

A circular photograph of two young women smiling. The woman on the left has long blonde hair and is wearing a black jacket. The woman on the right has long brown hair, wears glasses, and a black and white striped shirt under a black jacket. They are standing in front of a modern building with green accents and balconies. The background is a clear blue sky.

TRANSPARENCY REPORT 2022

IMPACT

BDO AUDIT & ASSURANCE B.V.
EINDHOVEN, 28 APRIL 2023

BDO



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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.

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1. Report of the policymakers

Introduction

The COVID-19 pandemic continued to make its mark on people and public life in 2022, but fortunately the impact remained largely confined to the first quarter of the year. In addition, the world and Ukraine in particular were faced with a devastating war. In the Netherlands, we just felt the side effects of the conflict in 2022, such as rising inflation, an influx of refugees and high energy prices. The global climate issue also continues to be cause for great concern.

Given the social relevance of the accountancy profession and in line with BDO's strategy, in which social relevance is classified as a priority, these developments have, in part, shaped our services and business practices over the past year. While we made allowance for current events in 2022, we did not veer off our course, which focuses on maintaining public trust and having social relevance by fulfilling our mission to add certainty to organisations, businesses and society through delivery of top quality services anywhere and at any time.

Since we operate in a sector that is subject to continuous change, we have had a challenging past year in which we again had to call upon the flexibility, resilience and positivity of our employees and clients. The client teams and the corporate support services pulled together and accepted the challenge. We can look back on a year in which our team efforts paid off in that we managed to maintain a high level of service *and* worked consistently on our quality agenda and the related quality-oriented culture. We are proud and grateful that we could count on all our people. We believe that BDO's signature approach with an eye for the personal and the human dimension also helped us stay on course in 2022 and made the difference, despite the challenges.

The experiences of last year and our people's ongoing willingness to change sustain us in our confidence that we can continue to make strides in the growth and development of our organisation going forward. In doing so, the manageability of initiatives will be a specific focus point. To us, keeping changes manageable means making clear choices, providing guidance and, above all, staying connected with each other and strengthening our connection where needed, as well keeping communication lines open between policymakers (both in and outside BDO) and the shop-floor, so that we do not overask our people.

Strategic period 2021-2025

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

At BDO, we are all about people, groups of people and the interaction between them and their environment, and their relationships with society. Important concepts for people and society, such as sustainability, health and vitality, equality, safety, integrity and loyalty are inextricably linked to this approach. This involves maintaining public trust and social relevance, also by 2025, when the current strategic period will end. Our approach is personal and pro-active, and we respect the human dimension. This helps us connect with our clients and society. At BDO, individuals can really make the difference by connecting with clients and coworkers on a personal level.

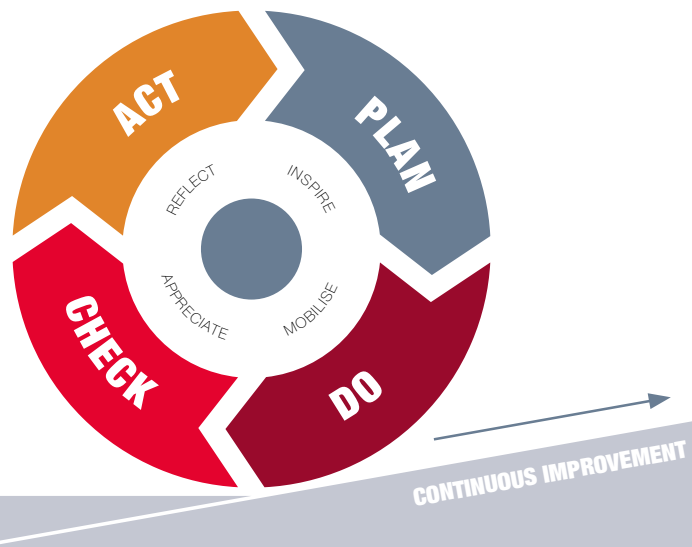
Our mission helps keep us on course. Clients need the confidence to stake their place in a rapidly changing world and an equally fickle labour market. To help them achieve this, it is key that we add certainty. Clients and society expect us to limit business or governance risks and to make these risks manageable for them, whether we audit financial statements or municipal finances, or perform a due diligence review. It is BDO's job to add certainty to information.

Auditors and advisers not only contribute to the financial prosperity of individual organisations, but also to the effectiveness of the economic system. Based on their expertise, knowledge and experience, they can make a valuable contribution and give substance to their role in society, their role in the debate on financial and economic issues, and their role in improving rules and regulations and the related implementation aspects, by adding certainty in an uncertain world.

We are a Dutch firm and a member of the growing international BDO network, which is not only increasing in size, but also – more importantly – evolving in terms of quality. Top quality is the global network's number one priority, as it is for us. Delivering the best possible quality lays the foundation for our further growth and development as an organisation.

We are now over two years into the current strategic period. The results of our culture measurement, stakeholder dialogues, the Plan Do Check Act (PDCA) cycle and employee surveys confirm that we are on the right track. We started to project-manage the execution of the BDO strategy in 2022 and the focus and priorities of ongoing projects were tweaked. We also took important steps in 2022 towards fleshing out the practical aspects of our strategic market focus, making choices in line with the BDO Global strategy, and moving towards thought leadership and delivering top quality in identified Industries.

An important part of the international strategy, which we, at BDO Netherlands, embrace is the up-market strategy, i.e. upscaling engagements depending on the size and complexity of our clients. This also includes trying to gain an appropriate share in the market of Dutch listed companies. We aim to implement this strategy without ever losing sight of manageability. This means that we ask lead partners in the Audit & Assurance Line of Service (A&A LoS) to decide between Majors and Minors in their portfolios, but also that our Professional Practice Department (PPD) is getting better equipped to provide Industry-specific support. The A&A MT provides guidance to the regions in their chosen Industries and decides where to concentrate teams geographically, so as to guarantee the continued delivery of top-class services in each region in both quantitative and qualitative terms.



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

We are finding that these actions are causing our client portfolio to transform in line with our strategy. Based on A&A's experiences, we would argue that BDO Netherlands' full-service strategy contributes to our mission of delivering top quality anywhere and at any time. In 2022, we came up with a detailed strategy for how we want to shape this multidisciplinary teamwork, in which process industry and other subject matter experts help to improve audit quality.

This report

In this report, we have set out the specific details of the actions we took to work towards achieving our mission to deliver top quality anywhere and at any time in 2022. The details of this report pertain primarily to BDO Audit & Assurance B.V., which provides statutory audit services. BDO Audit & Assurance B.V. is a line of service of the group headed up by BDO Holding B.V. Our ambition to deliver top quality extends across all activities of the BDO Group, including the other LoSs besides A&A. Our ambition to deliver top quality anywhere and at any time is front of mind for all our LoSs, which makes it an integral part of our quality focus throughout the firm.

In this report, we will provide insight into how we use the Plan Do Check Act cycle, which continuously causes minor and major shifts in our procedures and working methods. Once they have been evaluated, minor shifts are put into practice as soon as possible and integrated into our quality management system. As a part of this continuous cycle, we transpose our strategic objectives for 2021-2025, along with the envisioned major shifts, into annual plans. These annual plans form the basis for annual improvement drive.

As we described in our Transparency Report 2021, we, as an organisation, are proud of where we stand and the steps we have taken in the past few years. We believe that we can now conclude that we have turned a corner in terms of our culture, but we are not resting on our laurels. We are constantly trying to be better and work more effectively, while enjoying what we do. As the world changes, we have to change with it, be agile and have the ability to respond to current events. Change does not just come in the form of technological developments, the war in Ukraine, but is also prevalent in the provision of non-financial information or the dynamics of the labour market. As the Governing Board, we seek to be the calm in the storm for our people, actively support the culture shift and instil confidence for the future. We are still improving every day, but we are also careful of not getting ahead of ourselves. That too is part of our people-oriented culture and our values.

Quality management system

As announced in our Transparency Report 2021, BDO Netherlands has developed a quality management system. This system, which is in line with the requirements of International Standard on Quality Management 1 (ISQM 1), was implemented as per 15 December 2022. The quality management system has been in force from that date onwards. From 2023 onwards, its effectiveness will be monitored and evaluated annually. The design and implementation phase has been finalised in 2022 and for 2023 follow-up steps have been planned for operating, monitoring, and evaluating the quality management system.

We collaborated closely with BDO Global in the implementation phase. In this phase, the quality objectives were updated and the required functional roles in our organisation were assigned to specific individuals. An extensive risk assessment was performed in the spring of 2022. Based on the findings of this assessment, a number of actions were taken to adjust the system and/or introduce quality controls. The quality controls were also formalised in process descriptions.

We procured and implemented GRC tooling in 2022 to meet the primary need for technology-supported BDO-wide insight and alignment of objectives, risks, controls, monitoring, findings, follow-up and improvements for such purposes as decision-making, management control and accountability. Finally, the monitoring policy was overhauled and rewritten, and the monitoring programme was recalibrated.

The changes to the BDO Quality Policy were coordinated with those ultimately responsible and accountable for the quality management system and addressed in the Quality & Public Interest Committee of the Supervisory Board. The updated BDO Quality Policy was published internally on 15 December 2022.

The next steps in 2023 include transposing the monitoring activities in concrete programmes, communicating with and training the relevant people, and setting up a new quality & risk management reporting structure with a focus on the monitoring activities and their outcomes. In doing so, we will also reassess quality management responsibilities, both for the business (first line) and for corporate support (second line). As a final step in 2023, we will decide how to proceed with the first full evaluation of the quality management system.

We are confident that this strengthening of our quality management system is an important step in our development towards a more professional organisation, as it will help to pinpoint our potential for taking the quality of our services, processes and organisation to the next level and beyond.

For a quality management system to actually work, an organisation needs to have in place the right governance. To create an appropriate governance structure, the Supervisory Board created the Quality & Public Interest Committee in 2022.

Quality-oriented culture

At BDO, we want our culture to be people-oriented as well as quality-oriented. The goal of our quality-oriented culture is to have all our people deliver top quality anywhere and at any time. This is part of our mission, which is why it is a top priority of the strategic agenda for 2021-2025. Based on our core values, we aim to exceed the expectations of our key stakeholders and comply with laws and regulations and our own internal rules, including our ethical principles.

We have taken a structured approach to our quality effort for ten years. Our ambition to deliver top quality extends to all of the BDO Group's activities. While, in the early years, A&A was the main driving force and initiator, in recent years we have seen that the other LoSs have also started to take the quality drive in their domain very seriously. By making bold choices, they are even better placed to impart to their colleagues and clients what their added value is and what they stand for. With this, we have taken important next steps towards an overarching quality-oriented culture.

After ten years of building our quality-oriented culture, we are confident that we have, once and for all, brought about a culture shift: quality is now the guiding principle in everything we do. As part of this culture, the principles of a learning organisation form the basis for harnessing our remaining potential for improvement over the coming years. The quality management system, which was updated in 2022 and in which monitoring is a key element, ensures that we will take structural action to unlock this potential.

At BDO, the quality of our professional services is managed from a central location. This ensures the quality of our service provision. In the audit firm domain, the Governing Board and A&A MT set the rules. The Quality & Public Interest Committee, which was created by the Supervisory Board, is also an important part of our governance structure. The Practice Leaders are an extension of the practice's MT. They ensure consistent implementation within the practices by working with a practice plan that is based on the A&A Annual Plan. Within A&A, the collaboration between the MT and the Practice Leaders was professionalised and deepened in 2022. They now hold quarterly meetings at which they address the status of the practice plans. These meetings are characterised by open communication and engagement. In our opinion, this reflects the shift we are making from an 'organisation of professionals' to a 'professional organisation' that increasingly prioritises our common interest.

Horizon

The BDO Horizon programme is designed to promote our quality-oriented culture; its aim is a continuous and sustainable culture drive. This programme focuses on creating and maintaining a climate in which delivering top quality is vigorously promoted.

The next phase of the Horizon programme was initiated in 2021 in the context of the new strategic period 2021-2025. We aim to implement our quality-oriented culture with the help of pro-active people from different backgrounds who collectively make the difference. With Horizon, we seek to make further strides in creating a culture at BDO that is open, flexible, people-oriented and quality-oriented, a culture in which our people feel safe and have a sense of belonging – despite their visible or invisible differences. We want our people to enjoy their job in a learning organisation where they are not afraid to give feedback and quality is top of mind. We never use sight of the interests of people and society in the choices we make.

Horizon is a BDO-wide culture programme aimed at helping BDO and our people transition to this envisioned culture. BDO Horizon was divided into five strategic subprogrammes in 2021. The nature of these programmes and the steps taken in 2022 in the context of the different programmes are set out on the next page.

In addition to these strategic themes, regional Horizon teams have selected specific themes that reflect the situation in their respective regions. We have appointed coordinators for each region to pioneer and develop the 'Horizon in the Region' programmes together with the profit centre managers and HR business partners. This is how we take a targeted approach to the themes in each of the regions.

In 2022, we started to offer quarterly Studio Horizon sessions. This is a series of live interactive broadcasts from our own studio in Utrecht. In these broadcasts, we combine as much information about Horizon and its underlying programmes as we can and give our people the chance to ask questions, which are answered on air. This keeps Horizon front of mind and allows us to structure the information about our culture programme.

As in 2021, we conducted a Horizon survey in 2022 to monitor the status of the programme and fine-tune the themes. The survey showed that the core value of 'job satisfaction' leaves the greatest room for improvement; our people told us that they thought a better work/life balance and greater appreciation in the workplace would lead to more job satisfaction. Vitality is also an issue. These themes were at the heart of the Horizon programme in 2022, also in the regions, and they resulted in a number of initiatives that were implemented in the business units. With our leadership programmes, we encourage our managers to lead by example on the identified themes. This includes showing vulnerability.

We have also conducted specific culture surveys in the audit firm over the past few years. This survey was repeated in early 2022. While the outcomes showed a clear positive trend towards our envisioned culture in previous years, this trend flattened out in this year's survey. This was due, in part, to the pandemic and the resulting lockdowns, which prevented people to come into the office. With our revised sustainable collaboration policy and the regional Horizon programmes, we addressed this issue specifically. The A&A Annual Plan 2023 also tackles this aspect.

Horizon themes

Leadership

The focus is on the role of partners as exponents of the envisioned culture and the role and effectiveness of managers and their capacity to lead by example. This is based on the concept of shared leadership. Employees are also coached, per target group, in their development as managers. This development takes place at four levels: Leading Yourself, Leading Others, Leading Business and Leading Change.

In 2022, the leadership programmes for different roles in the organisation, including partners and managers, were updated. The first groups started in the autumn.

Diversity & Inclusion

The focus is on creating a diverse workforce that is a reflection of society. A diverse workforce will improve the corporate culture because it makes people feel safe despite their visible and invisible differences and gives them a sense of belonging and vice versa. And it contributes to quality because of people's differing perspectives.

Besides gender diversity, cultural diversity also became a policy point in 2022. Our Head of Diversity and the Governing Board took the initiative to make structural headway towards cultural diversity by engaging a number of external agencies.

Vitality

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

In 2022, employees were invited to join the step challenge, vitality checks and the OpenUp online platform. This mental health platform addresses eight topics: self-confidence, stress and anxiety, work performance, finding purpose, relationships, lifestyle, sleep and mindfulness.

Learning & Development

The focus is on lifelong learning and continuing development. These are essential aspects in a learning organisation. In addition to gaining professional knowledge, our people are also invited to develop in terms of personal leadership, communication skills, resilience and self-reflection.

We offer clear learning pathways to help our people advance their career. The learning pathways for each role were mapped out in 2022 and communicated to our people via the intranet. They will be evaluated and streamlined in 2023 so that they tie in with the BDO strategy and core values.

Sustainable collaboration

The focus is on how we collaborate with each other and with our clients, from home, at the office or both, and on how we can work together safely and effectively long term in ways that allow individual freedoms, but still keep us connected, so that we can help and coach each other.

We reviewed our sustainable collaboration policy in 2022. The policy was further fleshed out and renamed *Activity Based Working*. We organised Dilemma Cafes to engage with our people and they took online courses. Facilities to allow our people to choose an activity-based workstation were further rolled out in 2022. BDO is committed to its culture of people orientation and interpersonal connection. That is why we encourage our people to engage in dialogue with each other about where and how they perform their duties and in which team setting.

Further implementation of annual plan

As we explained above, our annual plans form the basis for our yearly improvement drive. As part of the annual plan for 2022, we took a number of steps aimed at the sustainable improvement of our service quality. The most important steps we took in 2022 are outlined below.

