head of Audit)

Leon Jansen joined the Board of Directors on 1 September 2020 in the position of COO/CFO. R.C.M. (René) Nelis and M.A. (Maurice) de Kleer joined the Board of Directors on 1 January 2021 in the position of CEO/chairman and CQO, respectively. They replaced Dick den Braber and Erik Peeters who resigned from the Board of Directors on the same date.

Supervisory Board

On 31 December 2020, the Supervisory Board consisted of the following persons:

- ▶ A.P.H. (Ton) Rutgrink (chair)
- ▶ B.J.M. (Bernadette) Langius (deputy-chair)
- ▶ D.J. (Dennis) Raithel

In 2020, Th.A.J. (Dorine) Burmanje and P.A.M. (Paul) Thijssen resigned from the Supervisory Board. Their term of appointment expired on 1 May 2020 and they did not make themselves eligible for reappointment. In view of the proposed end of the chairman's term of office in April 2021 and awaiting the developments in response to the MCA and the CTA reports and the Cabinet's response to said reports, the process of filling the forthcoming chairman vacancy began in the second half of 2020.

Audit & Assurance Management Team

On 31 December 2020, the Audit & Assurance Management Team (A&A MT) consisted of the following persons:

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

Pascal Belfroid joined the A&A MT on 3 July 2020. In doing so, he succeeded Leon Jansen, who joined the Board of Directors on 1 September. Hans Renckens' term of appointment expires on 31 December 2021, after which he is, in principle, not eligible for reappointment. Marcel Mans' term of appointment has been extended to October 2023.

Quality Council

The Quality Council is a consultative body that serves as a sounding board to the Board of Directors and supports it in (fulfilling its responsibilities with regard to) the planning, implementation, evaluation and adjustment of quality management. The Quality Council met nine times in 2020 and discussed topics including the revised BDO Quality Policy, quality-oriented culture, governance and management, quality indicators (*Audit Quality Indicators*) and external developments and reports (e.g. MCA, CTA, AFM, FRC).

Young A&A MT

The Young A&A MT is an advisory body for the A&A MT consisting of six young BDO employees from the A&A practice. In 2020, the A&A MT discussed such matters as the impact of the COVID-19 crisis, the progress of the 2020 A&A Annual Plan and the contents of the 2021 A&A Annual Plan, improving the effectiveness of auditing activities, better managing project-based work in teams, the BDO Quality Policy and quality-oriented culture, IT and innovation, professional development, training and workload.

Key figures for BDO network international

TOTAL REVENUE WORLDWIDE*	2020	2019
Revenue (amounts in € millions)	9,200	8,500
<i>Service lines share:</i>		
Audit & Assurance	42%	42%
Business Services & Outsourcing	15%	15%
Tax	22%	21%
Advisory	21%	21%

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

BDO's total revenue generated by statutory audits of annual financial statements and consolidated financial statements in the EU/EEA is approximately EUR 785 million (2019: EUR 664 million). We note in this respect that the various Member Firms have differences in financial years. The amount included above is based on the most recently closed financial year. For countries using a currency other than the euro, the average exchange rate for the reporting period was used. The countries and offices in the EU/EEA are listed out in [Annex B](#).

Other key figures for BDO network international

SPREAD	2020	2019
Country presence	167	167
Number of offices	1,658	1,617

STAFF BASE	2020	2019
Partners	6,929	6,738
Professionals	71,046	68,539
Support staff	13,079	12,843
Total number of employees	91,054	88,120



CULTURE AND LEADERSHIP

In order to be able to provide further guidance on aspects of the quality climate that either require or desire improvement, we regularly conduct culture surveys. In early 2020, the results of the culture survey taken in late 2019 revealed that we are again clearly moving towards the desired quality-oriented culture. The culture survey also shows progress on all eleven points formulated at the start of BDO Horizon in 2016. This means that BDO is and will stay on the move. At the same time, the survey also shows a number of points for improvement, for example with regard to learning from mistakes, providing feedback and adequately planning engagements.

Partly in response to the results of the culture survey, it was decided to give the various BDO Horizon activities a boost in 2020 and incorporate the leadership programme 'Leadership in Motion'. Learning ability is one of the major influencers and predictors for the degree of quality-oriented thinking and acting at BDO. It is considered to be one of the most important prerequisites for long-term success. The world outside of BDO is changing fast, both in social, economic and technological terms. As a result, adaptive challenges have become commonplace, requiring BDO to be agile. The COVID-19 crisis is a current and invasive example of this. In order to promote learning behaviour in the workplace, activities related to change are actually performed close to the workplace. The emphasis is on elements such as giving and receiving feedback, experimenting, daring to make mistakes, giving assistance, asking for assistance, acting with integrity and celebrating successes.

In shaping initiatives aimed at culture change, BDO is inspired by, among other things, the scientific literature on the culture of audit firms. That literature provides insight into the way in which a quality-oriented culture is created and changes, how this is influenced by leadership style and tone at the top, and how the various elements in the organisational context must be 'configured' correctly in order to be effective in cohesion. In addition, BDO actively contributes to the further development of such scientific insights by participating in cultural and other studies performed by the Foundation for Auditing Research (FAR).

Late 2020, the biennial employee survey was conducted to hear from BDO employees how they experience the preconditions and the climate needed to get the best out of themselves every day and to help colleagues and clients. The themes discussed in the survey include vitality, culture and leadership, employment conditions and BDO in general.

OUR PEOPLE

Formation

In 2020, the average number of partners, (senior) managers and other team members employed by or affiliated with BDO A&A increased by 5% to 877 (2019: 835). The increase was evenly divided across the three groups; the ratios remained the same.

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

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

2019	Partners	(Sr.) Managers	Other	Total
Number	69	148	618	835
Ratio (% of total)	8%	18%	74%	100%

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

Although there are always vacancies at the job level of experienced (assistant) accountants, the labour market for these professionals is so tight that it seems unrealistic to fill these vacancies through lateral entry. As in the previous years, in 2020 we therefore focused mainly on recruiting starters and retaining our current (experienced) assistants.

The average number of years of experience at BDO rose by 4% to 5.2 years (2019: 5.0). On average, partners and (senior) managers in particular had been employed by BDO in 2020 longer than in 2019.

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

	2020	2019
Partners	15.9	14.4
(Senior) Managers	9.9	9.6
Other	2.9	2.8
Average	5.2	5.0

The total staff turnover fell again compared to last year, to 12.7% (2019: 15.0%). Staff turnover fell among partners, (senior) managers, and other team members. Retaining more experienced professionals does remain a continuous challenge.

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

	2020	2019
Partners	0.0%	2.9%
(Senior) Managers	14.3%	19.7%
Other	13.6%	15.2%
Total	12.7%	15.0%

Traditionally, the number of professionals leaving shortly after obtaining their RA title is relatively high. However, these professionals are essential for the quality of service to clients and the training and mentoring of less experienced professionals and starters. The 'Shape your career' mentoring process, which commenced in 2019 and was specifically aimed at these employees obtaining their title, was positively evaluated in 2020 and continued with a new crop of participants. This process helps these professionals to take their time to formulate their individual future prospects and corresponding plan under the guidance of a mentor, facilitated by the Practice Leader and inspired by FranklinCovey's '7 Habits of Highly Effective People'.

In early 2020, BDO signed the Talent to the Top Charter (TttT) and committed itself to, among other things, reaching the target of at least twenty percent women at the top (which translates to at least twenty percent female audit partners within three to five years), the development of a strategy to achieve this ambition and annual reporting of our progress on a number of clear key performance indicators. In 2020, an inventory was made of how female professionals are assessed in the strategic personnel planning (SPP) and how they are helped in their development. In the next few years, we will explore the preconditions needed to allow female talent to develop faster than what we are now seeing on average. We will do so, for example, by being more open to the wishes of female talent and the challenges they face.

Development and continuing education

We continuously invest in the knowledge and skills of our professionals. The total number of hours spent on training and education rose by 11.8% to 179,418 hours (2019: 160,495) The average number of hours spent by our professionals on training and education in 2020 rose to 215.7 (2019: 204.5).

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

	2020	2019
Partners	64.8	83.3
(Senior) Managers	87.5	92.3
Other	261.1	244.5
Total	215.7	204.5

Due to the necessary COVID-19 measures, most training and education courses could not take place in their usual form and at their usual location. Professionals have nevertheless been able to take sufficient training and education courses in modified form and often remotely, such as mandatory e-learning on the Wwft and the independence rules, the Summer School and Summer Course, professional meetings, training on control methodology, webinars about COVID-19 and the NOW regulations and making the mandatory Knowledge Test of the Netherlands Institute of Chartered Accountants (NBA). In order to improve the effectiveness of the auditing activities and better managing project-based working in teams, the Professional Practice Department (PPD) has organised courses that focus on gaining more and better knowledge of the client and its processes, which can be used to make a better risk assessment so as to achieve a more effective audit approach.

Within the RIVM guidelines and the office policy based on it, we have facilitated the starters to be mentored by their immediate co-workers at the office as much as possible.

Mentoring was further strengthened in 2020 by focusing on the GROW model in mentoring conversations: focus on the future (*goal*), focus on the present (*reality*), focus on the possibilities (*options*) and focus on actions (*will*).