Our employees

Our employees are the decisive factor in the quality we deliver as an organisation. Workload is an important topic in the accountancy domain; there are multiple causes of stress at work and different people have different perceptions of their workload. Rather than addressing this issue separately in 2022, we integrated it into all initiatives we took. These initiatives included:

Influx of new colleagues

To attract new people in a tight labour market, we increased our recruitment efforts. In addition to a energetic labour market campaign, we expanded our recruitment capacity and redefined the teamwork between our recruitment teams and our regional teams, making this even more of a joint effort. We believe that it is our social responsibility to liaise with schools and universities; this also helps us in our recruitment drive. We are proud to report that more of our people contributed to teaching programmes in 2022. In 2023, our coverage at key schools and universities will be further evaluated and actions will be taken to build the right network.

In 2022 more than in previous years, we focused, on offering places to co-op students and interns, as well as to thesis students. We are happy with our high-quality recruitment team, which, together with colleagues from the business, made sure that a significantly higher number of students had joined us by February 2023. This not only allows students to familiarise themselves with BDO's people-oriented culture and our firm's professionalism, but also contributes to the quality of the curriculum for future professionals.

Young, highly motivated colleagues join the business every year. They enter a world that is both demanding and constantly in flux, which can be overwhelming for them. That said, it can also be taxing on many of our more experienced people since they are expected to mentor the newcomers. In 2020 and 2021, this was exacerbated by the COVID-19 pandemic.

Online mentoring of new recruits put an additional burden on our people. Within the parameters of the government measures, we chose to limit interpersonal interaction between colleagues almost exclusively to new recruits and their mentors. This allowed us to maintain our mentoring quality levels for the most part. We are delighted that, in line with activity-based working, we are now seeing teams meeting back in-person at the office or at clients' premises. This promotes connection, both professionally and personally, which has a positive effect on our people's job satisfaction and well-being.

Each year, our new recruits meet at the BDO Starter Academy to be trained for four weeks in a central location. After the pandemic, we were able to return to offering the entire programme in-person in 2022. Besides learning about professional issues, the new recruits are also given the opportunity to enjoy themselves and work on their personal development.

Internships and on-the-job training/vlogs

Internships are pivotal to an accountant's training. Some aspects of their internship are intertwined with other elements of our internal and external training programmes. In 2021, we started a project whose objective was to reduce the administrative burden associated with internships by making smart choices and creating intelligent links in our training programmes. This is centred around our on-the-job training programme (OTJT), in which we combine theory and practice. OTJT was fully updated in 2021 to include vlogs recorded by passionate colleagues from around the country. In 2022, we added more vlogs and we decided to integrate them into our internal training programme as a fixture. We continued with the programme to further amalgamate internal and external courses to make accountancy training more fun, which will contribute to the students' success.

Talent management process

At BDO, we have a structured system in place to boost the development of talented employees: Top, Development and Performance (Dutch acronym: TOP). Every professional has their own personal talent development plan with a standardised TOP cycle to make the most of their potential. In a short cycle, they are given feedback on how they did on engagements. The TOP cycle also includes periodic performance interviews. Professionals are also assessed for their performance on identified milestones. This is part of the appraisal process for promotion to leadership positions, such as being appointed as a manager or making partner.

In 2022, we further mapped out these appraisal processes and decided that we would place more emphasis on talent development as well as performing development reviews at an earlier stage in a professional's career. This ties in perfectly with our vision of shared leadership, in which Leading Yourself, i.e. personal development, is the first phase. We encourage our people to reflect on their own talents and development needs, and take a proactive approach to their development. Our talent managers and mentors provide support, guidance and inspiration, so that the professional effectively feels that they have the time and space to work on their personal development.

Scrum

In 2020, we started applying the principles of the scrum framework to the audit practice when conducting audit engagements. The scrum method was included as a fixture in our audit process in 2022. This marked a step forward towards gaining more and better control of our project management and the workload. Each region has its own scrum masters who operate as a self-managing team. Our scrum masters are highly qualified people who, in addition to providing process support, also encourage collaboration and connection within teams through peer reviews. In 2022, we started involving our clients in the scrum process, which is paying off because it lifts the quality of our teamwork with clients to a higher level, which, in turn, improves the quality of the audit process. Scrum helps to keep teams connected, even remotely.

Diversity and inclusion

BDO has embedded the theme of diversity and inclusion in its strategy, the objective being to ensure that our corporate culture is organically aligned with a changing society. In line with the objective of the Governing Board, we have identified specific gender diversity targets in the audit and assurance domains. A number of actions were taken in 2022. Diversity was addressed as a key theme on several occasions in meetings with the Practice Leaders, and we assigned priority to the theme and its associated issues in the broader practice. Insights, opinions and biases were discussed, for instance, in the context of strategic staff planning (e.g. outcomes of surveys of differences in pay and performance appraisal) and we reviewed the incentives for working part-time. Besides gender diversity, there is an increasing focus on different forms of cultural diversity.

Young A&A MT

We have had a Young A&A MT for some years. The collaboration with this platform was further intensified in 2022 by involving its members in a number of A&A MT projects, obviously after they had had their say in the project decisions. This is how we make sure that they support our policies. The Young A&A MT is a driven and passionate team, and we are proud that its members feel safe to express their opinions and be critical where needed. Young MT members have also been assigned to projects for 2023 and we look forward to our productive collaboration.

Audit in Control

We have placed a great deal of emphasis in recent years on improving our professional quality through the curriculum and training sessions we offer and through reviews. We intend to continue on the same path. However, we also looked at other avenues that would take us in a different direction in terms of our approach. That other approach is being fleshed out in a project with the working title 'Audit in Control'. The objective of this project is to make strides in terms of quality. We aim to do so by sharing the collective knowledge of the audit practice at engagement level where we can: a quality-oriented mindset/culture of collaboration across engagement teams. For this purpose, we have developed a plan that was implemented in the form of a pilot in 2022.

The pilot focused on interaction in teamwork by looking at cross-team collaboration and ownership of quality, job satisfaction and use of available talent/expertise in order to deliver top quality together in a sound corporate climate where our people feel safe and comfortable asking for help, where we are open about our working methods, where the available talent and expertise is leveraged to the full and where knowledge-sharing is the norm.

The pilot, which was supervised by our colleagues of BDO Advisory, was evaluated in January 2023. It resulted in a number of findings about our current way of working, which was developed over the past decades, and about what we want our working methods to be like. The conclusion was that the pilot did not provide enough information for us to roll out more widely the working method we had thought to be effective. The way of working we envision will require our people to make considerable and serious changes; the pilot told us that we need more time to implement such changes. What is more, the pilot was partly conducted in the busy season and many of our people still worked remotely on a regular basis in 2022. We will formulate a follow-up to the Audit in Control project in 2023, as we still believe that more knowledge-sharing will help us better harness our talents and expertise for the audit practice as a whole. In short, the ambition of the Audit in Control project still stands, but we will review our path towards achieving and internalising it.

Profession

We took more quality-enhancing steps in 2022, for instance by following up on recommendations from external regulators as well as from quality reviews by BDO Global and the outcomes of our own PDCA cycle. We have set out each of these steps below.

Questioning mind

Audits are governed by a set of prescribed standards. Following these standards implies meeting the quality requirements for an audit. The assumption that audit standards are always followed to the letter ignores the fact that reality can be fickle. Audits require choices to be made. These choices are not black and white, but call for professional judgment.

In recent years, we have focused on documentation, standardisation, checklists, required work programmes and standardised scrum processes. While we will continue doing so, how we use our expertise, our brainpower, is what determines the quality of our services. We have an intellectual profession and our *raison d'être* lies in scepticism, meaning that we ask questions and follow-up questions, and that we are analytical and inquisitive. We want this scepticism, which we have dubbed *Questioning Mind*, to be our fundamental attitude and we will feature it even more prominently in our next quality push. We resurrected Questioning Mind in the implementation of our Annual Plan for 2022 and explicitly pinpointed this as the fundamental attitude underlying our reason for existing. This central theme reflects that accounting is a profession that challenges people's intellectual capacities, that offers job satisfaction and that inspires pride and passion. We gave Questioning Mind pride of place in our Annual Plan and curriculum for 2022. Forging professional connections requires an open mind to questions/feedback from all coworkers, self-reflection and on-the-job commitment from senior team members. That is why having a questioning mind towards colleagues and clients is an essential aspect of the quality-oriented culture we envision.

All professionals, from assistants to partners, were trained in mixed groups to foster their professional connection. Questioning Mind was also embedded in a number of initiatives and projects, including activity-based working, the Audit Partner Refresher Programme and the mentoring programme. In addition, on-the-job coaching by senior team members was better integrated in the audit process. Questioning Mind will be a recurring theme in 2023.

IIP process

We adjusted the internal inspection programme (IIP) to our development needs in 2020; 2022 was the last year of the three-year IIP cycle. Our focus is on the audit planning phase. Getting it right the first time is reassuring for the team, not just in the planning phase but also in the actual audit stage. We also continued the procedure that reviewers focus specifically on the positives of an engagement. By doing so, we aim to give our people positive reinforcement aside from the points of criticism that will come up in a learning organisation. External reviews conducted by a number of authorities have given us renewed confidence that we are on the right track towards doing better and that we are moving in the right direction. We implemented the lessons learned from the reviews and our own evaluation of the IIP process in 2022. The changes will be evaluated and we will draw up the action plan for the next three-year cycle in 2023.

Expert teams

We set up specific teams in three key areas in 2021 to support the quality drive. These teams took further shape in 2022, in both quantitative and qualitative terms. The members of these teams, who were given individual professional training, are responsible for the implementation and consistent application of the knowledge they have gained in practice. They are supported and coached by the Professional Practice Department. The key areas are:

Integrated reporting

Integrated reporting has been a priority for us for years. The EU Corporate Sustainability Reporting Directive (CSRD) became final in 2022 and we made concrete plans to help our clients comply with the new regulations by the deadline.

We managed to significantly expand our expert team in 2022 and we trained all our people on the CSRD regulations.

Fraud, corruption and non-compliance (FCNC)

We created a fraud expert community in each of our regions. The community practice members take part in the risk assessments of audit engagements and, in line with our policies, review auditor's reports that include specific reporting requirements on FCNC and going concern. This is how we hone our focus on FCNC.

In addition to forming the fraud expert community, we created an FCNC knowledge base and started supporting the business with a number of tools that can be used in the audit process to identify FCNC issues. We also imposed several quality measures in 2022 focusing on FCNC.

IT

The activities of the national and international Centre for the Audit of Tomorrow (the details of which are explained elsewhere in this report) typically raise subject matter questions about implementation and acceptance in the business.

The key user team offers input in the development of innovations, both from a practical and professional perspective. We trained all our business professionals in 2022 to use innovative IT tools in the audit process. Thanks to our regional key users, we managed to significantly increase the use of innovative applications.

Implementation of Audit Process Tool

Our audit process is facilitated by Audit Process Tool Next Gen (APT NG), our audit tool. We also document our audit findings using this tool. The tool was developed by BDO Global and is used throughout the international network. Significant investments are being made in APT NG. A new version of APT that is fully compliant with ISA 315 was implemented in 2022.

In 2022, we further developed our APT Insights dashboard, which offers insights at multiple levels (i.e. file level, portfolio level, region level) into the key characteristics of statutory and other audit engagements and their status. In 2023, we will map out how these insights can be used in the business to make adjustments where necessary and how we can apply them in the monitoring process of our BDO quality management system.

ISQM 2

Our engagement quality review (EQR) policy was aligned to the International Standard on Quality Management 2, Engagement Quality Reviews (ISQM 2) in 2021. In 2021, we started a project aimed at improving the EQR culture to ensure that procedures are in place for effective quality reviews. Key elements in strengthening this culture are Time & Priority, Assessment, Value & Reward and Authority. In 2022, a detailed roadmap was drawn up, after which the first implementation steps were taken. This project is scheduled to be completed by the end of 2023. It will make the role of engagement quality reviewer even more of a fully fledged expert role that is recognised and acknowledged as such in the organisation.

NOW scheme

Just as in 2021, engagements involving the COVID-19-related Temporary Emergency Bridging Measure for Sustained Employment scheme (Dutch acronym: NOW) more or less intersected with our regular annual planning, due, in part, to regulatory uncertainties and because additional procedures had to be performed for many clients. The Professional Practice Department provides professional and practical support in NOW engagements by offering a programme, a framework and tools that can be used to share knowledge about the audit protocol and the interpretation of various specific terms as efficiently as possible with the business. They offer regional NOW specialists and organise periodic Q&A sessions at which they provide on-the-spot input on questions at play in the business. The NOW audits will spill over into 2023. We are proud that our colleagues and clients are working together to perform these additional procedures, because this has helped to show to the public that we are a valuable link in the chain of monitoring compliance with on-the-fly legislation.

Ukraine

The war in Ukraine is top of mind for BDO, as it is for the world in general. Our people are kept informed of the situation and the carefully considered policy choices BDO has made, both nationally and internationally, via various channels. At the start of the war, the international network's first priority was the safety of our Ukrainian colleagues and their loved ones. The European Union imposed additional sanctions against Russia. QRM & Legal immediately proceeded to explain in detail to everyone at BDO Netherlands what the significance of these sanctions were and how they might impact BDO. QRM instructed the business on what actions were expected of them in relation to BDO clients that might be affected by these sanctions. QRM also asked the business to pay extra attention in the client onboarding process to corporate structures and UBOs if the client is an entity potentially subject to sanctions. QRM made an inventory based on the individuals and entities that are currently on the EU sanctions list as well as client and UBO registrations. This process is repeated at regular intervals.

The Professional Practice Department also briefed our professionals on the significance of the sanctions and their impact on BDO's audit procedures. The Department provided tools to help audit teams document the impact of the Russia-Ukraine conflict.

The A&A MT is closely involved in the developments and the implications for the audit practice. They meet regularly with the Governing Board and corporate support officers to address questions from the business and discuss the situation of individual clients.

As an organisation, we managed to adapt quickly to the consequences of the Russia-Ukraine conflict for the A&A business, in which process we also complied with the relevant alerts issued by the Netherlands Institute of Chartered Accountants (NBA) and the Exposure Draft issued by the Dutch Accounting Standards Board.

Clients and engagements

We were able to further build on our reputation in 2022 as a firm of good public standing and as a PIE audit firm that conducts top-quality audits in the higher-end of the SME/family business market, medium-sized corporate clients, including financial services providers, and the public sector. As part of our strategy, we fine-tuned our choices for specific industries and sectors in 2022. Our industry focus aligns with the international BDO strategy. We also defined a strategy in 2022 for meeting our goal of gaining an appropriate share of the market for auditing Dutch listed companies.

We have made allowance for the continued globalisation of the market in the course we have set for ourselves and this is reflected in our business practices. We have a close-knit international network and our global teamwork will feature prominently in our policy for the coming years. The Netherlands is a key country in the international BDO network and the Dutch audit practice is strongly represented in international committees, including the Audit Leadership Committee. The members of these committees address aspects such as the BDO up-market strategy and our industry focus, and they coordinate international tenders and joint investments, e.g. in technology such as APT. Thanks to our representation in these committees, we can steer and monitor the fulfilment of our mission to deliver top quality anywhere and at any time.

Our market strategy also forces us to make choices. In 2022, we made policy changes in our client and engagement acceptance process to reflect our market strategy. The audit practice will make allowance for these choices in accepting clients and partners will be assigned to engagements in line with their chosen major or minor.

Innovation

Innovation in the A&A domain is a matter for BDO Global, more specifically for the Centre for the Audit of Tomorrow (CAT). This centre has a presence in the Netherlands (CAT-NL). CAT-NL drives innovations, coordinates and teams up with the Professional Practice Department and key users from the audit practice to implement and adopt innovations. CAT-NL is always on the look-out for new technological developments to enrich the audit process. Its goal is to implement data-driven and technology-based innovations in the audit process. CAT-NL projects are broad in scope. They include data analytics and dashboards, audit automation and robotisation and machine learning/AI, as well as collaborative studies with universities, e.g. about auditing using a digital twin. CAT-NL also coordinates partnerships with external market parties, BDO Global and various BDO member firms so it can learn from their experiences with IT innovations. CAT-NL works with the IT and innovation teams of other BDO LoSs to collaborate on new technological applications where possible.

In collaboration with CAT-NL, we took further steps in 2022 to support the revised standard for performing and documenting risk assessments (DSA 315) using data analysis. This included setting up Advantage Next Gen, our updated data analysis tool, to streamline the risk assessment process as much as possible.