In 2020, the scheme for gaining work experience within a position aimed at quality or professional development prior to the appointment as partner was modified. The old scheme was primarily aimed at senior managers in the partner career path and on achieving a minimum number of standard hours. The new Professional Development Program (PDP) is available to all managers and senior managers seeking to enrich themselves professionally. The PDP uses individual learning objectives and a mentor who monitors the qualitative progress of achieving those objectives. Upon completion of the PDP, the participant will receive a certificate. This certificate is one of the requirements to be appointed as a partner.

The QRM department monitors compliance with the Further Rules for Continuing Education (FR CE) by registered accountants and accounting consultants registered with the NBA. In early 2020, QRM established that three accountants (2019: 6) initially had not complied with their CE obligation for 2019. They were still required to do so and in 2020 complied with their CE obligation for 2019.

As of 1 January 2020, the new CE scheme applies to the accountants in our organisation. This scheme entails that each accountant will draw up a CE plan at the beginning of the calendar year, including the position, work, learning objectives and learning activities for that calendar year. The accountant will evaluate the actual learning activities at the end of the calendar year. BDO accountants record the plan and the evaluation in a CE portfolio in our central *BDO Dat ben ik* system. This ensures that in any event the compulsory training programme is part of the CE portfolio. The plan and the evaluation are assessed and approved by the Talent Development & Performance assessor. As a result, the substantive responsibility for continuing education rests with the relevant accountant and their Talent Development & Performance assessor. The QRM department will ensure that the CE plan and the evaluation have been submitted in good time and approved by the Talent Development & Performance assessor and carry out limited substantive monitoring based on spot checks.

Assessment and remuneration of employees and partners

Following a successful pilot project in 2019, from 2020 onwards the assessment interviews as part of the Talent Development & Performance evaluation cycle will be moved from the end of the calendar year to the summer period. The advantages of conducting these interviews at this point in time are as follows:

- ▶ the assessment cycle becomes more efficient, with the pressure of hours falling during the relatively quiet period;
- ▶ the assessment will take place immediately after the close of the audit season and will be based on up-to-date employee performance information;
- ▶ promotions will take place at the start of the new audit season, so that this can be taken into account during team selection;
- ▶ the assessment over time is detached from the remuneration, allowing for more time in the summer period to set up the 'proper' talk aimed at the development and ambitions, with the financial consequences being addressed in a brief salary interview in December;
- ▶ in the period at the end of the calendar year, more time is available for preparations for new audits, which time can be spent on effective and efficient project organisation.

In its report on 'consciously rewarding and appreciating' of June 2020, the AFM calls on financial companies to examine the remuneration and valuation incentives experienced by employees and to structure them in such a way that allows for clients to be treated with care. Partly in response to this report and in view of our aim to implement an appropriate remuneration policy, BDO will examine in 2021 the financial and non-financial incentives we provide to our professionals, how they experience these incentives and how BDO can create an incentive policy in which the financial and non-financial incentives promote the quality-oriented conduct of its professionals. For us as an audit firm, the public interest is central, while for the financial companies in the AFM investigation the focus is on the interests of the client.



ETHICAL STANDARDS

Integrity and independence

Ethical and controlled business operations

In 2020, the integrity policy was revised as part of the BDO Quality Policy. This clarifies what we mean by integrity risks and integrity issues and what measures we take to manage integrity risks and monitor integrity issues. We also elaborate on what we mean by incidents and how we deal with incidents and incident reports to the AFM. If BDO professionals become aware of fraud, unusual transactions or other irregularities, or suspicions thereof, from clients, they will contact the company hotline set up for this purpose. In the annual compliance statements, partners confirm compliance with this internal reporting obligation.

Money laundering, financing of terrorism, fraud and corruption, as well as the role of gatekeeper played by accountants therein, continued to be topics of public debate in 2020. In September 2020, the revised Wwft policy was adopted and brought into line with the latest changes in laws and regulations (such as removing the objective reason for reporting an unusual transaction and the provisions regarding the implementation of the UBO register). In addition, the revised Wwft policy makes more use of the statutory options for applying customised solutions when conducting client due diligence. In order to support the practice in collecting the correct information, a Wwft toolkit has been developed. A Wwft e-learning course, mandatory for almost all BDO professionals, has contributed to increasing awareness and knowledge of the Wwft. In addition, the Wwft featured heavily in news releases from the Board of Directors and QRM, and in professional meetings which all pointed out in particular the increased risk of financial economic crime and new ways of money laundering associated with the 'pay first, check later' system used in the various economic COVID-19 measures.

In 2020, BDO A&A made 21 reports of unusual transactions to the Financial Intelligence Unit (FIU) under the Wwft (2019: 43 reports). In 2019, 15 reports related to the objective indicator for high-risk countries which ceased to exist on 18 October 2019. By law, we are prevented from providing any further information about the contents of the reports.

	2020	2019
Reports of unusual transactions	21	43

Integrity and independence (continuation)

Independence

In 2020, we identified two violations of independence rules (2019: 0): one shortcoming and one breach. The shortcoming pertained to the late submission of the mandatory confirmation of independence or the absence of such confirmation. No subsequent proof of any infringements of the independence of accountants or BDO as a firm was found. The breach related to the failure to comply with previous agreements on the alienation of a financial interest in an investment fund. (See also the list of all violations identified in the chapter '[Monitoring and Evaluation](#)').

	2020	2019
Number of internally identified violations of independence rules	2	0
% of total number of employees	0.2%	0%

In order to update the knowledge of independence rules and the skills to apply these in practice, a mandatory e-learning course was made available early 2020, which was taken by everyone at BDO. The level and depth of this e-learning course was geared to the various LoS and the job profiles in the organisation. In view of the impact and complexity of the independence rules, training and other communication on this topic must be the focus of our continued attention. The QRM newsletter, for example, again pointed out the international policy regarding the performance of a conflict-of-interest check, as well as the terms under which services may be considered audit services at PIEs. In addition, the amendments to the Regulation on Auditor Independence in Assurance Engagements (ViO) regarding long-term involvement have been translated into BDO policy and a further elaboration of the independence arrangement for the Supervisory Board has been made.

In 2020, the *fee cap* from the EU Regulation applied for the first time to the non-audit services at PIEs (to the extent permitted in terms of substance). This means that if BDO provided other services to a PIE audit client (or to the parent company or one or more subsidiaries of that PIE) during the period of 2017-2019, the total fees for these services in FY 2020 may not exceed 70% of the average fees paid in financial years 2017-2019 for the statutory audits of the (consolidated) annual accounts of that PIE (and, where applicable, of the parent company or subsidiary of that PIE). A comprehensive (risk) analysis shows that the fees are expected to remain well below the fee cap.

In the context of monitoring the financial situation of audit partners/shareholders, in 2020 the partner designated for that purpose assessed the financial situation of the director appointed in 2020 and the directors and partners/shareholders appointed on 1 January 2021. This assessment did not yield any comments that could have prevented these appointments.

Confidentiality, information security and privacy

The scope and severity of various types of digital threats to the BDO organisation continue to develop. There is a continuous digital threat to our ICT landscape. For example, 2020 saw a strong increase in (online) fraud, with cyber criminals being particularly active during the COVID-19 crisis using various methods, including phishing. That is why we constantly focus on the security of our products, services and ICT infrastructure. In order to promote awareness of information security and privacy and promote the desired conduct, e-learning modules on these topics were also made mandatory in 2020 for and followed by all BDO employees. In addition, professionals are regularly alerted to specific (new) information security and privacy risks by means of information on the intranet and via email.

In 2020, the BDO Information Security Management System (ISMS) was subjected to both internal and external audits. These audits show that BDO is effective in managing risks and meets the requirements set in accordance with the ISO 27001 standard. A privacy audit was also performed at an internal staff department which identified areas requiring attention in order to further reduce privacy risks.

BDO A&A registered 25 security incidents in 2020 (2019: 16), 20 of which were data breaches (2019: 12). One of these data breaches was found to be a 'serious' data breach, meaning that this could lead to a considerable risk of serious adverse consequences for the protection of personal data, and this data breach was therefore reported to the Dutch Data Protection Authority (DPA) (2019: 0).

	2020	2019
Number of registered security incidents	25	16
Number of registered data breaches	20	12
Number of data breaches reported to the DPA	1	0

Dealing with complaints, whistleblowers, and claims

In 2020, the total number of external and internal complaints, whistleblowing reports, claims and disciplinary complaints in relation to statutory audit engagements and/or external auditors fell to four (2019: 9). These are three claims submitted and one disciplinary complaint lodged. No external complaints, internal complaints or whistleblowing reports were received.

	2020	2019
Number of external complaints submitted <i>(see the Rules on the Handling of Complaints by the BDO Complaints Committee)</i>	0	0
Number of internal complaints submitted <i>(see the Rules on the Submission and Handling of Complaints)</i>	0	1
Number of whistleblowing reports <i>(see the Procedure for dealing with reporting suspected misconduct ('Whistleblowing Procedure'))</i>	0	0
Number of claims filed against the organisation	3	6
Number of disciplinary complaints lodged against external auditors	1	2
Total	4	9

Two claims by audit clients relate to alleged damage suffered, in the form of lower sales proceeds from shares or mandatory repayment of salary received in excess of the applicable WNT standard, said to be caused by inadequate auditing by BDO. The audit engagements in question have not been continued. One claim concerns a notice of default due to the failure to provide the audit opinion in good time. After a plan for improvement had been drawn up, the notice of default was withdrawn and the engagement relationship continued.