We are also working on implementing a new client environment (BDO Global Portal) for convenient data exchange data and collaboration with member firms in other countries. And we initiated studies on how to more easily retrieve data from our clients' ERP and banking systems for the purposes of expanding data analysis and machine learning capabilities in our audit practice.

External developments

Our sector is in the public eye and part of the public debate. Society wants the accountancy profession to be relevant and robust, both now and in the future, because our profession is one of the foundations of a sound economic system. In 2022, this was reflected in the role of auditors in government COVID support schemes, such as NOW and the Reimbursement of Fixed Costs for SMEs scheme (Dutch acronym: TVL). Going forward, the auditor's role will gain even more traction because they will also be expected to express assurance on sustainability reports. Besides public interest in the sector and its continued relevance, the sector is subject to constant change and faces a number of challenges that need to be overcome to continue meeting the demands of society.

As a sector, *and* as BDO, we are committed to meeting the expectations of our stakeholders and users. The group of users seems to be expanding all the time. In addition to shareholders, investors, supervisory bodies and clients, opinion-makers also play a role in the public debate. Sometimes we wonder whether the public debate sufficiently highlights the efforts the sector is making and has made, and the results this has produced to date, and whether society recognises the value accountants have added to recent social issues, such as the implementation of government COVID support schemes. What we need, particularly for young colleagues, novice practitioners and accounting students, is positivity, calm and confidence in the sector. This will help make the accounting profession more appealing and instil in them a sense of pride of the profession. As policymakers of the BDO A&A practice, we endeavour to impart that positivity, calm and confidence to our employees in the year to come.

The globalisation of the market is causing an upsurge in demand for audit services and, with it, an increase in complexity. Issues such as sustainability, fraud and going concern are boosting demand for audit services as well. The impact of technology and digitalisation is major, but we have yet to see any significant time saving in terms of audit procedures. On the other hand, the appeal of the profession is under pressure. There are fewer new accounting students.

In the Netherlands, various accounting firms have chosen to merge to meet the challenges in the sector, thereby reducing the number of accounting firms. Private equity has entered the sector. We are monitoring any external developments closely and we transpose them into our strategy and annual plans.

The audit firm periodically meets with the Dutch Authority for the Financial Markets (AFM). At these meetings, AFM elaborates on its themes and focal points, individual cases, and its investigations and follow-up. AFM plans to further tighten its supervision of PIE licence holders in the coming years.

In October, AFM announced that it had started an investigation into the quality of fraud risk assessments in statutory audits. The investigation concerns 13 audit firms, including three PIE audit firms. BDO provided information in November and the investigation was conducted in February 2023. At the time of this writing, the findings had yet to be reported.

In November 2022, AFM informed BDO of the start of an exploratory investigation into potential exam fraud at PIE audit firms in the Netherlands and the measures that are in place to prevent such fraud. BDO provided the requested information to AFM. We also engaged in dialogue with AFM in 2022 with a view to complying with AFM's ambition for data-driven supervision going forward.

We contributed to projects of the Public Interest Steering Committee, a partnership between audit firms, the Netherlands Institute of Chartered Accountants (NBA) and SRA, an association of accounting firms specialising in SMEs, which is designed to boost sustainable audit quality improvements, further to which we teamed up with the Foundation for Auditing Research (FAR).

In 2022, the Coordinators for the Future of the Accountancy Sector (in Dutch: Kwartiermakers toekomst accountancysector) continued to work towards their mission of monitoring and promoting the progress and coherence of the improvements for the accountancy sector announced by the Dutch Finance Minister as well as towards implementing a number of specific controls. The Coordinators' fourth progress report is cautiously optimistic about the improvements in the sector. They will issue their final report at the end of 2023.

Outlook

Quality is the guiding principle of our A&A practice; it is embedded in our culture. In that context, we will continue our Horizon culture programme in 2023 to ensure that the culture we envision becomes ingrained in the DNA of our organisation. Priority themes in 2023 will be Questioning Mind and the human dimension. We will focus on these themes and help our people live by our guiding principles on a daily basis. We seek to forge professional connections every day. To us, this means that the top echelons of our firm leads by example, that they are engaged and that they create an environment that is perceived to be safe for people to open themselves up, personally but especially professionally. This will allow our people to thrive and develop their full professional potential, and enable us to practise our great profession at top level.

As members of the Governing Board, we are proud of where we stand today. This means that we will put on a calm, confident and positive demeanour to our people in 2023. This will help with a shared response to the challenges our firm and our clients are facing. We will continue to take ownership of our broad role in society in 2023 so as to meet the expectations of our users. With quality as our guiding principle, we expect to fulfil our professional role with pride, enjoyment and an eye for the human dimension, making due allowance for matters such as sustainability, fraud and corruption, labour market issues, the impact of the COVID-19 pandemic and the Russia-Ukraine conflict.

Eindhoven, the Netherlands, 25 April 2023

Governing Board, BDO Audit & Assurance B.V.

R.C.M. (René) Nelis (Chairman and CEO)

L.M. (Leon) Jansen (member of the Governing Board, CFO/COO)

M.A. (Maurice) de Kleer (member of the Governing Board, CQO)

M.M.G. (Marcel) Mans (titular member of the Governing Board, Head of Audit)

Management team Audit & Assurance

M.M.G. (Marcel) Mans, Head of Audit

P.M. (Pascal) Belfroid

W.P. (Wilma) de Wit



BDO Governing Board
Maintaining the trust of our clients and having social relevance are central to our strategy. With this in mind, the BDO Governing Board engaged an external moderator to lead sessions with a number of clients to ask them for input on our strategic themes.

2. Report of the Supervisory Board

2022 was the sixth financial year in which the Supervisory Board was fully operational. It was the first year in the Board's new composition, with Danny van der Eijk as the new Chairman, new members Heleen Kuijten-Koenen and Engelhardt Robbe, and incumbent members Bernadette Langius and Dennis Raithe. The Supervisory Board's duties are obviously still the same. Our role is to supervise the Governing Board, policies pursued and the general business practices. This involves monitoring in the broadest sense of the work and extends to all BDO practices and services, as well as the associated synergies and challenges. This means that our duties and responsibilities cover firm-wide aspects. Our monitoring activities focus in particular on the achievement of the firm's objectives, strategy, risks associated with the operations, achievement of quality objectives, internal risk management and control systems, and financial reporting.

In addition to exercising supervision, the Supervisory Board also has an advisory role. In this context, we act as a sparring partner to the Governing Board, for instance on policy issues, major projects and investments.

In fulfilling our supervisory, advisory and broad social role, the members of the Supervisory Board harness their wide and managerial experience gained in various sectors, as well as their expertise and competencies. This is how we support the Governing Board, encourage its members to look at issues from a different perspective or offer new insights.

One of our primary responsibilities is to protect the public interest by monitoring that BDO's independence, quality and integrity as an organisation is guaranteed. We do so by actively monitoring these areas as well as keeping a close eye on strategy execution, culture and behaviour. 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. In performing our duties, we also make allowance for the interests of BDO and we protect the interests of BDO's stakeholders.

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 to the Dutch Audit Firms (Supervision) Act (Dutch acronym: Wta).

This report gives an account of how we supervised the BDO Governing Board, any developments and the general situation at BDO in 2022.

Developments in 2022

After having dominated 2020 and 2021, in 2022, the impact of the COVID-19 pandemic was fortunately largely confined to the first quarter. The effect on BDO's services was relatively minor thanks to the fact that the firm was prepared for what was happening and to the perseverance and flexibility of the organisation and its people. We take our hat off to them. The firm's ability to continue as a going concern was never in dispute. The people at BDO showed great resilience in the past few years, but they did have to go without meeting each other and clients, and attending courses, in person. Because of remote working, it was challenging for new employees to get to know their colleagues and familiarise themselves with the organisation. After the government measures had been lifted, in-person meetings and courses were started up again, with some basic precautions, and the BDO offices were reopened. The Governing Board's vision of hybrid working was fleshed out and implemented as activity-based working, meaning that people can work at any time and from any location, as long as it suits the nature of their work and the preferences of the client and the individual employee, and is not detrimental to inter-colleague interaction. We welcome hybrid working, since it creates a better work/life balance for people and forces them to take ownership. That said, we also see the challenges in terms of balancing out different interests and preferences. That is why we are happy to report that the Governing Board closely monitors this process and makes adjustments where needed.

With the pandemic just over, the world was hit with a number of other crises that had a major impact on society in 2022: the war in Ukraine with great human suffering, the energy, housing and – in the Netherlands – nitrogen crises, unexpectedly high inflation and shortages of energy and other products. While these developments did not have a financial impact on BDO in 2022, the high rate of inflation did, of course, affect its people in a financial sense. The Supervisory Board expressed its concern about the inflation rate to the Governing Board and we welcomed the significant pay rises in 2022 and the decision to award everyone at BDO an additional nominal allowance.

Another external development was the severe shortages in the labour market; these shortages make vacancies for accountants, auditors and advisers, as well as for corporate support staff, difficult to fill. They go unfilled longer than we want them to. The tight conditions on the labour market are a little concerning as they lead to a heavier workload for current employees. This can potentially have an adverse effect on their well-being and the quality of their work, as well as on the growth of the firm. The Supervisory Board is impressed with the fact that BDO has managed to fill many of its vacancies and grow in terms of headcount.

Last year was also the first full year for the Supervisory Board in its new composition. We look back on a year of productive teamwork in which the transfer and division of duties progressed smoothly. 2022 was also the first year for Marcel Mans as the new Head of Audit. We would like to compliment him on the enthusiasm and professionalism with which he took on and fulfils his new role.

Key themes in 2022

In addition to focusing on BDO's ability to continue as a going concern as a firm, the Supervision Board, in its supervisory duties in 2022, honed in on a number of key issues involving the strategic objectives for 2022.

Long-term strategy and value creation

We advise the Governing Board on the firm's long-term vision and strategy, and actively monitor the transposition of strategy into concrete policy through our regular meetings. By way of these meetings, we were also closely involved in transposing the strategy into the Annual Plan for 2023. We support the Governing Board's new approach, which is to extrapolate a single joint plan from the plans of the different LoSs, markets and corporate support services. This will highlight the key priorities for 2023 and allow for better allocation of support staff capacity.

A strategy session with the Governing Board was held in October 2022. In this session, we reflected on the implementation of the Governing Board's partner vision and discussed topics such as differentiation in partner profiles, remuneration and vitality. We also addressed at length the status of the strategy and established that the Governing Board has set many wheels in motion. Current internal and external developments that will potentially affect the achievement of the current strategy and BDO's envisioned unique selling points in the market were also discussed. In addition to the developments in 2022 that were mentioned earlier, we would refer in this context to developments in the accountancy profession, including the interest of Private Equity (PE) houses in accounting firms and the audit-only model that is being considered by the Big Four firms. As a result of these developments, the Governing Board has decided to perform a strategic review in 2023, a process that we, the members of the Supervisory Board, will monitor closely.

As the Supervisory Board, we monitor whether stakeholder trust is assured in strategy execution and whether long-term value is created in cooperation with internal and external stakeholders.

We support BDO's aim to engage more with stakeholders and involve them in issues that contribute to the fulfilment of BDO's mission, vision and role in society. We have established that concrete actions are being taken towards achieving this aim. The client meetings that were organised in 2022 in the presence of the Governing Board are one example of this.

Quality and public interest

The crux of BDO's strategy is delivering top quality anywhere and at any time. In line with this, we, the members of the Supervisory Board, encourage and monitor the effort to increase the quality of the organisation to a higher level on a structural basis. We use the Plan Do Check Act (PDCA) cycle as our monitoring model to make sure that the public interest is properly safeguarded. Quality and public interest are discussed at our regular meetings with the Governing Board and in the context of the new Quality & Public Interest Committee, which was established in 2022.

In 2022, we focused in particular on the further update of the quality policy and the implementation of ISQM 1, a proactive and renewed quality management system initiated by BDO Global, which is aimed at the Audit & Assurance LoS and the accounting practice of the Accountancy & Business Advice LoS. This system ties in well with the quality development phase in which BDO Netherlands finds itself. The aim of the quality management system is to achieve the quality objectives and identify quality risks and quality-related responses on a continuous basis. The implementation required considerable effort from management and the corporate support services. We would like to compliment them on the fact that all goals were reached within the deadlines. The Governing Board also discussed with us the allocation of first-line and second-line responsibilities for quality and risk management. In 2023, a transition will be initiated by which responsibility for the first line will primarily be transferred to the business. The Supervisory Board will monitor that the business is given adequate support to take on this responsibility.

Furthermore, as part of quality monitoring in 2022, we discussed with the policymakers of A&A the status of quality projects aimed at improving audit effectiveness and promoting a learning organisation. We also addressed how new IT applications might lead to quality and efficiency improvements.

Together with the Governing Board, we look explicitly at external developments in society and the expectations external stakeholders have of BDO's services. Accounting firms are the subject of much public and political debate, not just because of the professional quality of their services and the underlying processes, but also because of how these organisations operate.

In 2022, the sector engaged in debate about the pros and cons of an audit-only practice and PE houses showed explicit interest in accounting and advisory firms. We discussed these and other developments with the Governing Board, also covering the potential impact on BDO. Another standing item on the joint agenda is developments related to the accountancy profession, such as the Dutch Future Accountancy Sector Act and the EU Corporate Sustainability Reporting Directive (CSRD). This Directive affects the provision of ESG services.

We encourage and support BDO's active participation in public and sector forums, such as in the Public Interest Steering Group, the Foundation for Auditing Research and in consultations by AFM, NBA and working groups formed by the Coordinators, and the practice that BDO's views are shared in the process.

Another standing item on the joint agenda is findings and actions further to internal and external quality reviews. We have established that BDO is still taking important steps towards quality improvements and that the firm is aware that further improvements are possible and/or required in specific areas.

As the Supervisory Board, we also met with AFM and the Coordinators ourselves in 2022 and we participated in NBA meetings for supervisory directors. In these meetings, we explicitly addressed our supervisory role, governance and cooperation with the Governing Board, focusing specifically on the fact that we actively monitor quality developments at BDO.

Culture and conduct

An accounting firm cannot deliver quality if it does not have a sound and safe corporate culture. In 2021, the firm relaunched BDO Horizon, an organisation-wide culture programme, which ties in with BDO's strategic objectives and core values. Five subprogrammes were developed in 2022 with the aim of promoting the behaviour that is appropriate to creating a sound and safe corporate culture. As the Supervisory Board, we believe that having such a programme is vital for the organisation. In our meetings with the Governing Board and relevant programme managers, we not only discussed the status of the subprogrammes, but also the findings from the Horizon survey among partners and employees. We asked the Governing Board to look at the difference in findings between partners and employees, and we focused specifically on the organisation's absorption capacity, given the considerable number of internal programmes and projects. Based on this, the Governing Board will make some adjustments to the Horizon programme.

As for the Diversity & Inclusion programme, we have had to establish that, despite successful efforts and an increase in the number of women in the partnership or directorship track in 2022 compared to previous years, the advancement of women in senior positions is slow. We will continue to stress the importance of promoting women, as well as the need for more cultural diversity, to the Governing Board and we will keep our finger on the pulse. The Horizon sub-programmes are a standing agenda item in our meetings with the Remuneration & Appointment Committee and they are tabled periodically in our meetings with the Quality & Public Interest Committee and our regular meetings with the Governing Board.

Besides the BDO-wide Horizon culture programme, LoSs have also launched other separate initiatives and projects aimed at creating a sound, inclusive and safe work climate. In this context, we refer to the Questioning Mind programme, which was initiated by the Audit & Assurance LoS in 2022. In addition to aiming to make the accounting profession more appealing to young and aspiring accountants, the programme addresses issues such as developing professional scepticism and skills for asking critical questions, speaking up and being open to discussing mistakes, and encouraging self-reflection.

Finally, the Supervisory Board met frequently with the Governing Board to talk about leadership and leadership development at Governing Board, partner and associate levels. We believe that good leadership is a prerequisite for a sound, safe and quality-oriented culture, which is why this will continue to be a compass point for the Supervisory Board. As the members of the Supervisory Board, we wholeheartedly support these programmes and any activities relating to culture and conduct; we periodically monitor the effectiveness of the relevant actions and resources.