In 2020, the following disciplinary cases were lodged against external auditors employed by BDO or are still pending before the Accountancy Division and/or the Trade and Industry Appeals Tribunal (Dutch acronym: CBB):

- ▶ A former employee of an audit client of BDO claims, following an employment conflict with his employer, that the external auditor made mistakes in the audit of the 2017 and 2018 annual accounts. His complaint concerns, among other things, the size of the provision for major maintenance and the absence of the deferred investment grants.

On 4 December 2020, the hearing was held at the Accountancy Division. On 2 April 2021, the Accountancy Division declared the complaint unfounded. The auditor in question is no longer affiliated with BDO. This is the second disciplinary complaint lodged by the complainant against the person concerned. In the past, the complainant had also filed a disciplinary complaint against two other auditors employed by BDO who were involved in the audit. Both complaints were declared unfounded.

- ▶ An external auditor is accused of having violated the fundamental principles of the Dutch Code of Conduct and Professional Practice for Accountants Regulation (Dutch acronym: VGBA) in the audit and the issuance of an unqualified opinion on the 2016 and 2017 annual accounts of an audit client (2019). On 20 March 2020, the Accountancy Division declared the complaint partly well-founded and imposed a written reprimand on the external auditor. The complainant and the external auditor both lodged an appeal. No date has yet been set for the oral hearing.
- ▶ An external auditor is accused of the fact that the audit opinion issued does not comply with the law (Article 2:393(3) and/or (5)(e) of the Dutch Civil Code), in so far as the opinion pertains to events after the balance sheet date and the directors' report in the 2018 annual accounts of an audit client (2019). In addition, the complainant contends that the auditor should have withdrawn or amended the unqualified opinion. The complaint was filed on 30 September 2019; the oral hearing was held on 20 November 2020. On April 9, 2021, the Accountants Division declared the complaint partially well-founded and imposed a measure of reprimand on the accountant concerned. The verdict is being studied and a decision on an appeal has not yet been taken.

In 2020, the following disciplinary case was concluded:

- ▶ The AFM accuses two former external auditors of having failed to comply with the fundamental principles of the VGBA (integrity, professionalism, professional competence and due care) in their work on the annual accounts of an audit client and the related preparation of an AFM investigation. The complaint was filed on 17 May 2018 and the oral hearing was held on 4 February 2019. On 14 April 2020, the Accountancy Division declared the complaint partially well-founded and imposed the measure of temporary cancellation of the registration in the NBA and AFM registers for a period of three months on the relevant (former) auditors. An appeal is still pending from one of the former external auditors.

ACCEPTANCE AND CONTINUATION OF CLIENT RELATIONSHIPS AND ENGAGEMENTS

Acceptance and continuation of client relationships and engagements

Over the past several years, BDO has applied a tightened policy for the acceptance and continuation of client relationships and engagements. This gives us more time and better conditions to ensure the quality of the performance of the engagement. Requests for tenders for audit engagements are examined very carefully, particularly in the case of large international clients, including with regard to any professional risks, the expertise required and the available capacity within BDO. The policy of the A&A MT is aimed at further increasing the average size of each engagement and reducing the number of engagements for each external auditor, so that more attention, involvement and focus can be given to each engagement.

In 2020, the A&A MT refused a limited number of engagements, which we consider to be a positive signal for further enhancement of the internal quality climate and that partners themselves have become increasingly critical when starting a client or engagement acceptance procedure. However, there was an increase in the number of rejected PIE audit engagements, which were also refused by other PIE audit firms. After careful consideration, BDO concluded in these cases that the combination of capacity issues and quality issues prevented us from performing the engagement in a professional manner. In the event of audit engagements submitted from the BDO network (referrals), we must increasingly also disappoint other BDO Member Firms, and let the social interest of the quality that BDO can supply in the Netherlands prevail.

If, at the time of acceptance or continuation of an engagement, there are certain risks or certain criteria have been met, the QRM department will assign one or more risk-mitigating and/or quality-promoting measures. QRM imposed one or more measures on BDO A&A for 241 engagements (2019: 279), where the expected end date of the work fell in 2020. The measures imposed concern, among others, EQR, TBQA, IFRS review, mandatory PPD consultation, mandatory rotation or an instruction for the team composition. Subsequently, additional measures may be awarded after acceptance or continuation of an engagement. This mainly concerns quality measures during the performance of the engagement, such as ETD coaching, TBQA, IFRS review and EQR (see also the totals of these quality measures in chapter '[Quality management in the performance of the engagement](#)').

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

	2020	2019
Number of engagements	241	279

Procedure and systems

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

In connection with the new engagements related to the NOW scheme (based on Dutch Standards on Auditing 3900N and 4415N), specific templates have been developed to obtain sufficient insight into the (possibly specific) circumstances of the client in question when accepting the engagement. In order to perform such engagements efficiently and effectively, BDO focuses mainly on accepting engagements from companies of which BDO is already the regular auditor.

Revenue

BDO Netherlands' total revenue for the 2020 financial year was € 306.9 million (2019: € 293.8 million), of which € 114.2 million (2019: € 107.8 million) was generated by the A&A Line of Service.

(Amounts in € millions)*	2020	%	2019	%
Audit & Assurance	114.2	37.2%	107.8	36.7%
Accountancy & Business Advisory	80.7	26.3%	79.8	27.2%
Tax Services	75.7	24.7%	72.2	24.6%
Advisory	36.3	11.8%	34.0	11.6%
Total	306.9	100%	293.8	100%

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

Revenue (continuation)

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

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

COMPOSITION OF REVENUE BDO 2019*/***	Statutory audits of annual accounts	Other audits of annual accounts	Other statements and assurance reports	Other services	Total	%
Statutory audits of annual accounts - PIE	3.0		0.2	0.1**	3.4	1.1%
Statutory audits of annual accounts - other	70.0	0.2	2.0	15.8	88.1	30.0%
Other audits of annual accounts		26.2	1.5	4.7	32.5	11.1%
Other statements and assurance reports			6.3	5.6	11.9	4.1%
Other				157.9	157.9	53.7%
Total	73.1	26.5	10.1	184.1	293.8	100%

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

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

*** The comparative figures for 2019 have changed. Other services were stated as performed for (statutory) audit clients, while in 2019 these clients qualified as 'other' clients because the (statutory) audit had already been completed or terminated in previous years.

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

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

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

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

ENGAGEMENT PERFORMANCE

Number of engagements

BDO performed 1,341 statutory audits in 2020 (2019: 1,323), 81 of which at Public Interest Entities (PIE) (2019: 40). The list of PIEs where BDO performed statutory audits in the past year is included in [Annex A](#). The limited increase in the number of statutory audits by 1.4% reflects our critical stance when accepting and continuing an engagement, where we focus as much as possible on engagements that are in line with the quality level that we pursue when performing an engagement.

The number of PIE audit clients increased significantly in 2020 due to the expansion of the PIE definition on 1 January, as a result of which large housing corporations, large pension funds, grid operators and some scientific research institutions are also considered a PIE. For BDO, this legislative amendment has resulted in 48 existing audit clients, mainly large housing corporations and a single grid operator, being considered PIEs as from 2020. Under the applicable transitional rules, any other services at the new PIEs have been completed or terminated in good time. In addition, BDO accepted two new PIE audit clients in 2020 and nine PIE audit clients were not continued.

COVID-19 crisis and quality management for engagement performance

The COVID-19 crisis also required adjustments to be made to our quality management for engagement performance, both for ongoing engagements and for new types of services. For example, intranet now has a theme page where PPD keeps professionals informed of all relevant publications, so that they always have the correct information and tools to perform their work. PPD has prepared FAQs about the impact of the COVID-19 crisis on reporting (RJ and IFRS) and the audit. These FAQs describe, among other things, the BDO policy for expected explanations in the directors' report, the annual accounts and the impact on the audit opinion. Specific templates have also been developed to facilitate consistent documentation in the audit file and both permanent and temporary changes have been made to the consultation procedure.

In order to safeguard the quality of the performance of the new engagements related to the NOW scheme (based on Dutch Standard on Auditing 3900N and 4415N), initiatives were started, including a specific NOW support team was set up with professionals from PPD, QRM and Legal. The NOW support team supports the engagement teams in our practice on complex issues, which may be both of a professional and moral ethical nature, and provides training, tools and templates and has set up a knowledge database (FAQ) on intranet. In addition, EQRs were assigned to Dutch Standard on Auditing 3900N engagements with an increased risk profile.

Methodology and technology

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

In addition to the regular updates of the BDO Audit Manual, Positions (mandatory provisions) and Guidance (guidelines), investments were made in 2020 in how these are applied effectively and efficiently in the performance of audit engagements. This involved the use of the process framework 'scrum for the audit'. Both the professionals in our practice and the supporting planners and scrummasters have received extensive training and coaching in the application of scrum to improve process and project management in terms of audit engagements.

Various technological innovations contribute to improving and simplifying our auditing activities. The 'Centre for the Audit of Tomorrow - The Netherlands' team (CAT-NL team) makes innovations in the Dutch audit practice technically applicable. In addition, HR, for change management, and PPD, for technical support and audit methodology, play an important role in the implementation of innovative technology in auditing. In 2020, we worked on the application of new tools such as Robot-X, Datasnipper and BDO Advantage, and we examined how Machine Learning could support auditing in the near future. BDO Lead was also put into use. This is a web-based application that enables engagement teams to make the necessary calculations for the correct reporting of lease contracts based on IFRS 16 and document them in a structured manner. An important aspect in the implementation of new tools is that they are not all used as much or as readily — the availability or benefits of their use proved not to be sufficiently known to all professionals. In 2021, we will improve our in-house communication and training in this regard.

Parallel to the continuous incremental improvement of the audit methodology, we are examining a more fundamental renewal of the audit process so that external auditors can meet the legitimate quality expectations of stakeholders. This requires a different way of organising the audit.

Availability of sufficient time, people and resources

In 2020, the A&A MT continued the line of guiding our partners in making the right choices in terms of the size of the individual engagement portfolios, seeking a high level of partner involvement, balanced team staffing with sufficient involvement of senior professionals and focussing on their presence in the teams. We have also looked at the necessary focus of external auditors on the performance of audits and, where necessary, phasing out other engagements and activities. The policy of recent years to improve the training and movement of professionals seems to be paying off; the team structure has improved, along with the division of work at the right level within the teams. This is reflected in a shift in the relative involvement of team members compared to last year.

In order for professionals to focus more on their (direct) auditing activities, an investigation was conducted in 2020 into how indirect tasks and activities could be better organised. The recommendations indicate the need for clear frameworks and more coaching leadership. The A&A Practice Leaders have followed up these recommendations.

The new engagements related to the NOW scheme, in addition to the already high workload, are a cause for concern as to the feasibility of the planning with regard to being able to issue the necessary auditor's reports in good time. We aim to meet the high expectations in close consultation with the client and by making substantial extra efforts, but we cannot guarantee that we will be successful every time.

The increase in the total number of hours spent on audit engagements (4.3%) is due to an increase in the number of audit engagements (1.4%) and an increase in the number of hours spent per engagement (2.9%).

The relative amount of overtime, compared to the total number of contract hours, fell slightly to 3.3% (2019: 3.8%).

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

2020	Partners	(Sr.) Managers	Other	Total
Overtime	991	13,205	42,616	56,811
<i>overtime % (compared to contract hours)</i>	0.7%	4.4%	3.3%	3.3%

2019	Partners	(Sr.) Managers	Other	Total
Overtime	1,085	12,684	48,260	62,029
<i>overtime % (compared to contract hours)</i>	0.8%	4.5%	4.0 %	3.8%

Availability of sufficient time, people and resources (continuation)

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

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

2019	Audit of PIE	%	Audit of non-PIE	%	Total	%
Partners	3,106	11.1%	58,748	6.6%	61,854	6.7%
(Senior) Managers	5,911	21.1%	140,740	15.9%	146,651	16.1%
Other staff	19,029	67.8%	685,931	77.5%	704,960	77.2%
Total	28,046	100%	885,419	100%	913,465	100%

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

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

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

2019	Audit of PIE		Audit of non-PIE		Other engagements		Other activities		Total
Partners	3,106	3%	58,748	51%	4,408	4%	48,269	42%	114,531
(Senior) Managers	5,911	3%	140,740	61%	10,433	4%	75,380	32%	232,463
Other staff	19,029	2%	685,931	68%	53,010	5%	247,412	25%	1,005,383
Total	28,046	2%	885,419	65%	67,852	5%	371,061	27%	1,352,377

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

Quality management during engagement performance

Quality instruments

In 2020, the quality instruments aimed at safeguarding the quality of the performance of the engagement were embedded in the revised BDO Quality Policy. On the one hand, the quality measures for engagement performance support the (external) auditor and the engagement team in delivering quality on the one hand and the audit firm on the other in controlling and monitoring quality. With the concept of the learning organisation as the premise, quality management for engagement performance makes a clear distinction between comprehensive and coherent measures aimed at learning, coaching and improving the quality of the audit practice by PPD under the direct control of the A&A MT (before the audit opinion was issued) and measures aimed at monitoring and testing by QRM (after the audit opinion was issued). (For a description of the measures, see annex '[BDO Quality Management System](#)').

In accordance with the quality policy, quality measures will be assigned to at least two files of each partner, of which at least one EQR. The second quality measure can be ETD coaching, deployment of a specialist, a TBQA or an EQR and is determined individually for each partner. In addition, QRM can impose the quality measures of consultation, Support Team or an IFRS review to engagements in which one or more specific risk indicators apply or become applicable during the performance of the engagement, or may, for example, give instructions on the composition of the team. The choice for the type of quality measure depends in part on the nature and scope of any quality risks identified for the engagement in question and whether the engagement meets the criteria that require a specific quality measure.

BEFORE OPINION WAS ISSUED

ETD SUPPORT
USE OF SPECIALISTS
CONSULTATION PROCEDURE
TBQA
EQCR

INCIDENT MANAGEMENT
/ SUPPORT TEAM



AFTER OPINION WAS ISSUED

MONITORING:
COLD REVIEWS
AND
THEME-BASED
QUALITY REVIEWS

ETD coaching

Following the successful pilot project in autumn 2019, the quality measure of ETD coaching continued in 2020 and was applied in fourteen engagements (2019: 10). Engagement teams were coached during the Engagement Team Discussion (ETD) in looking at the structure of the audit with sufficient depth and focusing on aspects that are important.

Number of engagements with ETD coaching

	2020	2019
Number of engagements with ETD coaching	14	10

Use of specialists

The involvement of IT specialists in audit engagements increased in 2020 compared to 2019, particularly in PIE audit engagements. This increase in IT specialists in PIE audits is largely due to the fact that more frequent and more intensive use is made of IT specialists in audits of housing corporations.

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

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

IT SPECIALISTS	2020	%	2019	%
Audit of PIE	2,473	6.4%	705	3.2%
Audit of non-PIE	33,728	3.7%	31,492	3.5%

Number/percentage hours of other internal specialists on audit engagements

OTHER SPECIALISTS	2020	%	2019	%
Audit engagements	13,900	1.3%	14,403	1.4%

Consultation procedure

The table contains an overview of the number of formal consultations submitted to the Professional Practice Department (PPD). The total number of consultations increased by more than 33% to 801 (2019: 599).

In 2020, a number of changes were made to the consultation procedure that led to more consultations submitted:

- ▶ In April 2020, a temporary adjustment was made to the consultation requirements; if the audit opinion contains a non-compulsory emphasis of matter paragraph under Dutch Standard on Auditing 706, the consultation requirement will have lapsed, in so far as it pertains to references to passages in the annual accounts and the directors' report on the impact of the COVID-19 crisis. At the same time, consultation has been made mandatory if an audit opinion *does not* contain an emphasis of matter paragraph on the COVID-19 crisis.
- ▶ 'Engagement Letters and/or reports on assurance engagements other than audit or assessment (attestation engagements or direct engagement on the basis of Dutch Standard on Auditing 3000A/D)' and 'Significant continuity risk' were added as new categories for mandatory consultation from 2020.
- ▶ The nature of the category 'Error in the annual accounts' has changed: where in the past consultation was only required if it concerned a possible correction of a fundamental error (based on Article 2:362 DCC), consultation has been mandatory for every error correction since 2020 (based on RJ 150).

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

CONSULTATIONS	2020	2019
Deviation from standard opinions	265	221
Compliance with rules and regulations	7	12
Engagement Letters and/or reports on assurance engagements other than audit or assessment (attestation engagements or direct engagement on the basis of Dutch Standard on Auditing 3000A/D)	48	8
Engagement Letters and/or reports for third parties in engagements to perform agreed specific activities (on the basis of Dutch Standard on Auditing 4400N)	187	236
Error in the annual accounts	93	3**
External reporting	54	58
Significant continuity risk	25	n.b.
Other (including impact of COVID-19)	122	61
Total	801	599

* These are all consultations at the Professional Practice Department concerning accountancy that originate from both the A&A LoS and the A&B LoS. In 2020, a total of 669 of the 801 consultations (84%) originated from the A&A LoS.

** One of which related to the correction of a fundamental error in the 2017 annual accounts.

Theme-based quality assessment (TBQA)

In 2020, a total of 30 TBQAs were assigned to audit engagements (2019: 7). This quality measure was first introduced in 2019 and concerns a quality assessment of specific elements of the audit. As a result, the time spent on quality assessments is proportionate to the risks in specific files.

In 2020 (for the audit of FY 2019), 53 (2019: 54) audit engagements involved a mandatory IFRS review. It was found in each case that the review procedure has been complied with.

Number of theme-based quality assessments and IFRS reviews

TBQA	2020	2019
Number of TBQAs	30	7
Number of IFRS reviews	53	54

Engagement Quality Review (EQR)

In 2020, a total of 120 EQRs were assigned to audit engagements (2019: 181). These are EQRs of audit engagements, the completion of which was scheduled for 2020 (audit engagements relating to FY 2019).

79 EQRs have been assigned to audit engagements that meet the internal assessment criteria, not involving PIEs (2019: 122). The percentage of non-PIE audits subjected to an EQR is 6.3% (2019: 9.5%). This percentage is lower than in previous years, because quality management for engagement performance was redesigned in 2019 and an EQR did not always prove the most suitable quality measure within the concept of the learning organisation. That is why fewer EQRs were conducted in 2020, and fewer hours were spent on conducting EQRs than in previous years.

Number of EQRs with the mandatory and voluntary EQRs shown separately

EQR	2020	2019
Listed companies (PIE)	20	37
Other PIEs	21	22
Voluntary EQRs	79	122
Total	120	181

The above overview does not yet reflect the EQRs envisaged for audit engagements pertaining to FY 2020, including the increased number of PIEs due to the broadening of the definition of PIE. The number of EQRs for PIE audits pertaining to FY 2020 will be considerably higher and will primarily concern housing corporations. As the statutory audits at housing corporations are performed by a select group of industry specialists and the EQR-er must also have the necessary specific industry knowledge, assigning sufficient, qualified and independent EQR-ers to these audits is a challenge.