Transformation and innovation

It is strategically important to BDO to ensure its ability to continue as a going concern in the long term, while remaining alert to developments in society and changes in rules and regulations. To do so, the firm needs to transform from an organisation of professionals to a professional organisation. This transformation is taking place at different levels, both in terms of the nature and quality of the firm's service provision and in terms of underlying processes. BDO operates in a dynamic environment and changes are coming at the firm thick and fast. This calls for an agile organisation with a focus on innovation, professional corporate support services and state-of-the-art technology to guarantee service delivery and protect the underlying processes.

In 2022, we focused on further professionalisation and strengthening our corporate support services. In our opinion, becoming a professional organisation means standardising and digitalising our procedures as much as possible and having strong corporate support functions. In 2022, further steps were taken towards the professionalisation envisioned by the Governing Board with the Fit4Future programme for the corporate support services. In this context, we looked at the structure of the corporate support services and increasing their headcount to match developments in the organisation. The challenge we are facing is that we have a staff shortage because of unfilled vacancies while our corporate support services are allocated an increasing number of responsibilities. We will continue to monitor this closely and discuss any developments at our regular meetings and at our meetings with the Remuneration & Appointment Committee.

Other issues

Other issues discussed at committee and other meetings with the Governing Board in 2022 included:

- ▶ Status of internal and external quality controls
- ▶ Status of the actions within the scope of the Governing Board's Annual Plan for 2022
- ▶ Assurance & Audit quarterly reports
- ▶ Financial performance and reports (actual and budgeted)
- ▶ Management information and reporting, and non-financial KPIs
- ▶ QRM quarterly reports (status of issues such as independence, integrity, claims, risk management, regulations, etc.)
- ▶ Assessment of annual report of, and vision document for, QRM
- ▶ Assessment of strategic risks
- ▶ Claims and risks
- ▶ Information security and privacy
- ▶ Quality policy adjustments
- ▶ Monitoring of compliance with key policies and processes
- ▶ Exit monitoring of partners and key officers
- ▶ Remuneration policy for policymakers
- ▶ Assessment of policymakers
- ▶ Remuneration policy for partners and other employees
- ▶ Appointment of Audit & Assurance partners
- ▶ Termination of management agreements with equity partners
- ▶ Performance of internal auditor and status of internal audit projects
- ▶ Assessment of Compliance Officer

Decision-making by Supervisory Board

Formal decisions taken at meetings of the Supervisory Board in 2022 included:

- ▶ Approval of Annual Report, including financial statements for 2021
- ▶ Approval of Transparency Report for 2021
- ▶ Appointment of auditor of financial statements for 2022
- ▶ Approval of budget for 2023
- ▶ Level of variable remuneration of Governing Board members and Head of Audit for 2021
- ▶ Adoption of new remuneration policy, effective 1 January 2022, for Governing Board members and Head of Audit
- ▶ Change in maximum term of service of Governing Board members from three to four years
- ▶ Approval of nomination of independent external auditor
- ▶ Approval of nomination of Audit & Assurance professionals as salaried and equity partners

Meetings and attendance of members of Supervisory Board

The Supervisory Board met six times in 2022, first with just its members and then with the members of the Governing Board joining in. The Head of Audit is present at these meetings to weigh in on agenda items relating to Audit & Assurance and interactions with AFM and professional associations. In the first half of the meeting, we prepare for the session with the Governing Board and reflect on earlier meetings. We also occasionally invite guests to elaborate on their role at BDO and developments in their business unit.

In 2022, we joined the Governing Board in its efforts to bring more structure and focus to the meetings, making them more efficient and leaving more scope for our advisory role and for constructive discussion if needed. The average attendance rate of the Supervisory Board members was 87%.

The Supervisory Board also conducted monthly conference calls in which the members updated each other on current developments and the interactions they had with the Governing Board and internal or external stakeholders in the context of their role. In addition, the Supervisory Board and the Governing Board engaged in a number of informal meetings, including periodic sessions between the Chairs of both bodies and between Governing Board members and the committee chairs on specific developments and issues in the portfolios of the committees.

The Supervisory Board also met with the Works Council. Two strategic sessions with the Works Council were held with the Governing Board in attendance. A representation of the Supervisory Board was present at all Meetings of Participants. At these meetings, the Supervisory Board was given an account of all developments in the previous period. The members of the Supervisory Board interacted with the partner group and with individual partners at these meetings and on other occasions, for instance during two informal partner lunches, which were initiated after the equity partners and the members of the Supervisory Board expressed the need in 2021 to engage more with each other and create sustainable relationships. During these lunches, we discussed current issues and developments with a representative cross-section of equity partners in an open and friendly atmosphere.

By way of all these interactions, meetings and sessions, the Supervisory Board solicits important input, which gives us a good idea of relevant issues and developments. This puts us, as the Supervisory Board, in a better position to perform our role within BDO as effectively as possible.

Other meetings and activities

The Supervisory Board has three standing committees: the Audit Committee, the Remuneration & Appointment Committee, and the Quality & Public Interest Committee, which was created in 2022. These committees have an advisory role within the Supervisory Board and have been instituted by, and are made up of, the members of the Supervisory Board.

Audit Committee

The Audit Committee focuses on finance and accountability, internal and external audits, and financial and non-financial risks. It also reviews the budget and the integrated annual report, including the financial statements. The Audit Committee meets regularly with the persons responsible for finance, internal audit and risk management, and holds annual meetings with the external auditor to discuss the audit plan, the audit approach, the audit report and the management letter. It also addresses developments in risk management and information security, as well as reviewing pending claims and their potential for financial risks. The Audit Committee met twice in 2022. The attendance rate was 100%.

Remuneration & Appointment Committee

The Remuneration & Appointment Committee makes proposals for the remuneration of BDO's policymakers. It monitors the appointment process and the nomination of new members of the Governing Board on behalf of 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. In 2022, the Committee discussed the status of the HR plan and considered HR and Horizon themes, such as diversity and inclusion, workload, training and development (learning pathways) and activity-based working. Finally, the Committee explicitly addressed the project to professionalise and strengthen the corporate support services (Project Fit4Future) and the recruitment challenges posed by the shortages on the labour market. The Remuneration & Appointment Committee meets with the responsible HR officers on a regular basis. In addition, the Committee regularly invites partners or other responsible officers to elaborate on specific topics, such as the Horizon programmes. The Remuneration & Appointment Committee met twice in 2022. The attendance rate was 100%.

Quality & Public Interest Committee

The duties of this Committee, which was created in 2022, focus mainly on quality management, the quality management system, risk management and the policies for compliance and integrity and ethics, including codes of conduct and internal procedures. In addition, the Committee addresses the procedures for complaints handling and for making reports under BDO Group's complaints procedure and whistleblower policy, actual and potential reputation and integrity risks, including due to claims and disciplinary and partner issues that might impact the firm's quality and integrity. The Quality & Public Interest Committee also advises other committees and the Supervisory Board on relevant aspects of issues affecting quality, risk, integrity and reputation, such as BDO strategy, the budget, investments, remuneration policy, appointment, and suspension and dismissal of external auditors. Furthermore, the Committee engages in dialogue with external regulators and focuses on other issues that tie in with acting in the public interest and external reporting not monitored by the other committees.

In 2022, the Quality & Public Interest Committee focused in particular on preparing and implementing an updated, proactive quality management system in line with ISQM 1, targeting the A&A LoS and the accounting practice in the A&B LoS. The Committee meets on a regular basis with the officers responsible for quality policy, the quality management system and risk management. The Quality & Public Interest Committee met four times in 2022. The attendance rate was 100%.

Performance assessment and remuneration of Supervisory Board and Governing Board members

Self-assessment of Supervisory Board

Each year, we evaluate both our collective performance and that of the individual members. 2022 was the first year that the Supervisory Board had new members. We look back on a year of strong and productive teamwork in which the transfer and division of duties progressed smoothly, thanks, in part, to the creation of the Quality & Public Interest Committee. Having two members on each committee, the importance of which was stressed earlier by the Supervisory Board, became reality in 2022. This allows the committee members to coordinate their efforts and helps us in our supervisory duties. We were also happy to welcome our own Official Secretary in 2022, after having requested adequate support in 2021. Finally, we would point out that the actions to promote our engagement and communication with key internal stakeholders, particularly the equity partners, which were discussed in 2021, were implemented in 2022. We believe that the partner lunches, the presentations on our supervisory role we gave at Meetings of Participants and the invitations to attend Supervisory Board meetings and other sessions we extended to partners were instrumental in forging better relationships and improving our communication.

Remuneration of Supervisory Board members

The members of the Supervisory Board are paid a fee, which is determined by the Meeting of Participants. For details of our remuneration, we refer to the financial statements.

Performance assessment and remuneration of Governing Board members

Individual performance interviews were conducted with the members of Governing Board and the Head of Audit early in 2022. The variable remuneration policy for the day-to-day policymakers of the accounting practice and/or the hierarchically highest-ranking body, including the members of the Governing Board, was amended in April 2022. The new remuneration policy no longer has a range within which the remuneration can be set annually. The Supervisory Board has adopted the fixed remuneration, in line with the new remuneration policy, with retroactive effect from 1 January 2022. The new remuneration policy offers an option for variable pay in the form of a reward for exceptional performance. The payment has been capped at 10%.

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 in fact and in semblance. The BDO Compliance Officer monitors the personal and financial independence of the members of the Supervisory Board. The conditions for guaranteeing the independence of members of the Supervisory Board from the BDO organisation were monitored in 2022. Based on these conditions, Supervisory Board members are expected to take the required precautions to avoid having financial interests or maintaining relationships that are banned or restricted under the independence rules.

At the end of 2022, all members of the Supervisory Board qualified as independent in accordance with the aforementioned rules and regulations.

Training

A knowledge session on fraud was organised for the Supervisory Board in 2022. This session deepened the members' knowledge and understanding of fraud and related issues.

Financial statements

The annual report and financial statements for 2022 were prepared by the Governing Board. The financial statements were audited by Mazars, our independent external auditor. Their independent auditor's report is included in the annual report. The audit findings were discussed with the Audit Committee in the presence of the Governing Board. The Supervisory Board subsequently approved the annual report and the financial statements for 2022 at its meeting with the Governing Board on 25 April 2023.

Transparency Report

The policymakers discussed the Transparency Report for 2022 with us. In our opinion, the report and the tone of the report are in line with our impression of the past year and accurately reflect the relevant issues and developments that were presented and explained to us in the past year and that we have monitored.

Conclusion

It can be argued that, with the end of COVID measures, BDO and the world at large transitioned to a new normal in 2022. This includes hybrid working, a mix of working from home, from the office and from clients' premises, and in-person meetings and courses. The new offices we opened in recent years have facilities that promote interaction and teamwork between coworkers. This is beneficial for the development of our people and creates a good vibe in the organisation. BDO had a very successful financial year despite the COVID measures, which were still in effect in the first quarter, and the war in Ukraine, both of which have had an adverse effect on public life and the business sector. This is an admirable achievement that is a reflection of the resilience and the robustness of the organisation and its people.

Our collaboration with the Governing Board in 2022 has been productive. We are becoming increasingly well matched and we look forward to continuing our constructive cooperation in 2023.

Outlook

As it stands, the end to the war in Ukraine does not seem in sight, nor are its negative effects such as high energy prices, inflation and scarcity of resources expected to abate in the near future. Developments such as labour market shortages, the housing crisis and – in the Netherlands – the nitrogen crisis will not resolve themselves. It is unclear what the consequences will be for the world, for the Netherlands, for BDO as an organisation and for its employees. What is clear to us, however, is that the shortages in the labour market and the number of vacancies at BDO are having an impact on the workload. As the Supervisory Board, we will continue to monitor closely that people's workloads are manageable, that employee vitality is safeguarded and that the quality of the work is guaranteed. In this context, employee retention will be a priority theme for us in 2023, as will accelerating the diversity and inclusion drive at BDO. We will also keep a close eye on the strategic review process as having a strategy that accommodates internal and external developments is an important precondition for BDO's long-term ability to continue as a going concern and for further growth.

As the Supervisory Board, we see challenges, but most of all, we see opportunities to make BDO an even more professional, agile and robust organisation that employees and clients are proud to be associated with.

We will support the Governing Board in facing the challenges and issues that lie ahead and offer them our full support in overcoming them.

Eindhoven, the Netherlands, 25 April 2023

Supervisory Board

D.A. (Danny) van der Eijk (Chair)

B.J.M. (Bernadette) Langius (Deputy-chair)

H.L. (Heleen) Kuijten-Koenen

D.J. (Dennis) Raithel

E.M. (Engelhardt) Robbe

Josephien de Heer,
Nienke de Bruijn and Jamie Wellink
**Josephien (MC&S), Nienke and
Jamie (HR) teamed up to create a new
Working-at website and an Applicant
Tracking System. This will help BDO
to attract more and better candidates
and navigate them more efficiently
through during the application
and hiring process.**



3. Quality in 2022

In this chapter, we will describe the most relevant issues and developments in the reporting period that pertain to our vision of quality and our quality management system, partly based on quality indicators. This chapter also gives an account of the external supervision of our organisation in 2022 by external supervisory bodies such as the Dutch Authority for the Financial Markets (AFM). Lastly, this chapter includes the required statement by the policymakers regarding the effectiveness of the internal quality management system, the internal assessment of compliance with the independence requirements and compliance with the policy on the continuing professional education (CPE) of our partners and other employees.

A full description of the quality management system in place at BDO Audit & Assurance B.V. in 2022 is available [here](#).



Quality and quality management

The BDO quality management system focuses on what we define as quality (see box 1) and our ambition to deliver top quality anywhere and at any time. The BDO Quality Policy sets out the main principles of the BDO quality management system. The quality policy and the quality management system that is in place at BDO Audit & Assurance (A&A) align with, and flesh out, the overarching BDO Quality Policy and the BDO quality management system.

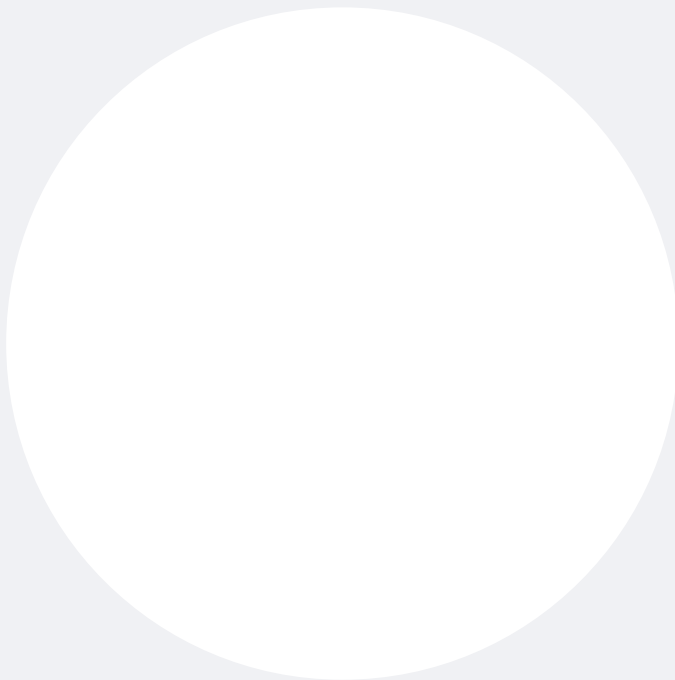
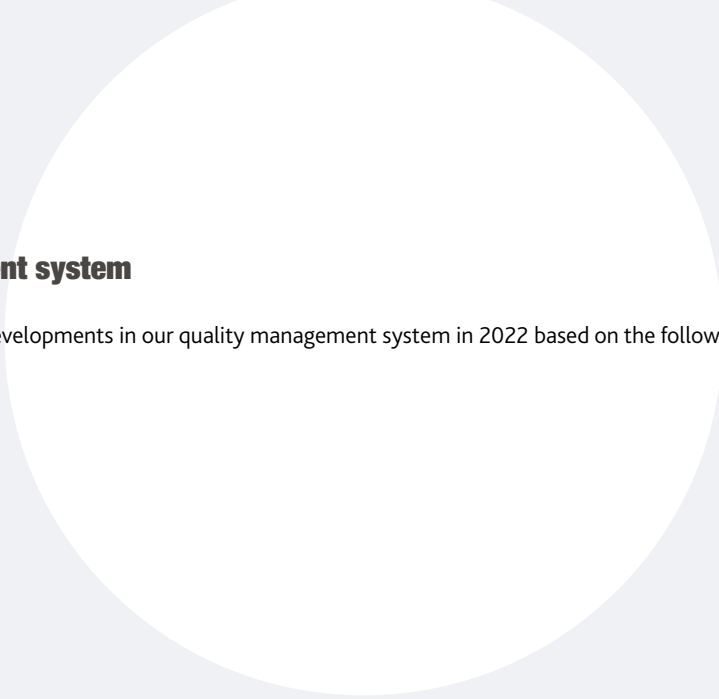
Since 15 December 2022, BDO Netherlands' quality management system has been such in design and implementation that it meets the requirements of new *International Standard on Quality Management 1 (ISQM 1)* and the related new BDO ISQM Policies issued by BDO Global.