The standard for hours spent on an EQR is set on a relative scale and varies between 4% and 6% of the total number of hours. The average hours spent on EQRs compared to the total number of hours spent on the statutory audit to which those EQRs were assigned was 5.0% (2019: 5.8%).

Monitoring activities have shown that in around 35% of the cases, the relative hours spent on the EQR was lower than the standard. These cases have been evaluated in more detail. The lower number of hours spent on EQRs can be explained, in particular, in smaller engagements, due to the low complexity of the engagement. The lower relative number of hours spent on larger engagements is related, where applicable, to the fact that EQR focuses on significant risks, whereas the audit team has also spent many hours working for other business units. We are considering further differentiating the standard for relative EQR hours spent in scope and type of engagement.

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

	2020	2019
Number of hours spent by an EQR-er (partner and managers)	4,365	6,681
Average relative hours spent on an EQR per engagement	5.0%	5.8%

In December 2020, the IAASB published the definitive International Standard on Quality Management 2: *Engagement Quality Reviews* (ISQM2). Based on the earlier draft version, we have identified the differences between the current EQR policy and ISQM2 and listed the adjustments necessary to ensure compliance with this new standard and the consistent quality of EQRs in the long term.

Support Team

In 2020, due to specific circumstances in three audit engagements that may have consequences for the integrity of the audit firm, a support team worked on assisting the external auditor and the audit team (2019: 2).

Number of engagements with an assigned support team

	2020	2019
Number of engagements with support team	3	2

Fraud

In 2020, 63 internal reports were made to the company hotline for fraud, unusual transactions and other irregularities relating to statutory audits (2019: 77).

If, during the performance of a statutory audit, there is a reasonable suspicion of fraud of material importance with regard to the audit client's financial statements, this must be reported to the National Investigation Service's police accountants information line, unless the audit client investigates the fraud and takes adequate action at an early stage. In 2020, none of the internal reports led to an external fraud report (2019: 0).

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

	2020	2019
Number of internal reports of fraud and/or irregularities	63	77
Number of external fraud reports	0	0

The BDO fraud panel assesses the (external) developments in the field of fraud and case histories within the organisation and met four times in 2020 (2019: 4).

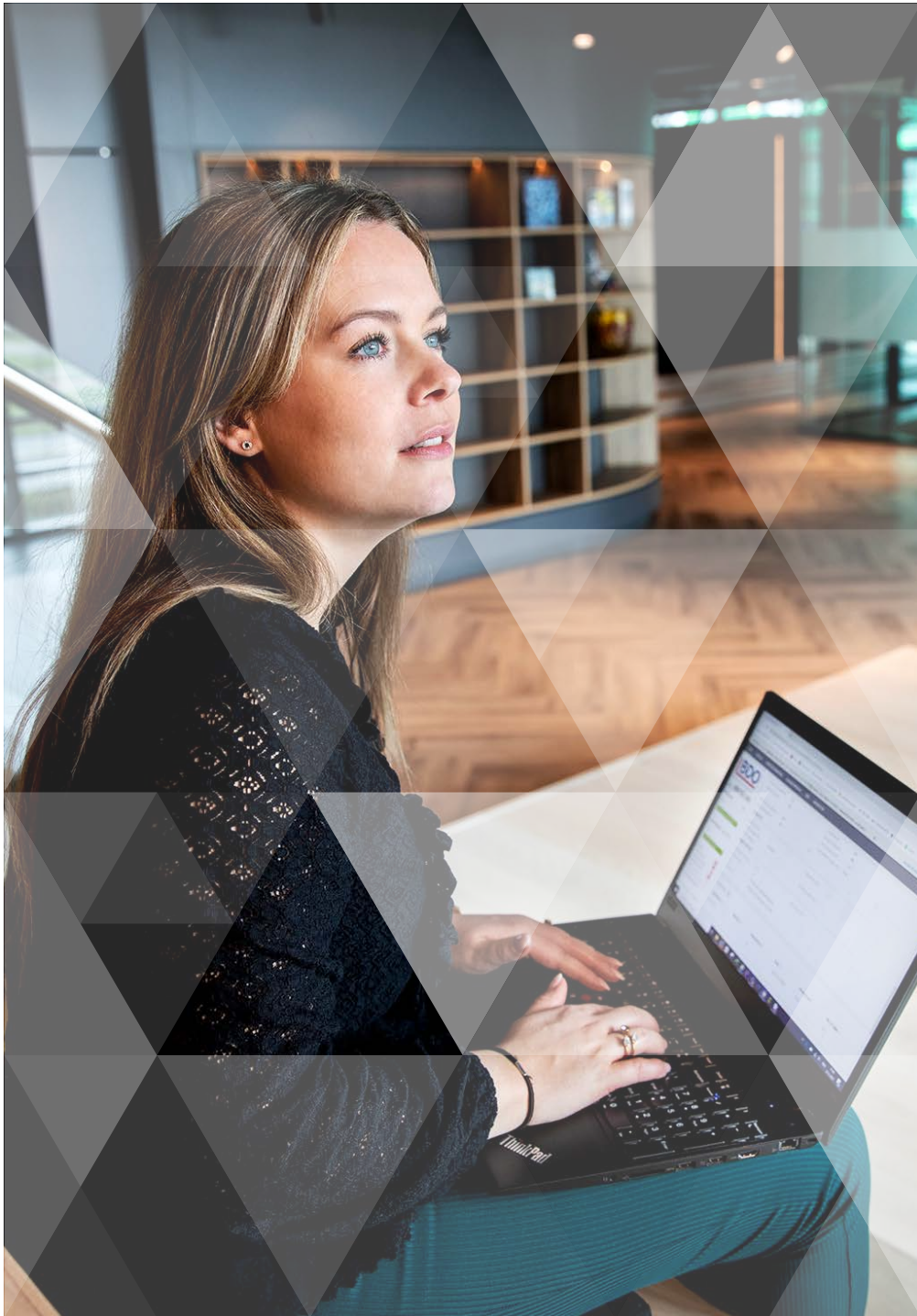
Professional Practice Department

Professional Practice Department

The total number of professionals working for the Professional Practice Department (PPD) remained unchanged at fifteen.

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

	2020	2019
Partners	2	2
(Senior) Managers	11	10
Other	2	3
Total	15	15



MONITORING AND EVALUATION

Monitoring compliance with quality measures

The QRM department continually monitors compliance with the measures in the quality management system on behalf of the Board of Directors under the supervision and responsibility of the compliance officer. In early 2021, the compliance officer provided the Board of Directors with a report on the monitoring performed. The statements by the policymakers, as included in this Transparency Report, are partly based on this accountability.

The QRM department grew to 22 people in 2020 (2019: 16). This growth mainly related to the integration of employees of the former Client Desk who are currently involved in the QRM department with the processes supporting conflict-of-interest checks and Wwft client due diligence.

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

	2020	2019
Partners	3	3
(Senior) Managers	7	6
Other	12	7
Total	22	16

Supervision of professional services

In 2020, the supervision of the professional services was performed in part by conducting file reviews: internal assessments that take place after the audit opinion has been issued. A file review focuses on the quality of an audit file and the effective operation of elements of the quality management system that can be found in the audit file. We distinguish two types of file reviews: cold reviews and theme-based quality reviews.

- ▶ Cold review. A cold review focuses on certain focus areas that are decisive for the engagement and leads to an opinion on the entire file. The assessment of the file and the choice of focus areas are risk-based. Cold reviews are performed for every partner every three years.
- ▶ Theme-based quality review (TBQR). A TBQR focuses on the quality of a specific theme in the audit file or the effective operation of a specific theme within the quality management system. Unlike a cold review, a TBQR is not aimed at qualifying the quality of the entire engagement or the entire audit file, but only at the specific component being tested. In 2020, the TBQRs replaced the previous 'hot reviews', file reviews before the audit opinion was issued, relating to one or several specific subjects. TBQRs were conducted as part of the promotion process for partners, for partners who had integrated horizontally and for partners in an improvement process.

The A&A MT has evaluated and followed up the results of the internal quality reviews in conjunction with the results of root cause analyses. It did so by, among other means, including relevant topics in the internal training programme, including quality-promoting measures in the 2021 A&A annual plan and conducting individual interviews about the focus on quality of the external auditors who rated as unsatisfactory. Furthermore, an overarching evaluation of the completed three-year cycle of cold reviews has led to changes in the performance of cold reviews. Because of this evaluation and changes, the performance of cold reviews began relatively late in 2020 and many of these reviews are still in progress.

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

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

	2020	2019*
NUMBER OF COLD REVIEWS	20	17
Result satisfactory	9	5
Result unsatisfactory	3	12
In progress	8	0
NUMBER OF TBQR (2020) AND HOT REVIEWS (2019)	18	11
Result satisfactory	13	8
Result unsatisfactory	4	3
In progress	1	0

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

Quality reviews international

In principle, the quality reviews from BDO International, the Quality Assurance Reviews (QAR), are performed every three years. The most recent QAR at BDO Netherlands was in 2017. The next QAR was scheduled for 2020, but has been moved to 2021.

Root cause analysis

In 2020, thirteen (2019: 20) *root cause analyses* (RCA) were performed with engagement teams at eight locations (2019: 14). The RCAs were performed after a cold review had taken place. The number of participants in an RCA varied from four to ten (six on average) and a total of around 82 colleagues participated (2019: 115). The results of the RCAs were reported to the A&A MT and presented in broad outline during the national auditors meeting.