The BDO Quality Policy and quality management system were aligned with the principles of ISQM 1 in previous years. The further design and implementation steps that were taken in 2022 included:

- ▶ Broadening the scope of certain quality measures in the quality management system to cover not only statutory audit engagements, but also review engagements, other assurance engagements and assurance-related engagements (compilation engagements and agreed-upon procedures engagements).
- ▶ Performing an in-depth risk assessment, in which process risks were identified and qualified, existing quality controls were reviewed and evaluated, and actions were identified for adjusting existing quality controls or introducing new quality controls, and creating a structure for performing risks assessments at least annually.
- ▶ Reviewing the monitoring programme for the effectiveness of the quality management system.
- ▶ Adding to and updating the BDO Quality Policy in line with the final version of ISQM 1, the BDO ISQM 1 Policies, as issued by BDO Global in April 2022, and with other updates, as identified in the risk assessment.
- ▶ Sourcing, implementing and structuring a software application to support the implementation and documentation of quality management activities.

Components quality management system

Below, we will describe the most relevant developments in our quality management system in 2022 based on the following aspects:



What is quality to us?

BDO's ambition is to deliver top quality anywhere and at any time. Delivering top quality anywhere and at any time means ensuring the continuity of all types of services, within the applicable rules and regulations, to meet the expectations of our key stakeholders with regard to the specific service, the service provision process and our organisation, and exceeding 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 we always stay connected to the environment in which we operate. As a learning organisation, we continuously improve ourselves and our services.

... of all types of services

The ambition to deliver top quality anywhere and at any time applies to everyone at BDO. All BDO professionals contribute to that top quality, either directly (by being involved in engagements) or indirectly (through their quality-related activities or other forms of support).

... within the applicable rules and regulations

Delivering top quality means that, irrespective of the expectations of our stakeholders, our services will always be in compliance with the relevant statutory provisions, rules issued by professional associations and internal regulations. We also demand regulatory compliance from our clients and we want them to operate ethically and transparently in line with BDO's risk appetite. But in our compliance effort, we do not lose sight of the purpose of the rules. We will not reach the top quality we aim for by blindly following the letter of the law ('is it permitted?') and ignoring the spirit of the law ('is it right?') in the process.

... to meet the expectations

Delivering top quality means meeting our stakeholders' expectations as a minimum. To be able to do so, we ask our clients, prior to an engagement, what their expectations are and we document them. We can only meet *legitimate* expectations, i.e. expectations are within the law and realistic. In this process, we also manage our clients' expectations so that we do not promise anything we cannot deliver.

... of our key stakeholders

In order to deliver top quality, we want to 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 our key stakeholders per se. They are our paying clients. We deliver quality by meeting their legitimate expectations.

In weighing up quality considerations, we will let the public interest prevail over a client's interest if they happen to contradict each other. Besides our clients, there are other stakeholders that have legitimate expectations of our services: our clients' key stakeholders, society (e.g. citizens, the government, politicians and the media), BDO professionals and professional colleagues.

... with regard to the specific service, the service provision process and our organisation

Our stakeholders' expectations can typically be broken down into three levels:

- ▶ Expectations of the *specific service* relate to the extent to which a service provides a solution to a particular issue, answers a question or otherwise meets a particular need, and is therefore sufficiently tailored to the specific facts and circumstances of the client and the engagement. The correctness, completeness, timeliness, understandability, relevance and reliability of our advisory service or opinion are key factors in that respect, as is the service's compliance with what has been agreed, the applicable rules and regulations, and quality and other requirements.
- ▶ Expectations of the *service provision process* relate to the process steps that are followed, such as the acceptance of the client and the engagement, the engagement letter, the allocation of skilled professionals to the engagement, scheduling, engagement performance and wrap-up with a report or statement. Stakeholders also expect the service process to comply with the relevant rules and regulations. These expectations also relate specifically to the 'client service' we offer and that our clients can expect from us.
- ▶ Lastly, our stakeholders' expectations increasingly relate to *our organisation as a whole*. Stakeholders expect the services they engage to be provided by an ethical organisation that complies with the rules and regulations by which it is governed and that manages and improves its service quality on a continuous basis.

... and exceeding those expectations wherever possible

In our mind, top quality is when we go the extra mile to exceed our key stakeholders' expectations, for instance by providing added value through new perspectives on the issues and questions of our stakeholders, coming up with innovative ideas and instruments, offering a new take on the social debate, increasing the efficiency of our services or providing service excellence.

Our actions and conduct are always informed by our core values: Professionalism, Joy, Practical Relevance, People Orientation and Social Responsibility. Our core values show how we transpose our ambition to deliver top quality anywhere and at any time into concrete action. They inform our day-to-day interactions. We hold each other accountable for our actions and we expect our stakeholders to do the same.

Organisational structure

Meeting of Participants

At year-end 2022, BDO had 67 depositary receipt holders (2021: 66), 25 of which were external auditors who provide their services through BDO Audit & Assurance B.V. (2021: 28).

Governing Board

On 31 December 2022, the members of the Governing Board were:

- ▶ R.C.M. (René) Nelis (Chairman and CEO)
- ▶ L.M. (Leon) Jansen (CFO/COO)
- ▶ M.A. (Maurice) de Kleer (CQO)
- ▶ M.M.G. (Marcel) Mans (titular member, Head of Audit)

There were no changes in the membership of the Governing Board in 2022.

Supervisory Board

On 31 December 2022, the members of the Supervisory Board were:

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

There were no changes in the membership of the Supervisory Board in 2022.

Early in 2022, the Supervisory Board formed a third committee from among its members besides the Audit Committee and the Remuneration & Appointment Committee: the Quality & Public Interest Committee. This Committee advises the Supervisory Board on the quality management system, risk management and policies regarding compliance, integrity and ethics, including codes of conduct and internal procedures, and creates the conditions for allowing the Supervisory Board to make decisions on these matters.

Audit & Assurance Management Team

On 31 December 2022, the members of the Audit & Assurance Management Team (A&A MT) were:

- ▶ M.M.G. (Marcel) Mans
- ▶ P.M. (Pascal) Belfroid
- ▶ W.P. (Wilma) de Wit RA

There were no changes in the membership of the A&A MT in 2022.

In the A&A practice, the regional A&A Practice Leaders act as an extension of the A&A MT. They give practical application to the policies and inform the A&A MT of any developments on the shop floor. The A&A MT meets with the Practice Leaders on a monthly basis in a plenary Practice Leaders' Meeting. In addition, the Head of Audit meets with each Practice Leader individually every quarter. The meeting is designed to review the status of the actions formulated in the Practice Plan (as an elaboration of the A&A Annual Plan).

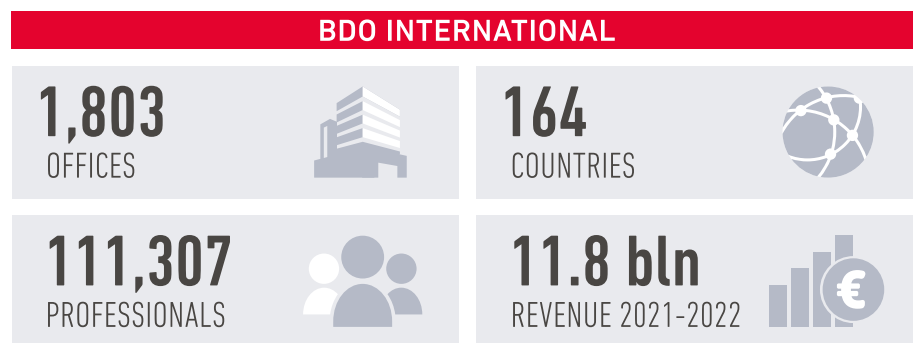
Quality Council

The Quality Council is a consultative body that serves as a sounding board to the Governing Board and supports it in fulfilling its responsibilities for planning, implementing, evaluating and making adjustments to quality management procedures. The Quality Council met eight times in 2022. Among the topics discussed were the BDO Quality Policy and changes in this policy, the implementation of ISQM 1, the perception of the role of the QRM department within BDO, culture and conduct, academic perspectives on a quality-minded culture, policy on outside activities, the transparency report, DAC6 and developments in Dutch and international rules and regulations.

Because of the implementation of ISQM 1, the Head of Accountancy & Business Advice (A&B) was added as a permanent member of the Quality Council in 2022 to help the Quality Council in its ambition to serve as the platform for direct communication between operational quality officers (i.e. the Head of A&A Quality Management, the Ethics & Independence Leader and the Head of Monitoring & Remediation) and those who bear final responsibility for quality management (i.e. the CQO, the Head of Audit and the Head of A&B).

Young A&A MT

The Young A&A MT is an advisory body to the A&A MT. It has six members who are young BDO professionals from the A&A practice. The goal is for the Young MT to have three male and three female members, spread across job levels and locations. In 2022, the A&A MT met with the Young A&A MT on a number of occasions. In their meetings, they discussed such issues as young professionals' involvement in projects described in the A&A Annual Plan 2022 (e.g. Audit in Control, Questioning mind, ties with universities and colleges, and the streamlining of the training programme) and their opinions on BDO's pay and benefit package (e.g. starting and mid-career salaries, performance assessments and promotions, maternity and parental leave). They also addressed young professionals' opinions on training and development (e.g. the Starter Academy, summer school and summer courses, the professional certification process and the leadership programme), their external contacts (e.g. with NBA Young Profs, Young Boards of PIE firms and Coordinators) and other internal and external developments (e.g. challenges with regard to recruitment, cultural diversity, focus points in teamwork between different generations and centralisation of the planning process). The A&A MT also consulted with the Young A&A MT about the priorities for next year. The Young A&A MT offered valuable input in the A&A MT's Annual Plan for 2023.



Key figures – BDO Global

TOTAL GLOBAL REVENUE	2022	2021
Revenue (in EUR millions)	11,800	9,800
<i>By service line:</i>		
Audit & Assurance	42%	42%
Business Services & Outsourcing	14%	15%
Tax	22%	21.5%
Advisory	22%	21.5%

BDO's total fee income from statutory audits of separate and consolidated financial statements in the EU/EEA was approximately EUR 559 million in 2022 (2021: EUR 605 million). We would note that the different member firms have different financial years. The amount provided is based on the most recently closed financial year. The average exchange rate for the reporting period was used for countries with a currency other than the euro. The EU/EEA countries where BDO has a presence and the location of the offices are listed in [annex B](#).

Other key figures for the international BDO network

BREAKDOWN	2022	2021
Country presence	164	167
Number of offices	1,803	1,728

HEADCOUNT	2022	2021
Partners	7,744	7,234
Other professionals	89,585	76,467
Support staff	13,978	13,591
Total headcount	111,307	97,292

Culture and leadership

To measure whether we are moving steadily towards the quality-oriented culture we envision and whether our related initiatives are finding fertile ground, we regularly conduct employee surveys. As part of BDO Horizon, the BDO-wide culture and change programme, we carried out a Horizon Measurement in November 2021 and we conducted the two-yearly culture survey specifically for the A&A LoS in December 2021. The results were announced early in 2022 and reviewed for follow-up.

Offsetting the outcome of the most recent BDO-wide Horizon Measurement against the previous one led to the following conclusions:

- ▶ The results were virtually the same at national level, but had worsened in a number of specific locations.
- ▶ Our people have become more critical of the perception of four of the five BDO core values, with a particular decline for the core value Enjoyment.
- ▶ Our people have become more critical of the perception of three of the five strategic Horizon subprogrammes, with a particular decline for the Diversity & Inclusion programme.
- ▶ Trust in line managers, as well as the feeling that it is okay to make mistakes, has increased and aspects such as work climate, teamwork, colleagues, freedom, development and trust were rated positively.
- ▶ The workload is perceived to be heavier and aspects such as pay, staff turnover and work/life balance could be improved upon.

Offsetting the outcome of the most recent A&A-specific culture survey against the previous one led to the following conclusions:

- ▶ The ratings for the 11 core items were slightly lower than in 2019, but slightly higher than in 2017.
- ▶ The ratings for three specific locations were lower than the national average.
- ▶ Our people appreciate partners making time for others, both at the office and during on-site audit engagements.
- ▶ The stress on engagement portfolios of partners in the audit practice has increased, for instance because they are also expected to fulfil internal leadership roles.

The findings from these surveys were evaluated and factored into the evolution of the BDO-wide Horizon programme and the specific quality initiatives in the A&A LoS.

To prepare our leaders of the future for a new leadership style, three leadership programmes were developed and launched in 2022:

- ▶ Personal Leadership for professionals who are just starting out in a leadership role (e.g. job level Junior Manager)
- ▶ Personal & Shared Leadership for professionals who have some leadership experience (e.g. job level Senior Manager)
- ▶ Shared Leadership for new partners



Our people

Staffing

In 2022, the average number of partners, senior managers, managers and other team members in, or affiliated with, BDO A&A increased by 1.7% to 913 (2021: 898). The increase in 2022 was lower than in 2021 (2.4%) and was largely attributable to a higher rate of staff turnover among other team members. It also proved increasingly difficult in 2022 to recruit staff for entry-level positions. We developed a structure in 2022 that should improve the teamwork between our recruiters, schools and universities, and the BDO practices starting from 2023.

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

2022*	Partners	(Sr.) Managers	Other	Total
Number	69	194	651	913
Ratio (% of total)	8%	21%	71%	100%

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

* Totals/percentages may deviate due to rounding differences.

The average number of years of experience at BDO declined by 5.5% to 5.2 years (2021: 5.5 years). Although, in 2022, partners had been with BDO longer than in 2021 on average, the average number of years of experience at BDO of senior managers, managers and other team members was lower in 2022 than in 2021.

Average years of experience at BDO, by role

	2022	2021
Partners	17.8	17.3
(Sr.) Managers	9.8	10.1
Other team members	2.8	3.0
Average	5.2	5.5

After having peaked at 19.5% in 2021, the total rate of staff turnover dropped to 16.4% in 2022. The rate was down across all job levels. Retaining relatively experienced young professionals is an ongoing challenge.

Turnover rate among partners, senior managers, managers and other team members

	2022	2021
Partners	2.9%	7.2%
(Sr.) Managers	10.6%	12.9%
Other team members	19.2%	22.4%
Total	16.4%	19.5%

The earlier initiatives to promote both the advancement of professionals to the job level of manager or senior manager and the retention of professionals at that job level, including the Shape your Career programme, which is aimed at professionals who have recently been certified or will become certified as shortly, have contributed to a relative stabilisation at these job levels.

On 4 October 2022, Diversity Day, the Netherlands Institute of Chartered Accountants (NBA) invited all accounting firms that perform statutory audits to sign a diversity covenant. In this covenant, firms publicly express their commitment to introducing more inclusivity and diversity to their firm. BDO has signed this covenant, thus endorsing its objectives. We want to be an organisation where everyone, regardless of visible or invisible differences, is accepted without reservation. This will help us look at things and act from a broader perspective. Besides gender diversity, there is an increasing focus on different forms of cultural diversity.

Development and continuing professional education (CPE)

We continuously invest in the knowledge and skills of our professionals. The average number of hours our professionals spent on training and education rose by a slight 0.8% in 2022, landing at 213.4 (2021: 211.7).

Average number of hours spent on internal and external training and education, by role (per FTE)

	2022	2021
Partners	87.6	75.0
(Sr.) Managers	86.6	86.4
Other team members	262.4	259.7
Total	213.4	211.7

At BDO, we use a number of instruments to encourage and monitor the development of our people, including Training on the Job (TOJ), the Engagement Evaluation Form (EEF), Talent Development & Performance (TOP) and various training programmes. In addition, a large number of professionals are enrolled in external accounting certification courses, which require them to complete a three-year work placement. The work placement programme has evolved over the years to include peer review, self-reflection and discussion of dilemmas. We have established that there are now overlaps between internal and external programmes and instruments. In 2022, a project group looked into how to minimise these overlaps. With this in mind, TOJ will be updated to become central to the work placement and professional and personal development. This will reduce the administrative burden for professionals who are fulfilling their work placement as part of the professional certification process.

In October 2022, the Audit Partner Refresher Programme was launched in collaboration with Tilburg University. More than 25% of our audit partners were among the first to participate. The aim of the Audit Partner Refresher Programme is to update partners' knowledge of financial statement law and current developments in the accounting profession. This will allow audit partners to develop their own perspective on the profession and share their views with their audit teams and clients.

The programme also helps partners develop the skills they need to teach their team members how to exercise their professional judgment. This promotes a quality-oriented culture and helps sharpen everyone's questioning mind.

Following reports of exam fraud at large accounting firms in other countries, we explicitly reminded all BDO accountants, prior to them sitting the required external NBA Knowledge Test, that they were expected to take the test individually without outside help and that sharing answers or any other relevant information would be considered fraud. We trust our people to be professional and we assume that they do not engage in exam fraud. That said, we felt it was important to bring this to their attention because exam fraud will not only affect and damage employees, but it will also cause harm to the reputation of the firm in general, as the media coverage has shown.

Mentoring contributes to our people's professional and personal development and well-being. We organised a Mentoring Week in January 2022. During that week, a number of tools, podcasts and training videos were offered every day to help both mentors and mentees. One of the topics addressed was the Kolb learning styles to help with mentor interviews.

The QRM department monitors compliance with the CPE requirements for certified accounting professionals. Accountants prepare a CPE plan at the beginning of the year. They undertake learning activities during the year and evaluate at the end of the year whether they have achieved their learning goals. The CPE plan and evaluation are documented in the CPE Portfolio in BDO That's Me. The CPE plan and evaluation are reviewed and approved by the professionals' TOP(P) reviewer. The timeliness of the CPE plans and evaluations is monitored centrally. This central monitoring of CPE Portfolios showed that one accountant, who worked at BDO A&A at the time, had not submitted a CPE plan for 2022 by the deadline. After having being made aware of this, they went on to prepare a CPE plan for 2022. It was established at the beginning of 2023 that all accountants had had their CPE activities in 2022 reviewed before the deadline and were issued the related required compliance statement (with the exception of one accountant who was officially exempt from this requirement due to their long-term absence).

Performance assessment and remuneration of partners and other professionals

2022 saw the start of the updated TOP cycle. TOP interviews will now take place in the quieter summer months, after which the new salaries and promotions will take effect on 1 October and any bonuses will be paid in November. Another important change in the new talent management process is that development will now take centre-stage in promotions as well. As a result, promotions will no longer hinge on outcomes from online tools or assessments, which are primarily used to support professionals in their development.

With the introduction of the new TOP cycle, the promotion process to senior manager in the A&A practice has changed as well. The managing partner will present a candidate for promotion to senior manager to the partner population of the respective practice and the promotion decision will be endorsed by the Practice Leader. Around the promotion date, the A&A MT will sit down with each new senior manager for a get-to-know-you interview. In this interview, they will address the past (how did the professional get here?), the present (where does the professional stand in their career?) and the future (what ambitions does the professional have?). The A&A MT will make a report of the interview and share it with the professional in question and the relevant Practice Leaders.

Ethical standards

Integrity and independence

Sound and ethical business operations

Money laundering, terrorist financing, fraud and corruption, as well our gatekeeping role, continued to be topics of public debate in 2022. A required e-learning and an internal knowledge base with sample cases have helped to refresh and update knowledge and awareness of AML/CTF legislation (Dutch acronym: Wwft). We will continue to make time to keep our knowledge of money laundering, terrorist financing, fraud and corruption up to par, to identify irregularities and to follow them up appropriately.

BDO A&A filed 28 reports of unusual transactions with Financial Intelligence Unit (FIU) under Dutch AML/CTF legislation in 2022 (2021: 28 reports). No transactions were reported involving the transfer of funds between BDO and our clients (objective indicator). The law prevents us from providing any further information about the nature of these reports.

	2022	2021
Reports of unusual transactions	28	28

BDO has set up an independent audit function that specifically monitors compliance with AML/CTF legislation and the effectiveness of the compliance function. The internal auditor reviewed the risk management system, client due diligence procedures and the procedure for reporting unusual transactions. In 2022, the internal audit findings were followed up, including those regarding employee screening and the update of the AML/CTF risk policies.

Pre-employment screening (PES) was introduced as part of the hiring process in 2022. All new employees are now screened for a number of integrity aspects by an external party.

At the end of 2022, the EU Court of Justice ruled against public access to the UBO register. This register is now accessible to competent authorities only. As a result, BDO can no longer report any discrepancies between the UBO it has identified and the UBO listed in the Trade Register.

We have adjusted our client acceptance procedure accordingly. We now require a UBO statement in our new client due diligence process, including underlying documentation evidencing the UBO's listing in the Trade Register, and express confirmation of this UBO registration by the client.

The war in Ukraine has prompted BDO to implement additional controls to ensure the quality of our service provision and the integrity of our business practices, now and in the future. Those controls were necessary due to new sanctions regulations, policies issued by the global BDO network and other risk management considerations. They included:

- ▶ Informing partners on multiple occasions in the year about the impact of sanctions regulations on BDO's services;
- ▶ Providing documents to professionals by the Professional Practice Department (PPD) to support engagement teams in audit, review and compilation engagements to adequately document the impact of the Russia-Ukraine conflict;
- ▶ Implementing preventive and other controls governing the acceptance and continuance of client relationships and/or engagements involving ties with Russia;
- ▶ Reviewing BDO's client portfolio, focusing on clients that have not been flagged for being on EU or other sanctions lists;
- ▶ Offboarding a limited number of clients – because of sanctions and/or BDO Global policies that have effectively been flagged for being subject to sanctions;
- ▶ Asking all BDO partners to submit a digitally signed statement confirming that they have made every effort to identify clients that are subject to sanctions (to gain a complete overall picture and to strengthen awareness of compliance with sanctions regulations and the importance of risk assessment among partners);
- ▶ Supporting a limited number of engagement teams dealing with complex issues at clients;

Independence

We identified three violations of independence rules in 2022 (2021: 3):

- ▶ In two cross-border matters, a BDO division of the Dutch network provided non-assurance services to a Dutch subsidiary of a foreign public interest entity (PIE) whose group auditor is another BDO member firm (BDO does not provide any audit or other assurance services to this client in the Netherlands). These cases are governed by the internal independence rules and procedures of the BDO network and affect the independence of the foreign group auditor.
- ▶ In one case, a BDO division of the Dutch network did not properly follow the engagement acceptance procedure for a non-assurance engagement at an A&A assurance client of BDO. Firstly, the engagement acceptance procedure was not completed on time. The engagement letter with the client had already been signed without having obtaining the required prior consent from the auditor who was in charge of the assurance engagement for the same client. Secondly, the engagement letter for the non-assurance engagement included procedures that, in concurrence with an assurance engagement, are in violation with the independence rules because of a threat created by a conflict of interest, management responsibility and association. Finally, the fee agreed for non-assurance engagement was performance-based, which goes against the internal rules. Given that these matters were identified before the non-assurance engagement was performed, there was no actual threat to the independent performance of the assurance engagement for the same client.

The underlying causes of these violations were investigated and appropriate remedial measures were taken to address them.

	2022	2021
Number of internally identified violations of independence rules	3	3

In 2022, we performed the review of the fee cap that the EU Regulation imposes on the concurrence of services to PIEs (where permitted). This means that, if BDO provided other services to a PIE audit client (or to that PIE's parent company or any of its subsidiaries) during the period 2019-2021, the total fees for these services are not, in the financial year 2022, to exceed 70% of

the average fees the PIE (and, where applicable, its parent company or any of its subsidiaries) paid for the statutory audit or audits of its separate and consolidated financial statements in the financial years 2019-2021. A comprehensive risk assessment showed that our fees were well below the fee cap in 2022. We did not receive any reports from engagement teams regarding exceeding the fee cap either. These teams have been required to include a paragraph on the fee cap in their audit report for PIE audit clients since 2021.

Monitoring of financial interests, gifts and hospitality, partner and office rotation, outside activities, onboarding screening and compliance statements did not reveal any irregularities.

As part of the procedure for monitoring of the financial position of audit/equity partners, in 2022, the designated officer reviewed the financial position of the equity partners who were newly appointed on 1 January 2023, the policymakers and a number of equity partners (so that all equity partners are reviewed once every three years). This review did not result in any findings that might have formed an obstacle to these appointments.

On 1 August 2022, new legislation came into effect by which employers can only prohibit their employees from engaging in outside activities if they can present an objective reason. The internal policy for ancillary positions was reviewed partly in light of these new rules. The revised policy now covers the broader concept of 'outside activities'. These are permitted only subject to BDO's prior written consent. The policy includes examples of roles and activities that can automatically be assumed to be prohibited for objective reasons.

At the request of the A&A MT, QRM started conducting an exploratory thematic study in December 2022 on how the business goes about identifying potential threats to our independence created by the concurrence of services at non-PIE audit clients. This study will include a review of relevant audit file documentation, service acceptance in the client and engagement onboarding system BDO Base, conflict checks in the international COI tool and engagement letters and advisory and other reports of non-assurance engagements. The findings from this thematic study will be used to inform improvements in policies and procedures, best practices and independence training.

Confidentiality, information security and privacy

Increasing dependence on information and communication technology creates vulnerabilities in society and the economy. Digital security, risk management, privacy and information security are very important for the prevention of service disruptions at BDO. That is why we focus on the security of our products, services and IT infrastructure every day. To promote awareness of information security and privacy, and encourage appropriate conduct, we required everyone at BDO to take required e-learning modules on these topics in 2022. These training sessions focus on recognising high-risk situations and are tailor-made for BDO. Professionals are also regularly alerted to specific new information security and privacy risks on the intranet and via email.

In 2022, the risk assessments were updated in respect of the availability, integrity and confidentiality of key processes within the organisation and the BDO Information Security Management System (ISMS) was subjected to internal as well as external audits. These audits showed that BDO manages risks effectively and meets the requirements of the ISO 27001 standard.

BDO A&A recorded 29 security incidents in 2022 (2021: 20). Of these, 20 involved data breaches (2021: 15). None of these data breaches was found to be 'serious', meaning that it could have posed a considerable risk of a serious threat to the protection of personal data. Accordingly, no data breaches were reported to the Dutch Data Protection Authority (DPA) (2021: 0).

	2022	2021
Number of recorded security incidents	29	20
Number of recorded data breaches	20	15
Number of data breaches reported to DPA	0	0

Complaints, whistleblowers and claims

In 2022, the total number of external and internal complaints, whistleblowing reports, claims and disciplinary complaints regarding statutory audit engagements and/or external auditors dropped to two (2021: 3). The two complaints involved a claim and a disciplinary complaint. No external complaints, internal complaints or whistleblowing reports were received.

	2022	2021
Number of external complaints <i>as per Complaints Handling Procedure – BDO Complaints Handling Committee</i>	0	0
Number of internal complaints <i>as per Complaints Handling Procedure – BDO Complaints Handling Committee</i>	0	0
Number of whistleblowing reports <i>as per Whistleblower Policy</i>	0	0
Number of claims against organisation	1	1
Number of disciplinary complaints against external auditors	1	2
Total	2	3

The external complaints procedure and whistleblower policy are instruments for monitoring the integrity of people's actions. In light of the Dutch Whistleblowers Protection Act, which came into force early in 2023 and changing public expectations, the current procedures and policies will be updated and given a more central place in the BDO quality management system.

The claim filed by audit clients in 2022 relates to an error in the valuation of a provision that went unnoticed. This error was corrected, but not until after the business had been sold based on the erroneous information.

The following disciplinary complaints were filed against BDO external auditors or were pending before the Accountancy Division and/or the Dutch Trade and Industry Appeals Tribunal (Cbb) in 2022:

- ▶ An auditor was accused of not having performed enough audit procedures in their capacity as group auditor and having insufficiently documented the procedures performed by the component auditor and/or the foreign subsidiary of the audit subject. The hearing before the Accountancy Division was on 30 September 2022 and the ruling was issued on 23 January 2023. The Accountancy Division upheld one part of the complaint and issued a written warning against the auditor in question. The parties involved reached a settlement and have not appealed. The ruling of the Accountancy Division and the imposed written warning are therefore final.
- ▶ An external auditor was accused of failing to exercise professional due care in their audit of a fund's profit and/or dividend distributions and of not having provided – enough of – a true and fair view in the fund's financial statements for 2016 and 2017. The Accountancy Division ruled on 27 December 2021 that the complaint was partly founded and issued a written warning against the external auditor. Both the complainant and the external auditor appealed the decision. The date for the hearing had not been set at the time of this writing.
- ▶ An external auditor was accused of having made an error in the scope of the auditor's report (unqualified) that was issued on the financial statements for 2020 of a foundation. The complainant asserted that the foundation's financial statements did not comply with the law and its Articles of Association, and that the auditor's report contained incorrect information about the responsibilities and powers of the foundation's management and board. The Accounting Division issued a ruling on 21 October 2022. While it upheld one part of the complaint, no sanctions were imposed. The complainant lodged an appeal. The date for the hearing had not been set at the time of this writing.
- ▶ An external auditor was accused of having issued an auditor's report that did not comply with the statutory provisions (Section 393(3) and/or (5)(e), Book 2, of the Dutch Civil Code) where it relates to events after the reporting date and the management board report in the financial statements for 2018 of an audit client (complaint filed in 2019). The complainant also asserted that the auditor should have withdrawn or qualified their unqualified opinion. The Accountancy Division ruled on 9 April 2021 that the complaint was partly founded and issued a written reprimand against the auditor in question. The external auditor appealed the decision. The hearing before Cbb took place on 29 March 2023 and the ruling is expected on 23 May 2023.

The following disciplinary complaint was finalised in 2022:

- ▶ A former employee of a BDO audit client claimed, following an employment conflict with their employer, that the external auditor committed errors in the audit of the financial statements for 2017 and 2018 (complaint filed in 2020). The complaint involved the size of the provision for major repairs and the lack of an equalisation account for investment grants. On 2 April 2021, the Accountancy Division ruled the complaint unfounded. The complainant appealed the decision. Cbb ruled the complainant's appeal unfounded on 7 February 2023. The case is now closed. The auditor in question is no longer with BDO. Acceptance and continuance of client relationships and engagements

Acceptance and continuance of client relationships and engagements

Acceptance and continuance of client relationships and engagements

BDO again tightened its policy for the acceptance and continuance of client relationships and engagements in 2022. This will give us more time and opportunity to assure the quality of engagement performance. Requests for proposals for audit engagements are reviewed very carefully, particularly where they concern large international clients. In the review, we look at any potential professional risks, expertise required and available capacity within BDO. The policy of the A&A MT is aimed at further up-scaling each engagement and reducing the number of engagements for each external auditor, so that they have more time to give each engagement their undivided attention. To that end, Practice Leaders and partners evaluate the entire engagement portfolio every year, in which process they assess the balance between quality, risk, return and the so-called 'fun factor'. Engagements that are too stressful and overwhelming are discontinued.

In 2022, a limited number of engagements were rejected in the engagement acceptance process. This included some PIE audit engagements. In these cases, we concluded that the combination of capacity issues and quality issues stood in the way of our ability to provide professional audit services. After due consideration, BDO offboarded a number of clients, for instance because of AML/CTF risks due sanctions or the nature of a client's activities not aligning with our risk appetite. Engagements were refused for a number of reasons, including late submission of a request for a proposal (in some cases well after the reporting period had ended), too broad an engagement scope for our available capacity in the relevant period, a conflict of interest or other unacceptable threat to our independence, or the legal entity not being Dutch legal entity and/or an entity's operations not being carried out in the Netherlands. The total number of refused engagements was probably higher given the stricter internal quality climate, as partners are becoming increasingly critical before starting up the client or engagement acceptance procedure. We also refused a number of audit engagements that were referred to us by other BDO member firms. In doing so, we let the public relevance of the quality of our services in the Netherlands prevail.

If, in the process of accepting or continuing an engagement, certain risks have been identified or certain criteria have been triggered, QRM will impose one or more risk-mitigating and/or quality measures, including EQR, TBQR, IFRS review, required PPD consultation, mandatory rotation or

an instruction for team composition. Additional measures may be imposed after the engagement has been accepted or continued. These would include quality controls during the performance of the engagement, such as ETD coaching, TBQR, IFRS review and EQR (see also the totals of these quality controls at '[Managing the quality of an engagement](#)'). QRM imposed one or more quality controls on BDO A&A in respect of 356 engagements (2021: 460) whose expected completion date was in 2022. The decrease in the number of measures imposed was largely attributable to a change in consultation policy: from 2022 onwards, PPD consultation has only been required for agreed-upon procedures engagements under Standard 4400N if the engagement is new and/or performed for the first time and there is no specific protocol. In 2021, the consultation requirement applied to all engagements governed by Standard 4400N.