During the RCA, all engagement teams analysed factors that promoted quality in the course of their engagement (success factors) and that impeded quality (improvement factors), regardless of the outcome of the cold review of their engagement (satisfactory or unsatisfactory).

The top 5 success factors in files marked satisfactory and the top 5 improvement factors in files marked unsatisfactory are shown in the table below:

Success factors - Satisfactory		Improvement factors - Unsatisfactory	
1. Coordinate face-to-face in team	18%	1. Overview, project planning	19%
2. Team composition	15%	2. Sufficient time	18%
3. Sense of community	15%	3. Team composition	17%
4. Asking questions and gainsay them	11%	4. Short completion period	16%
5. Sufficient time	11%	5. Fresh view	8%

The results of the RCAs indicate that professionals' learning ability is on the increase, as evidenced by their critical self-reflection, high awareness of their own (un)qualifiedness, and the well thought out and all-purpose lessons learned at both the individual and team level. At the same time, the strong sense of responsibility of professionals is shown in the implicit expectation (of themselves and each other) that they solve their own problems, or the problems they have identified (such as workload). Professionals are themselves not quick to ask for help, and they do not create sufficient (safe) space for their subordinates to enter into a dialogue that facilitates asking for help. Even with a visibly enhanced quality climate, professionals still experience obstacles in the system in which they work, such as limited time, capacity, and vision and leadership in terms of available 'quality space'.

Breaches

In 2020, a total of 4 shortcomings and 9 breaches were registered (2019: 2 and 11, respectively). See the overview below for the nature and a description of the violations identified.

Number and nature of violations identified

Qualification	Nature of the violation	Description	Number in 2020	Number in 2019
<i>Shortcoming</i>	Not complying with the measure imposed by QRM.	Upon the acceptance of an engagement, QRM imposed a mandatory measure (namely consulting the WNT team when auditing a note pertaining to the WNT). After monitoring, it turned out that the audit opinion had been issued before the WNT team had completed its work. Due to mitigating circumstances, no breaches occurred.	3	2
	Failure to comply with internal compliance rules and independence rules.	The 'ancillary positions & independence' form has not been submitted to QRM, despite reminders.	1	0
<i>Breach</i>	Insufficient quality	Internal file assessments (during or after completion of the engagement) show that the quality requirements imposed by BDO on the performance of audit engagements have not been met.	8	11
	Failure to comply with internal investment policy	A partner's compliance statement showed that a failure to comply with previous agreements on the alienation of a financial interest in an investment fund.	1	0
Total			13	13

Reports to external supervisory bodies

In 2020, BDO made a total of fifteen reports to relevant supervisory bodies (AFM and De Nederlandsche Bank (DNB)) (2019: 13).

- ▶ The main reasons for prematurely terminating or withdrawing statutory audit engagements concerned the bankruptcy of the audit client or the fact that the audit client was unable or unwilling to provide the auditor with the information required for the performance of the statutory audit. In one case, the audit client withdrew the engagement prematurely to have it completed by a former BDO auditor. In another case, BDO terminated the engagement prematurely as it had become a threat to our independence due to the fact that an audit client had initiated legal proceedings against BDO.
- ▶ The disciplinary case instituted in 2020 and reported to the AFM has already been explained above under 'Dealing with complaints, whistleblowers, and claims'.
- ▶ Four of the fifteen reports in total related to a situation that arose at a PIE audit client.

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

NUMBER AND NATURE OF REPORTS TO EXTERNAL SUPERVISORY BODIES (AFM AND DNB)	2020	2019
Change in the data for the reliability assessment of a (co-) policymaker (AFM) (Article 7 Bta).	0	0
Prematurely terminated or withdrawn statutory audit engagements (Article 13(3) Bta) (AFM).	11	10
Incidents that have serious repercussions for the sound and controlled operational policies and processes (Article 32(4) Bta) (AFM).	1	0
Disciplinary cases instituted against external auditors (Article 26(1) Bta) (AFM).	1	2
Knowledge of a material breach of the laws, regulations or administrative provisions which lay down the conditions governing authorisation or which specifically govern pursuit of the activities of a PIE (Article 12(1)(a) of Regulation No 537/2014) (DNB).	1	1
Knowledge of a material threat or doubt concerning the continuous functioning of the PIE (Article 12(1)(b) of Regulation No 537/2014) (AFM).	1	0
The (intended) issuing of a disclaimer of opinion, an adverse or qualified opinion to the financial statements of a PIE (Article 12(1)(c) of Regulation No 537/2014) (AFM).	0	0
Total	15	13



External supervision

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

During the year, several periodic conversations took place between the AFM and BDO in which topics including current developments, the progress of the quality improvement at BDO, and the results of the AFM's investigation at the Big 4 audit firms (report entitled 'Investigation into the quality improvements at the Big 4 audit firms. Results of the investigation into the quality-oriented culture, the quality cycle, and quality measures' of 15 July 2020) were discussed. In particular, we had a constructive discussion in 2020 on the evaluation of internal inspection outcomes and root cause analyses and the associated changes to the cold review process and vision of more fundamental changes in the audit process in order to take the next step in quality improvement. Special cases, for example signals from media reporting or cases for which an incident report was made, were also discussed.

In 2020, the AFM assessed the suitability and, in so far as applicable, the reliability of the new policymakers who joined the Board of Directors on 1 September 2020 or 1 January 2021, and the reliability of the new co-policymaker who joined the A&A MT on 3 July 2020, which resulted in positive assessment decisions.

In early 2020, as part of the dialogue with the AFM about its expectations for 2020 and also focussing on quality in the public interest, we provided written feedback on the draft expectations that the AFM had shared with us late 2019. In July 2020, the AFM informed us of the definitive expectations, which correspond to the quality objectives we set ourselves and are largely in line with our feedback on the draft expectations.

In 2020, the AFM conducted an exploratory (thematic) investigation into the management of corruption risks by ten larger audit firms, including BDO. The AFM assessed policy documents and procedural descriptions relating to the management of corruption risks at (statutory) audit clients, conducted interviews, and investigated professional consultations on corruption risks. The AFM noted that in its policy, BDO systematically devotes attention to the risks of involvement in domestic and foreign corruption by or at audit clients, as part of a broader quality policy. The BDO policy also contains measures to control these risks. The AFM's preliminary observations pertain to supplementing the integral BDO approach to integrity risks, including corruption risks, by explicitly also paying separate attention to the subject of corruption in policy, training, education and consultations. These recommendations will be followed up in 2021.

In October 2020, the AFM launched a new investigation into the six PIE audit firms, including BDO. This consists of three investigations:

- ▶ an investigation into the quality of the statutory audits;
- ▶ an investigation into the internal quality assessment (IQA); and
- ▶ an investigation into the internal supervision (in this case, the Supervisory Board).

The investigations are part testing and part exploratory in nature. The previous investigation conducted by the AFM at BDO in connection with its ongoing supervision, including audit file inspections, took place in 2018 and led to an AFM publication on 14 November 2019.

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

In 2020, no investigations of any kind were carried out by the NBA and the PCAOB.

Supervision by the Government Audit Service and the Education Inspectorate

In 2020, the Government Audit Service (ADR) reviewed (parts of) three BDO files (2019: 4). The reviews related to the following subjects:

- ▶ SiSa: The purpose of these reviews is to establish that the audit, in so far as it is related to the Single Information, Single Audit (SiSa) accounting documents of local authorities, was carried out in accordance with the laws and regulations applicable to the audit. In this context, the ADR reviewed a file and deemed it satisfactory.
- ▶ Annual accounts: The ADR reviewed two files to assess the quality of the annual accounts audit. Both files were deemed satisfactory.

In 2020, the ADR did not perform any reviews on BDO files aimed at records within the context of the Dutch Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act (Dutch acronym: WNT) or subsidy records.

In 2020, the Education Inspectorate reviewed a file to assess the quality of the audit of the financial statements of an educational institution. This file was deemed satisfactory.

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

	2020	2019
SiSa	1	1
Satisfactory	1	1
Unsatisfactory	0	0
Annual accounts	2	0
Satisfactory	2	0
Unsatisfactory	0	0
Dutch Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act	0	2
Satisfactory	0	2
Unsatisfactory	0	0
Subsidy	0	1
Satisfactory	0	1
Unsatisfactory	0	0
education	1	0
Satisfactory	1	0
Unsatisfactory	0	0

Supervision by the Financial Supervision Office (FSO)

As part of the monitoring of compliance with the Wwft, the Financial Supervision Office (FSO) sent a request for information to BDO in 2020. The FSO asked BDO to perform an assessment or re-assessment of a number of designated files in order to determine whether they contain unusual transactions. The FSO asked a number of supplementary questions about the designated files regarding profit percentages, dividend distributions and personnel costs. BDO performed the requested assessments or re-assessments and answered the questions asked. This did not result in any indications of unusual transactions related to a suspicion of money laundering or terrorist financing. The FSO confirmed in writing that BDO complied with the request for information and that the FSO could agree with BDO's conclusions.