Number of engagements for which QRM imposed quality controls upon acceptance or continuance

	2022	2021*
Number of engagements	356	460

* Comparative figures restated for identified incompleteness

Procedure en systems

QRM and the A&A MT meet twice a week to discuss requests for proposals for audit engagements to monitor the robustness of the process for engagement acceptance. This ensures that allowance is made for quality considerations as early as in the proposal stage. Requests for proposal from PIEs (with the exception of housing associations) are subject to Governing Board review.

The required questionnaires and risk assessments for accepting clients and continuing client relationships and engagements were tightened further to developments regarding sanctions regulations in 2022.

Revenue

<i>(in EUR millions)*</i>	2022	%	2021**	%
Audit & Assurance	132.3	38.5%	120.1	37.7%
Accountancy & Business Advisory	81.6	23.8%	77.4	24.3%
Tax & Legal Services	92.0	26.8%	86.2	27.0%
Advisory	37.5	10.9%	35.3	11.1%
Total	343.4	100%	319.0	100%

BDO Netherlands' total revenue for the financial year 2022 was EUR 343.4 million (2021: EUR 319.0 million). Of this amount, EUR 132.3 million was generated by the A&A LoS (2021: EUR 120.1 million).

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

** On 1 January 2022, the former business unit BDO Legal (Advisory LoS) and the Tax Services LoS (BA) were merged into the Tax & Legal LoS. The figures for the financial year 2021 were restated accordingly to allow for comparability.

Revenue can be broken down as follows (by type of service):

COMPOSITION OF REVENUE BDO, 2022*	Statutory audits	Other audits	Other statements and assurance reports	Other services	Total	%
Statutory audits - PIE	10.1		0.5		10.7	3.1%
Statutory audits - other	83.8	2.3	5.0	14.9	106.0	30.9%
Other audits		22.2	1.6	3.1	26.9	7.8%
Other statements and assurance reports			8.2	6.7	14.9	4.3%
Other services				184.9	184.9	53.9%
Total	93.9	24.5	15.3	209.6	343.4	100%

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

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

The revenue was generated from engagements billed by entities belonging to BDO Netherlands. The table does not include any amounts billed directly by member firms of BDO Global to our internationally operating audit and other clients.

In the table, the revenue from statutory audits was presented based on the definition of a statutory audit in Section 1(1)(p) of the Dutch Audit Firms (Supervision) Act (including annex).

The segmentation of revenue is in line with Article 13(2)(k)(i-iv) of Regulation (EU) No 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 permitted non-audit services to entities that are audited by the statutory auditor or the audit firm;
- iv. Revenues from non-audit services to other entities.

Engagement performance

Number of engagements

BDO performed 1,182 statutory audits in 2022 (2021: 1,261). Of these audits, 83 were of PIEs (2021: 81). For a list of PIEs audited by BDO in the reporting period, see [annex A](#).

The 6% decrease in the number of statutory audits and the simultaneous increase in fee income from statutory audits by nearly 16% reflects our critical stance in accepting and continuing engagements, in which process we seek as much as possible to accept and continue engagements that are in line with the quality level we aim to achieve in our service provision.

The number of PIE audit clients rose slightly in 2022. There was some client turnover: we accepted 11 new PIE audit clients and nine PIE audit clients left BDO, mainly due to the rotation requirement.

Availability of sufficient time, people and resources

The total number of hours spent on audit engagements was down slightly in 2022 compared to 2021 as was the total number of hours worked (by 2.5% and 1.5% respectively). The distribution of hours across different types of audit engagements and other engagements and services was virtually the same as in 2021 for the different job levels.

At 3.1%, the percentage of overtime hours of the total number of contract hours dropped slightly in 2022 (2021: 3.3%)

Number of overtime hours and ratio of overtime hours to contract hours ratio

2022	Partners	(Sr.) Managers	Others	Total
Overtime hours	1,122	15,613	39,433	56,167
Ratio overtime hours/contract hours	0.8%	4.2%	3.0%	3.1%

2021	Partners	(Sr.) Managers	Others	Total
Overtime hours	1,242	15,604	42,679	59,526
Ratio overtime hours/contract hours	0.9%	4.5%	3.3%	3.3%

In 2022, the A&A MT started to harmonise the planning process for the performance of engagements on a nation-wide basis, the reason being that earlier root cause analyses showed that professionals experience issues in the planning process. One of the objectives of a more centrally organised planning process is for the planning to better reflect the everyday realities of the business and to alleviate the perceived workload.

Average ratio of hours per partner, senior manager, manager and other team members (leverage), by PIE and non-PIE

2022*	PIE audit	%	Non-PIE audit	%	Total	%
Partners	5,378	7.7%	49,494	5.9%	54,873	6%
(Senior) Managers	15,700	22.5%	147,767	17.6%	163,467	17.9%
Other team members	48,626	69.8%	644,595	76.6%	693,222	76%
Total	69,705	100%	841,856	100%	911,561	100%

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

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

Number and percentage of hours of partners, senior managers, managers and other team members spent on audit engagements (by PIE and non-PIE), other engagements, other procedures

2022*	PIE audit		Non-PIE audit		Other engagements		Other activities		Total
Partners	5,378	5%	49,494	44%	6,914	6%	51,019	45%	112,805
(Senior) Managers	15,700	5%	147,767	51%	25,614	9%	101,243	35%	290,324
Other team members	48,626	5%	644,595	69%	62,411	7%	181,608	19%	937,241
Total	69,705	5%	841,856	63%	94,939	7%	333,870	25%	1,340,370

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

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

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 in the development of our worldwide methodology, the BDO Audit Manual, and of the Audit Process Tool (APT), the technology we use to carry out and document our audit engagements. Other investments involve formulating an integrated vision of IT innovations in the audit process and the development and application of concrete tools and applications.

Various technological innovations contribute to improvements in, and simplification of, our audit procedures. The Centre for the Audit of Tomorrow - The Netherlands team (CAT-NL team) is responsible for making technical tweaks to innovations so that they can be used in the Dutch audit practice. HR (change management), the Professional Practice Department (professional knowledge and audit methodology) and the IT key user community (practical application for the business) also play an important role in implementing innovative technology in the audit process. A new version of APT Next Gen was launched in mid-2022. The changes in APT support the update of the BDO audit methodology further to the entry into force of revised Standard on Auditing 315 on identifying and assessing risks of material misstatement.

In addition, more of our professionals made use of the APT Insights Dashboard in 2022. This dashboard gives all professionals in the A&A practice 24/7 access to audit files and the status of the engagements they are working on. Partners and regional Practice Leaders now have a more comprehensive overview in the dashboard to allow them to fulfil their overarching responsibilities for monitoring a broader engagement portfolio.

In addition to the regular updates of the BDO Audit Manual, Positions (required provisions) and Guidance, further investments were made in 2021 in the effectiveness of these documents in audit engagements. The audit scrum framework evolved from a temporary project to a permanent feature of the audit process in 2022. We reviewed what we want our scrum to be, we fleshed out our scrum approach and we rolled out this approach in a regional and nation-wide context.

In 2022, the theme Questioning mind was central to a number of projects, training sessions and actions. We have an intellectual profession and our *raison d'être* lies in professional scepticism, meaning that we ask questions and follow-up questions, and that we are analytical and inquisitive.

We want this scepticism to be our fundamental attitude and we will feature it even more prominently in our next quality push. This is how we foster professional connections, openness to questions and feedback from all coworkers, self-reflection and on-the-job commitment from relatively senior team members.

Managing the quality of an engagement

Quality tools

The quality tools that help to safeguard the quality of engagement performance are embedded in the BDO Quality Policy. The engagement quality controls support the external auditor and the engagement team in delivering quality *and* they help the audit practice manage and monitor quality. As BDO is a learning organisation, the quality management policy for engagement performance makes a clear distinction between concomitant controls aimed at learning, coaching and improving the quality of the audit practice imposed by the Professional Practice Department under the direct supervision of the A&A MT (before the auditor's report is issued) and controls aimed at monitoring and testing by QRM (after the auditor's report is issued). For a description of the controls, see annex '[BDO Quality Management System](#)'.

In accordance with the quality policy, at least two engagements per partner are selected each year that are subject to quality controls such as ETD coaching, use of specialists, TBQR or EQR. In addition, quality controls such as consultation, support team or IFRS review can be imposed on engagements in which one or more specific risk indicators are present or emerge during performance, or instructions can be issued regarding the composition of the team. The choice of quality control depends in part on the nature and scope of any quality risks identified for the engagement and on whether the engagement meets the criteria that trigger a specific quality control.

ETD coaching

The ETD coaching quality control was imposed on 15 engagements in 2022 (2021: 13). Engagement teams were coached during the Engagement Team Discussion (ETD) to make an in-depth study of the structure of the audit and to place focus on key aspects.

Number of engagements with ETD coaching

	2022	2021*
Number of engagements with ETD coaching	15	13

* The method for calculating the number of engagements with ETD coaching has changed. We used to calculate this number as the number of engagements subject to ETD coaching in our clients' reporting period. From now on, we will use the number of engagements for which the ETD coaching process was completed in our financial year and was signed off as such to QRM, irrespective of our clients' reporting period. The comparative figures have been restated accordingly

Use of specialists

The total hours spent by IT specialists in audit engagements saw a 14.8% increase to 39,170 hours in 2022 (2021: 34,118 hours). The relative use of these specialists rose for both PIE and non-PIE audit engagements compared to 2021.

In 2022, A&A issued specific guidance on collaboration between financials auditors and IT Risk Assurance (ITRA) in financial statement audits. The guidance addresses aspects involving planning, working arrangements, joint responsibilities, quality and reporting on ITRA services as part of the audit. The objective is to harmonise procedures and communications as much as possible, thereby assuring – and improving – the quality and reliability of services on the basis of mutual agreements and principles.

The use of tax specialists is aimed at increasing the quality of tax risk assessments, for example with regard to corporate income tax or cross-border operations. They will participate in the ETD and, where appropriate, join meetings with audit clients to address tax issues. Forensic specialists will take part in the ETD and join meetings with the audit client to address fraud risks and to review the audit plan. This is meant to increase the quality of the fraud risk assessment and mitigate fraud risks by performing the correct auditing procedures. The relative use of other specialists, such as tax specialists and forensic specialists, in audit engagements was about the same.

Number/percentage of hours spent on audit engagements by IT specialists (by PIE and non-PIE)

IT-SPECIALISTS	2022	%	2021	%
PIE audit	3,693	5.1%	3,143	4.4%
Non-PIE audit	35,477	4.1%	30,975	3.4%

Number/percentage of hours spent on audit engagements by other BDO specialists

OTHER SPECIALISTS	2022	%	2021	%
Audit engagements	12,426	1.3%	13,388	1.4%



Consultation procedure

The table below shows the number of requests for formal consultations with the Professional Practice Department. The total number of consultations fell by 39% in 2022, landing at 432 (2021: 709).

This marks a significant decrease, which mainly related to the number of consultations on the alternative wording of standardised auditor's reports and consultations on engagement letters and reports based on Standard 4400N. Both stem from a change in the consultation policy. As a result, the requirement for consultation on COVID paragraphs in auditor's reports (emphasis of matter paragraph under Standard 706.7a) was lifted in 2022. In addition, consultations involving Standard 4400N are now required only if the engagement is new and/or performed for the first time and there is no specific protocol.

Number of requests for formal consultations on reporting and audit submitted to PPD

CONSULTATIONS	2022	2021
Alternative wording of auditor's reports	136	264
Regulatory compliance	0	0
Engagement letters and/or reports on assurance en-gagements other than audit or review engagements (attestation or direct engagements under DSA 3000A/D)	65	46
Engagement letters and/or reports for third parties in agreed-upon procedures engagements (DSA 4400N)	83	187
Presumed or actual error in financial statements*	35	44
External reporting	37	56
Significant going concern risk	27	59
Other	49	53
Total	432	709

* This concerns all consultations on actual or potential error correction based on DAS 150 recorded by PPD. Of these, 23 related to statutory audits (2021: 29), of which five cases involved error correction based on the Dutch Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act (Dutch acronym: WNT) (2021: 5), 15 cases allowed the error to be corrected within the parameters of DAS 150 (2021: 18) and three cases – also – involved a fundamental error that was reported in accordance with the provisions of Section 362(6), Book 2, of the Dutch Civil Code (2021: 4). The Professional Practice Department concluded, at the end of the consultation, for all 23 of these statutory audits where the financial statements presumably contained an error, that the error actually had to be corrected. In 2021, it concluded that error correction was not required in two of the 29 cases.

Engagement Quality Review (EQR)

A total of 105 EQRs were conducted and completed for audit engagements in 2022 (2021: 129). 19 EQRs were conducted for audit engagements that meet the internal assessment criteria, other than PIE audits (2021: 48). The percentage of non-PIE audits that were subject to an EQR was 1.7% in 2022 (2021: 4.1%). The decrease in the number of EQRs corresponds to the policy choice to perform more TBQRs than EQRs because a TBQR tends to be a better response to the quality risk of the engagement and the appropriate scope of the quality review.

Number of EQRs, required and voluntary

	2022	2021*
Listed companies (PIEs)	12	13
Other PIEs	74	68
Voluntary EQRs	19	48
Totaal	105	129

* The method for calculating the number of EQRs has changed. We used to calculate this number as the number of engagements subject to an EQR in our clients' reporting period. From now on, we will use the number of engagements for which the EQR process was completed in our financial year and was signed off as such to QRM, irrespective of our clients' reporting period. The comparative figures have been restated accordingly

The standard for hours spent on an EQR is set on a relative scale and ranges between 4% and 6% of the total number of hours. The average number hours spent by EQR reviewers as a percentage of total number of hours spent on statutory audits subject to an EQR was 4.9% (2021: 4.9%).

Number of hours spent on EQRs as a percentage of total number of hours spent on audit engagements subject to an EQR

	2022	2021*
Average relative hours spent on EQR per engagement	4.9%	4.9%

* The comparative figure for relative number of hours spent on EQRs has been restated in line with the restatement of the comparative figures for the number of completed EQRs.

A roadmap was drawn up and the first implementation steps were taken in 2022 to further strengthen the EQR culture, so that the conditions are in place for quality reviews to progress more smoothly, in line with the BDO Quality Policy and the *International Standard on Quality Management 2: Engagement Quality Reviews*. Key elements in strengthening this culture are Time & Priority, Assessment, Performance, Value & Reward and Authority. In 2022, a detailed roadmap was drawn up, after which the first implementation steps were taken.

Theme-based quality reviews (TBQR)

A total of 53 TBQRs were conducted and completed for audit engagements in 2022 (2021: 30). A TBQR is a quality review of specific elements during the audit. Most TBQRs pertained to the audit of revenue or sector-specific items, flows or themes.

An IFRS review was required for 54 audit engagements in 2022 for the financial year 2021 (2021: 54). The review procedure proved to have been observed during the audit in all 54 cases.

Number of TBQRs and IFRS reviews

	2022	2021*
TBQRs	53	30
IFRS reviews	54	54

* The method for calculating the number of TBQRs has changed. We used to calculate this number as the number of engagements subject to a TBQR in our clients' reporting period. From now on, we will use the number of engagements for which the TBQR process was completed in our financial year and was signed off as such to QRM, irrespective of our clients' reporting period. The comparative figures have been restated accordingly.

Support team

Further to the specific circumstances of one audit engagement in 2022, which might have affected the integrity of the accounting practice, a support team was assigned to assist the external auditor and the audit team (2021: 2). Assigning a support team has proved to be a valuable source of support for individual professionals to help them assure the engagement quality. The support team will, for instance, provide insight into the complexity of the audit files and/or issues, and help the auditor 'keep their back straight' towards the client where needed.

	2022	2021
Number of engagements with support team assigned	1	2

Fraud

In 2022, 51 internal reports were made to the central internal fraud desk (2021: 44). These reports involved suspected fraud, unusual transactions and other irregularities relating to statutory audits.

If, during the performance of a statutory audit, the auditor has a reasonable suspicion of a material misstatement of the audit client's financial statements due to fraud, the auditor is required to make a report to the National Investigation Service (forensic accountants desk), unless the audit client is investigating the fraud and takes adequate action to prevent it. None of the internal reports led to an external fraud report in 2022 (2021: 0).