Statements of policymakers

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

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

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

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

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

Eindhoven, 22 April 2021

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



ANNEX

A. List of Public Interest Entities

- ▶ Adecco International Financial Services B.V.
- ▶ Almelose Woningstichting 'Beter Wonen'
- ▶ Anchor Insurance Company N.V.
- ▶ Ares European CLO IX B.V.
- ▶ Ares European CLO VII B.V.
- ▶ Ares European CLO VIII B.V.
- ▶ BASF Finance Europe N.V.
- ▶ Forest Fruit Aardappelen Underling insurance BFAO U.A.
- ▶ Brand New Day Bank N.V.
- ▶ CTAC N.V.
- ▶ Dragon Finance B.V.
- ▶ Emerging Markets Structured Products B.V.
- ▶ EnBW International Finance B.V.
- ▶ Funcom SE
- ▶ Grosvenor Place CLO 2015-1 B.V.
- ▶ Halcyon Loan Advisors European Funding 2014 B.V.
- ▶ Halcyon Structured Asset Management European CLO 2006-II B.V.
- ▶ Halcyon Structured Asset Management European CLO 2007-I B.V.
- ▶ Highbury Finance B.V.
- ▶ Mercurius Schadeverzekeringen N.V.
- ▶ Mutual Insurance Association 'Munis' (Onderlinge Verzekeringsmaatschappij 'Munis') U.A.
- ▶ N.V. Verzekering Maatschappij 'De Burcht'
- ▶ Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V.
- ▶ Onderlinge Verzekerings-Maatschappij "Noord Nederlandsche P&I Club" U.A.

- ▶ Ons Huis, Woningstichting
- ▶ OOM Global Care N.V.
- ▶ OOM Schadeverzekering N.V.
- ▶ Roche Finance Europe B.V.
- ▶ SnowWorld N.V.
- ▶ Stichting Arcade mensen en wonen
- ▶ Stichting Brabantwonen
- ▶ Stichting de Woonmensen
- ▶ Stichting De Woonschakel Westfriesland
- ▶ Stichting deltaWonen
- ▶ Stichting Dudok Wonen
- ▶ Stichting Habion
- ▶ Stichting Leystromen
- ▶ Stichting Mitros
- ▶ Stichting Nijestee
- ▶ Stichting ProWonen
- ▶ Stichting Sité Woondiensten
- ▶ Stichting Stadgenoot
- ▶ Stichting Talis
- ▶ Stichting Thius
- ▶ Stichting Vestia
- ▶ Stichting Vivare
- ▶ Stichting Viverion
- ▶ Stichting Viveste

▶ Stichting Waterweg Wonen

▶ Stichting woCom

▶ Stichting Woningcorporatie Het Gooi en Omstreken

▶ Stichting Woonbedrijf SWS.Hhvl

▶ Stichting Woonbron

▶ Stichting Wooncompagnie

▶ Stichting Woonforte

▶ Stichting Woongoed Zeeuws-Vlaanderen

▶ Stichting Wooninc.

▶ Stichting Woonkracht10

▶ Stichting Woonopmaat

▶ Stichting Woonstede

▶ Stichting Woonwenz

▶ Stichting Woonzorg Nederland

▶ Stichting Ymere

▶ Stichting Zaanams Volkshuisvesting (ZVH)

▶ TD Bank N.V.

▶ Teva Pharmaceutical Finance Netherlands II B.V.

▶ TIE Kinetix N.V.

▶ Tiwos, Tilburgse Woonstichting

▶ UK P&I Club N.V.

▶ Volkswagen Financial Services N.V.

▶ Volkswagen International Finance N.V.

▶ Westland Infra Netbeheer B.V.

▶ Woningbouwvereniging Bergopwaarts

▶ Woningbouwvereniging De Sleutels

▶ Woningstichting De Woonplaats

▶ Woningstichting Den Helder

▶ Woningstichting Kennemer Wonen

▶ Woningstichting SallandWonen

▶ Woningstichting Sint Joseph Almelo

▶ Woonstichting JOOST

▶ Woonstichting Triada

B. List of BDO Member Firms within the EU/EEA

COUNTRY	COUNTRY OF ESTABLISHMENT/WORK AREA	NAME OF MEMBER FIRM
AUSTRIA	Austria	BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Steiermark GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Salzburg GmbH Wirtschaftsprüfungsgesellschaft
	Austria	BDO Oberösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
BELGIUM	Belgium	BDO Bedrijfsrevisoren - Réviseurs d'Entreprises CVBA
BULGARIA	Bulgaria	BDO Bulgaria OOD
CROATIA	Croatia	BDO Croatia D.O.O.
	Albania	BDO Albania LLC
	Kosovo	BDO Kosovo
CYPRUS	Cyprus	BDO Limited
CZECH REPUBLIC	Czech Republic	BDO Audit s.r.o.
	Czech Republic	BDO Group s.r.o.
	Czech Republic	BDO Czech Republic s.r.o.
DENMARK	Denmark	BDO Statsautoriseret revisionsaktieselskab
	Denmark	BDO Holding V, Statsautoriseret Revisionsaktieselskab
ESTONIA	Estonia	BDO Eesti AS
FINLAND	Finland	BDO Oy
	Finland	BDO Audiator Oy
	Finland	Finnpartners BDO Oy
FRANCE	France	BDO France
	France	BDO IDF
	France	BDO RHONE-ALPES
	France	BDO ZAS
	France	BDO LES HERBIERS
	France	BDO FONTENAY LE COMTE
	France	BDO ST GILLES CROIX DE VIE
	France	BDO NANTES
	France	BDO ARRAOU
	France	VINCENT RUSE CONSEIL

COUNTRY	COUNTRY OF ESTABLISHMENT/WORK AREA	NAME OF MEMBER FIRM
FRANCE	France	BDO LES ULIS
	France	FIDENT AUDIT
	France	3APEXCO
	France	3A CORPORATE
	France	BDO Paris Audit & Advisory
	France	BDO Méditerranée
GERMANY	Germany	BDO AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Oldenburg GmbH & Co KG Wirtschaftsprüfungsgesellschaft
	Germany	BDO DPI AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Dr. Daiber Audit GmbH Wirtschaftsprüfungsgesellschaft
GIBRALTAR	Gibraltar	BDO Limited
GREECE	Greece	BDO CERTIFIED PUBLIC ACCOUNTANTS S.A.
HUNGARY	Hungary	BDO Hungary Audit Ltd
IRELAND	Ireland	BDO
ICELAND	Iceland	BDO ehf.
ITALY	Italy	BDO Italia S.p.A.
LATVIA	Latvia	SIA BDO ASSURANCE
LIECHTENSTEIN	Liechtenstein	BDO (Liechtenstein) AG
LITHUANIA	Lithuania	BDO Auditas ir Apskaita, UAB
LUXEMBOURG	Luxembourg	BDO Audit
MALTA	Malta	BDO Malta CPAs
THE NETHERLANDS	The Netherlands	BDO Audit & Assurance B.V.
NORWAY	Norway	BDO AS
POLAND	Poland	BDO Spółka z ograniczoną odpowiedzialnością Sp. K.
	Poland	BDO Legal Latala is Wspólnicy Sp.K. (non-voting Firm)
PORTUGAL	Portugal	BDO & Associados, SROC, Lda
ROMANIA	Romania	BDO Audit SRL
	Romania	BDO Auditors & Accountants SRL
	Romania	BDO Auditors and Business Advisors SRL

COUNTRY	COUNTRY OF ESTABLISHMENT/WORK AREA	NAME OF MEMBER FIRM
SLOVENIA	Slovenia	BDO Revizija d.o.o.
SLOVAKIA	Slovakia	BDO Audit, spol. s r.o.
SPAIN	Spain	BDO Auditores, S.L.P.
	Spain	BDO Audiberia Abogados y Asesores Tributarios, S.L.P.
SWEDEN	Sweden	BDO AB
	Sweden	BDO Göteborg AB
	Sweden	BDO Göteborg Intressenter AB
	Sweden	BDO Göteborg KB
	Sweden	BDO Mälardalen AB
	Sweden	BDO Mälardalen Intressenter AB
	Sweden	BDO Norr AB
	Sweden	BDO Norr Intressenter AB
	Sweden	BDO Stockholm AB
	Sweden	BDO Sweden AB
	Sweden	BDO Syd AB
	Sweden	BDO Syd Intressenter AB
	Sweden	BDO Syd KB
UNITED KINGDOM	United Kingdom	BDO LLP
	Northern Ireland	BDO Northern Ireland

C. List of abbreviations

A&A MT	▶	Audit & Assurance Management Team
A&A	▶	Audit & Assurance
ADR	▶	Government Audit Service
AFM	▶	Authority for the Financial Markets
AI	▶	Artificial Intelligence
AIR	▶	Audit Intelligence Robot
APT	▶	Audit Process Tool
B.V.	▶	Private company
BDC	▶	BDO Delivery Center
Bta	▶	Audit Firms (Supervision) Decree
BVB	▶	Private limited liability company
CAT-NL	▶	Centre for the Audit of Tomorrow – The Netherlands
Cbb	▶	Trade and Industry Appeals Tribunal
CE	▶	Continuing Education
CEO	▶	Chief Executive Officer
CFO	▶	Chief Financial Officer
CISPO	▶	Corporate Information Security & Privacy Officer
COO	▶	Chief Operating Officer
COS	▶	Dutch Auditing Standards
CQO	▶	Chief Quality Officer
CTA	▶	Commission on the Future of Accountancy Sector
DCC	▶	Dutch Civil Code
DNB	▶	Dutch Central Bank
DPA	▶	Data Protection Authority
EEA	▶	European Economic Area
EEF	▶	Engagement Evaluation Form
EMEA	▶	Europe, Middle East & Africa
EQR	▶	Engagement Quality Review
EQR-er	▶	Engagement Quality Reviewer
ETD	▶	Engagement Team Discussion
EU	▶	European Union
F&O	▶	Finance & Operations
FAR	▶	Foundation for Auditing Research
FIU	▶	Financial Intelligence Unit
FR CE	▶	Further Rules for Continuing Education
FSO	▶	Financial Supervision Office
FTE	▶	Full-Time Equivalent
GDPR	▶	General Data Protection Regulation
GROW	▶	Goal-Reality-Options-Will
HR	▶	Human resources
IAASB	▶	International Auditing and Assurance Standards Board
IC	▶	Independence Champion
ICT	▶	Information & Communication Technology
IESBA	▶	International Ethics Standards Board for Accountants
IFRS	▶	International Financial Reporting Standards
IQA	▶	internal quality assessment
ISMS	▶	Information Security Management System
ISO	▶	International Standards Organisation

ISPMS	▶ Information Security & Privacy Management System
ISQM	▶ International Standard on Quality Management
KPI	▶ Key Performance Indicator
LoS	▶ Line of Service
MCA	▶ Monitoring Committee Accountancy
N.V.	▶ Public company
NA	▶ Not available
NBA	▶ Netherlands Institute of Chartered Accountants
NOB	▶ Dutch Association of Tax Advisers
NOCLAR	▶ Non-compliance with laws and regulations
PCAOB	▶ Public Company Accounting Oversight Board
PCM	▶ Profit Center Manager
PDCA	▶ Plan Do Check Act
PIE	▶ Public Interest Entity
PPD	▶ Professional Practice Department
PPS	▶ Public Prosecution Service
PRC	▶ Practice Review Committee
QAR	▶ Quality Assurance Review
QRM	▶ Quality & Risk Management
RA	▶ Registered Accountant
RCA	▶ Root Cause Analysis
RI&E	▶ Risk Inventory and Evaluation

RPA	▶ Robotic Process Automation
SC	▶ Supervisory Committee
SEC	▶ Securities and Exchange Commission
SiSa	▶ Single information, Single audit
SME	▶ Small and Medium-Sized Enterprises
SPP	▶ Strategic personnel planning
SZW	▶ Social Affairs and Employment
TBQA	▶ Theme-based quality assessment
TBQR	▶ Theme-based quality review
TDP	▶ Talent Development & Performance
TDPP	▶ Talent Development & Performance for Partners
TttT	▶ Talent to the Top (Charter)
U.A.	▶ Excluded Liability
VAO	▶ Dutch Accounting Bodies Regulation
VGBA	▶ Dutch Code of Conduct and Professional Practice for Accountants Regulation
ViO	▶ Dutch Regulation on the Independence of Accountants in Assurance Engagements
VTO	▶ Professional consultation
WNT	▶ Dutch Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act
Wta	▶ Accounting Firms Oversight Act
Wwft	▶ Money Laundering and Terrorist Financing (Prevention) Act
Zzp	▶ Self-employed person

D. Table of legal framework

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

ARTICLE 13(2) OF REGULATION (EU) NO 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 16 APRIL 2014:		CHAPTER
a.	a description of the legal structure and ownership of the audit firm	BDO Quality Management System > Organisational structure > Legal structure
b.	where the statutory auditor or the audit firm is a member of a network:	
	i. a description of the network and the legal and structural arrangements in the network;	BDO Quality Management System > Organisational structure > International network
	ii. the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network;	
	iii. the countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business;	Annex B: List of BDO Member Firms within the EU/EEA
	iv. the total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements	Quality in 2020 > Organisational Structure > Key figures for BDO network international
c.	a description of the governance structure of the audit firm	BDO Quality Management System > Organisation structure > Legal structure, Organisational structure
d.	a description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning	Description of structure: BDO Quality Management System Description of changes and operation: Quality in 2020 Statement: Quality in 2020 > Statements of policymakers
e.	an indication of when the last quality assurance review referred to in Article 26 was carried out	Quality in 2020 > External monitoring > Monitoring by the AFM
f.	a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year	Annex A: List of Public Interest Entities
g.	a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted	Quality in 2020 > Statements of policymakers
h.	a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC	Quality in 2020 > Statements of policymakers
i.	information concerning the basis for the partners' remuneration in audit firms	BDO Quality Management System > Our people > Assessment and remuneration of external auditors
j.	a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7)	BDO Quality Management System > Ethical Standards > Integrity and independence > Long association of personnel
k.	where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories:	
	i. revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity;	Quality in 2020 > Acceptance and continuation of client relationships and engagements > Revenue
	ii. revenues from the statutory audit of annual and consolidated financial statements of other entities;	
	iii. revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and	
	iv. revenues from non-audit services to other entities	

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

NBA PRACTICE NOTE 1135: PUBLICATION OF QUALITY FACTORS	CHAPTER
Input: investments in quality, people, time available for audit engagements, technology and methodology (via network or other means)	
The leverage on the audit engagements by expressing the number of partner/director hours as a percentage of the total number of hours.	Quality in 2020 > Engagement performance > Availability of sufficient time, people and resources > <i>Average ratio of hours per partner, (senior) managers and other team members (leverage), separately for PIE audit engagements and non-PIE audit engagements</i>
The number of hours per FTE (full-time equivalent) spent on audit engagements, respectively on other engagements in total and by function.	Quality in 2020 > Engagement performance > Availability of sufficient time, people and resources > <i>Number and percentage of hours of partners, (senior) managers and other team members devoted to audit engagements (PIE and non-PIE), other engagements, internal activities</i>
The investments in technology and methodology for the benefit of the audit conducted by the audit firm, whether independently or through its contribution to the development as part of a network. The investments must be identified as a percentage of the audit revenue on an annual basis.	Quality in 2020 > Engagement performance > Methodology and technology
The average number of hours spent on training and education per employee (internal and external training).	Quality in 2020 > Our people > Development and continuing education > <i>Average number of hours (internal and external) training and education divided into partners, (senior) managers and other team members (in FTEs)</i>
The turnover of employees, with insight into the relevant characteristics the organization uses to monitor employee turnover, such as turnover per function level, years of experience or by differentiating between key talents and other employees.	Quality in 2020 > Our people > Formation > <i>Turnover in % of partners, (senior) managers and other team members</i>
Results of employee satisfaction surveys on aspects related to coaching and audit quality.	In late 2020, an employee satisfaction survey was taken, the results of which are not yet known. In late 2019, a culture survey was conducted. See also: Quality in 2020 > Culture and leadership

NBA PRACTICE NOTE 1135: PUBLICATION OF QUALITY FACTORS

CHAPTER

Process: insight into key measures and how their implementation is monitored

The number of FTEs or hours spent on supporting the audit (Technical support positions, Compliance and Independence). This can be expressed as a percentage of the total number of FTEs or audit hours.

PPD:
 Quality in 2020 > Engagement performance >
 Professional Practice Department >
Number of FTEs partners/directors, (senior) managers and other team members working at the A&A Professional Practice Department

Compliance and Independence (QRM):
 Quality in 2020 >
 Monitoring compliance with quality measures >
Number of FTE partners, managers and other team members engaged in compliance and risk management

The number of consultations in the field of accounting and auditing as a percentage of the number of audit engagements.

Quality in 2020 > Engagement performance >
 Quality management during engagement performance >
 Consultation procedure >
Number of formal consultation submitted to the Professional Practice Department in the field of reporting and audit

The number of Engagement quality reviews (EQRs) and other quality reviews prior to the issuance of the auditor's report as a percentage of the statutory audits, with the mandatory and voluntary EQRs disclosed separately.

Quality in 2020 > Engagement performance >
 Quality Management during engagement performance >
 Engagement Quality Review (EQR) >
Number of EQRs with the mandatory and voluntary EQRs shown separately

The number of hours spent on EQRs and other quality reviews prior to the issuance of the auditor's report as a percentage of the total number of hours spent on audit engagements where a quality review was performed, with the mandatory and voluntary EQRs disclosed separately.

Quality in 2020 > Engagement performance >
 Quality Management during engagement performance >
 Engagement Quality Review (EQR) >
Number of hours spent on EQRs expressed as a percentage of the total number of hours spent on the audit of engagements where an EQR has been performed

The percentage of hours spent by IT specialists and other specialists on audit engagements (the specialists covered by Standard 620 disclosed separately), for PIE and non-PIE organizations.

Quality in 2020 > Engagement performance >
 Quality management during engagement performance >
 Use of specialists >
Number/percentage of hours of IT specialists on audit engagements, divided into PIE and non-PIE, Number/percentage hours of other internal specialists on audit engagements

NBA PRACTICE NOTE 1135: PUBLICATION OF QUALITY FACTORS	CHAPTER
Output: insight into the effects of measures within the system	
The number of internal and external quality reviews conducted after the issuance of the auditor' report, as a percentage of the total number of issued auditor's reports, and the outcome of these quality reviews.	Quality in 2020 > Monitoring and evaluation > Monitoring of the professional services > <i>Number of file reviews performed in the context of cold reviews and theme-based quality reviews and the results of such reviews</i>
The number of internally reported violations of independence rules, as a percentage of the total number of employees.	Quality in 2020 > Monitoring and evaluation > Breaches > <i>Number and nature of violations identified</i>
The number of fundamental errors corrected, whereby the financial statements in which the errors were made were audited by the organization, as a percentage of the number of issued auditor's reports.	Quality in 2020 > Engagement performance > Quality management during engagement performance > Consultation procedure > <i>Number of formal consultation submitted to the Professional Practice Department in the field of reporting and audit</i>



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