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

	2022	2021
Number of internal reports of fraud and/or irregularities	51	44
Number of external fraud reports	0	0

The BDO fraud panel assesses external developments in the field of fraud and evaluates case studies in the organisation. The panel met four times in 2022 (2021: 4).

Professional Practice Department

The total number of professionals in the A&A Professional Practice Department (PPD) dropped to 11 in 2022 (2021: 17). The decrease in headcount was due to a restructuring: on 31 December 2022, the specialists of Financial Accounting Advisory Services (FAAS), who were part of the A&A PPD before, transferred to a separate FAAS unit of the A&A LoS. That said, these specialists will still be available, from 2023 onwards, for PPD activities relating to financial reporting, serving as a help desk, offering consultation sessions or providing training.

Number of partners, directors, senior managers, managers and other team members in A&A PPD (in FTEs)

	2022	2021
Partners	2	2
Directors	1	1
(Senior) Managers	8	11
Other team members	0	3
Total	11	17

Monitoring and evaluation

Monitoring compliance with quality controls

The QRM department monitors compliance with the controls that make up the quality management system on a continuous basis. This task has been delegated to QRM by the Governing Board. Monitoring takes place under the supervision and responsibility of the Compliance Officer. In early 2023, the Compliance Officer issued a report on QRM's monitoring activities in 2022 to the Governing Board. The statement by the policymakers in this Transparency Report is based, in part, on this report.

The headcount of the QRM department increased to 31 in 2022 (2021: 27). This increase was largely attributable to the fact that the legal support to the business, corporate support departments and the Governing Board was combined into QRM & Legal early in 2022. With this, the Legal department as such ceased to exist. The officers in that department transferred to QRM & Legal.

Number of partners, directors, senior managers, managers and other team members with a focus on compliance and risk management (in FTEs)

	2022	2021
Partners	3	3
Directors	1	1
(Senior) Managers	11	9
Other team members	16	14
Totaal	31	27

Supervision of professional services

One of the ways in which we exercise supervision of our professional services is by conducting file reviews; these are internal inspections after the auditor's report has been issued. A file review focuses on the quality of an audit file and the effectiveness of elements of the quality management system that are reflected in the audit file. We distinguish between two types of file reviews: cold reviews and theme-based quality reviews.

- ▶ Cold review. A cold review targets certain focus areas that are decisive for the engagement and results in an opinion on the entire file. The review of the file and the choice of focus areas are risk-based. Partners are subject to a cold review every three years.
- ▶ Theme-based quality review (TBQR). A TBQR targets the quality of a specific theme in the audit file or the effectiveness of a specific theme in the quality management system. Unlike a cold review, a TBQR is not aimed at expressing an opinion on the quality of the entire engagement or the entire audit file. It only focuses on the specific theme that is subject to review. TBQRs were conducted as part of the promotion process, for lateral hires (partners) and for partners who had been instructed to improve their performance.

The results of the file reviews show a positive trend. The number of files that were rated unsatisfactory dropped in 2022. Also, the lead time of file reviews was significantly shortened. The review process and its outcomes will be evaluated in greater detail in 2023. In this evaluation, we will also consider options for training the reviewers and the reviewees in mindset and behaviour during reviews as well as in communicating findings. In addition, in the follow-up to outcomes of reviews, we will focus more on the difference between human error and reckless conduct (just culture) so as to bolster the firm's learning capacity.

As we are a learning organisation, a file that has been rated unsatisfactory will not lead to sanctions. Rather, we will sit down with the file owners to discuss how they can go about improving the quality of their work in subsequent engagements. Everyone at BDO who wishes to contribute to quality improvements has the opportunity to do so. The files that were rated unsatisfactory were remediated. The remediation did not uncover any undetected material misstatements in the audited financial statements or errors in the scope of the issued auditor's reports.

Number of cold reviews and theme-based quality reviews performed, including outcomes

	2022	2021*
COLD REVIEWS	27	22
Satisfactory	24	13
Unsatisfactory	3	9
THEME-BASED QUALITY REVIEWS	15	14
Satisfactory	15	12
Unsatisfactory	0	2

* The method for calculating the number of files reviews has changed. We used to calculate the number of file reviews as the number of scheduled or announced file reviews in our clients' previous reporting period. From now on, we will calculate the number of file reviews as the number of file reviews that were completed (i.e. final opinion and/or report issued) in our reporting period, irrespective of our clients' reporting period. The comparative figures have been restated accordingly.

Quality reviews – international

BDO Global carries out its Quality Assurance Reviews (QARs) every three years in principle. BDO Netherlands was not subject to a QAR in 2022. The last QAR was carried out at the end of 2021.

Root cause analysis

In 2022, 19 root cause analyses (RCAs) were performed with engagement teams after the relevant engagement had been subject to a cold review (2021: 20). A total of 114 persons participated in the RCAs (2021: 139). The outcomes of the RCAs were reported to the A&A MT.

As part of the RCA process, all engagement teams reviewed which factors contributed to the quality of their engagement (success factors) and which factors stood in the way of quality (improvement factors), regardless of the outcome of the cold review of their engagement (satisfactory or unsatisfactory). The engagement teams also reflected on lessons learned by them as individuals, by the team and by BDO as an organisation. The top five success factors in files that were rated satisfactory and the top five improvement factors in files rated unsatisfactory are shown in the table below:

Success factors – Satisfactory	Improvement factors – Unsatisfactory
1. Team composition	1. Face-to-face coordination in team
2. Sense of community	2. Time allotment
3. Overview, project planning	3. Team composition
4. Face-to-face coordination in team	4. Short throughput time
5. Short throughput time	5. Coordination at appropriate level (client)

The outcomes of the RCA were also compared with those of earlier RCAs. A number of similarities in identified areas for improvement show that some patterns are hard to break. Because of these patterns, the A&A MT evaluated how current and planned improvement initiatives (e.g. scrum, Questioning mind and a centralised planning process) might be scaled up where possible so as to steer away from these patterns, unlock the potential for improvement and better leverage the identified success factors.

Breaches

In addition to the internally identified violations of independence rules (see 'Ethical standards'), a total of four shortcomings and seven breaches were recorded in 2022 (2021: 2 and 14 respectively). We have provided an overview of the nature and a description of the identified violations below.

Number and nature of violations

Qualification	Nature of violation	Description	2022	2021
<i>Shortcoming</i>	Failure to comply with internal engagement acceptance policy	Proposal issued before A&A and QRM MTs had given their consent	0	2
	Non-compliance with CPE obligation (administrative)	The CPE requirement for 2021 was not fulfilled by the deadline (31 Jan 2022) because the CPE credits were not recorded	4	0
<i>Breach</i>	Quality unsatisfactory	Internal file reviews (during or after the engagement) showed that BDO's quality requirements for the performance of audit engagements were not met	5	13
	No follow up to control imposed by QRM	In an audit for consolidation purposes, the planned and required IFRS review was not performed	0	1
	Non-compliance with CPE requirement (substantive)	The CPE requirement for 2021 was not fulfilled by the deadline (31 Jan 2022) or the CPE plan for 2022 had not been prepared by the deadline (31 Mar 2022)	2	0
Total			11	16

Reports to external supervisory bodies

In 2022, BDO made a total of ten reports to the relevant supervisory bodies (AFM and the Dutch Central Bank (DNB)) (2021: 9).

- ▶ Nine engagements were withdrawn early by audit clients or terminated early by BDO, for instance because the audit client had become insolvent, because the audit client was slow to deliver the audit information and breakdowns and ultimately failed to do so, or because of a breach of trust – due to irregularities – that made it impossible to continue the audit engagement.
- ▶ The disciplinary complaint that was filed with AFM in 2022 was addressed earlier under ‘Complaints, whistleblowers and claims’.

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

NUMBER OF REPORTS CONCERNING:	2022	2021
Change in details for integrity screening of a (co-)policymaker (AFM) (Section 7, Dutch Audit Firms (Supervision) Decree)	0	1
Statutory audit engagements terminated or withdrawn early (Section 13(3), Dutch Audit Firms (Supervision) Decree) (AFM)	9	5
Incidents with serious repercussions for ethical business practices (Section 32(4), Dutch Audit Firms (Supervision) Decree) (AFM)	0	0
Disciplinary complaints filed against external auditors (Section 26(1), Dutch Audit Firms (Supervision) Decree) (AFM)	1	2
Knowledge of a material breach of the laws, regulations or administrative provisions which lay down, where appropriate, the conditions governing authorisation or which specifically govern pursuit of the activities of a PIE (Section 12(1)(a), Regulation (EU) No 537/2014) (DNB)	0	0
Knowledge of a material threat or doubt concerning the continuous functioning of the PIE (Section 12(1)(b), Regulation (EU) No 537/2014) (AFM)	0	1
The issuing or intended issuing of a disclaimer of opinion, an adverse or qualified opinion on the financial statements of a PIE (Section 12(1)(c), Regulation (EU) No 537/2014) (AFM)	0	0
Total	10	9

Marlieke Moormann
and Eelco van Ooijen

At BDO, we want our employees to embrace vitality. Marlieke (HRD Officer) and Eelco (Partner & Vitality Programme Leader) are working to improve BDO's vitality offering. The latest initiative was our partnership with OpenUp, a mental health platform.



External supervision

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

The Netherlands Authority for the Financial Markets (AFM) and BDO met on a number of occasions during the year. In these meetings, we discussed current developments, the status of the BDO quality improvement drive and specific cases, e.g. further to media coverage.

As part of its ongoing supervision of PIE audit firms, AFM has identified a number of generic themes and specific themes for each individual audit firm (tailor-made supervision). The themes AFM had identified for BDO in 2022 included:

- ▶ *Fraud.* In October 2022, AFM announced that it would investigate the quality of the fraud risk assessment in statutory audits at three PIE audit firms (including BDO) and ten regular licence holders. The investigation explicitly focuses on the audit planning phase. AFM selected four BDO audit files, which they investigated in January 2023. They have not shared the final outcome of their investigation with BDO to date.
 - ▶ *Non-financial information.* During its periodic meetings, AFM and BDO repeatedly discussed the upcoming requirement for companies to report on their ESG (Environmental, Social, Governance) targets and the role of auditors in this reporting. In this context, AFM's supervision mainly involves monitoring BDO's preparations to ensure that the firm has the required knowledge and capacity.
 - ▶ *Data-driven supervision.* AFM is developing a new data-driven supervisory model for audit firms and statutory audits. Its supervision will increasingly be data-driven. This is expected to help AFM in its effort to identify trends and risks, and better align its supervisory activities to these trends at an earlier stage. BDO and AFM spoke about this new model on a number of occasions in 2022.
 - ▶ *Internal supervision (Supervisory Board).* Thanks, in part, to the earlier changes in the composition of both the Supervisory Board and the Governing Board of BDO, to interviews AFM conducted further AFM gained, by means of interviews, a better understanding of the governance structure at BDO. The scope of the AFM interviews was broad, focusing on such aspects as the current composition of the Supervisory Board, the relationship between the Supervisory Board and the Governing Board, the relationship with the equity partners, and developments in the partner vision and conduct and culture in the organisation. After the interviews, AFM saw no need to conduct further investigations.
- ▶ *Internal quality reviews (cold reviews).* In 2021, AFM published the results of its investigation into internal quality reviews and the quality of statutory audits of PIE audit firms, both in an sector-wide public report and in a BDO-specific report. In 2022, AFM looked at how BDO followed up the findings of these reports and gained a better understanding of the quality management system at BDO. Within this scope, BDO shared with AFM the outcomes of the internal quality review for the financial year 2021, including those of the root cause analysis, evaluation and formulated follow-up, as well as the A&A Annual Plan, to provide further insight into how the A&A MT encourages learning and improvements on a continuous basis. The information did not lead to any further questions from AFM.
 - ▶ *Russia-Ukraine war.* AFM and BDO sat down repeatedly during the year to discuss the developments in Ukraine and AFM asked BDO which action it had taken to investigate whether its clients had ties with Russia or were subject to sanctions regimes, and what other related risks had been investigated and/or identified. The action taken met with AFM's expectations and was in line with AFM's feedback to PIE audit firms further to questions asked.

On 1 November 2022, BDO received a request for information from AFM regarding exam fraud. This request was part of a survey launched by AFM of potential exam fraud at PIE audit firms and came in response to reports that regulators in the US, Canada and Australia, among other countries, had imposed sanctions on a number of audit firms for exam fraud on internal and external tests. AFM asked BDO to provide an overview of required courses in the period 2018-2022 that ended with an exam and of the preventive and detective measures that had been taken to mitigate the risks of exam fraud. In its response to AFM, BDO said that only very few BDO courses end with an exam and that, for that reason, the risk of exam fraud as such is not addressed in our course offering and/or in our quality controls.

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

In 2022, the Netherlands Institute of Chartered Accountants (NBA) and the Public Company Accounting Oversight Board (PCAOB) did not conduct any file reviews or other investigations.

Supervision by Central Government Audit Service (ADR) and Education Inspectorate

In 2022, the Dutch Central Government Audit Service (ADR) reviewed eight BDO files, either partially or in full (2021: 6). These reviews involved:

- ▶ *Single information Single audit (SiSa)* – ADR reviews the design and implementation of those aspects of the general financial statement audit of local or provincial authorities that involve the audit of special-purpose grants. ADR reviewed three BDO files in this context. Unlike in previous years, ADR will not, in its reports, express an opinion in terms of 'satisfactory' or 'unsatisfactory'. Rather, it will only report its findings, if any (in accordance with DSA 4400). The reporting of any findings does not mean that the procedures performed by the auditor were inadequate.
 - ▶ *Financial statements* – ADR reviewed one file to assess the quality of the financial statement audit. This file was rated satisfactory.
 - ▶ *Grant* – Two files involving grant awards were reviewed. They were rated satisfactory.
 - ▶ *Other* – Two files involving some other government schemes were reviewed. These were both rated satisfactory.
- In 2022, ADR did not perform any reviews of BDO files with a focus on financial reporting under the Dutch Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act (Dutch acronym: WNT).

The Dutch Education Inspectorate did not conduct any investigations at BDO in 2022 (2021: 0).

Supervision by Financial Supervision Office (FSO)

In June 2022, the Financial Supervision Office (FSO) announced an investigation into BDO as part of its compliance monitoring of AML/CTF legislation. The investigation was initiated in the autumn of 2022. The investigation is risk-based. It is aimed at establishing whether BDO complied with the AML/CTF legislation when providing services to an audit client. FSO wants to know more about BDO's client due diligence as part of the client acceptance process (specifically regarding the source of the shareholder's assets) and learn how, during the engagement, BDO kept a focus on potentially unusual transactions associated with money laundering.

NATURE AND OUTCOME	2022	2021*
SiSa	3	2
Satisfactory	N/A	2
Unsatisfactory	N/A	0
No findings	2	N/A
Findings	1	N/A
Financial statements	1	1
Satisfactory	1	1
Unsatisfactory	0	0
WNT	0	0
Satisfactory	0	0
Unsatisfactory	0	0
Grant	2	2
Satisfactory	2	2
Unsatisfactory	0	0
Other	2	1
Satisfactory	2	1
Unsatisfactory	0	0
Education	0	0
Satisfactory	0	0
Unsatisfactory	0	0

* The method for calculating the number of file reviews has changed. We used to calculate the number of file reviews as the number of scheduled or announced file reviews relating to our clients' previous reporting period. From now on, we will calculate the number of file reviews as the number of file reviews that were completed (i.e. final opinion and/or report issued) in our reporting period, irrespective of our clients' reporting period. The comparative figures have been restated accordingly.



Adrianca Mens
Adrianca (Partner) is a part-time lecturer of Auditing at the University of Groningen. She specialises in Environmental, Social and Governance. These are core themes for measuring and reporting on the sustainability drive at organisations.

Statement by 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 statutory audits are carried out in accordance with the applicable laws and regulations.

We continuously implement improvements in our quality management system, both based on the results of the internal reviews and investigations by our supervisory bodies, and on the expectations that society has of accountants.

The policymakers of BDO Audit & Assurance B.V. have evaluated the design and effectiveness of the quality management system, as outlined in this report, including annexes. The report by the Compliance Officer was one of the sources consulted in this evaluation.

Based on the above, the policymakers represent that:

- ▶ the outlines of the quality management system are described correctly in this report and the system is effective in the policymakers' opinion;
- ▶ internal compliance with the independence rules was monitored;
- ▶ the policy for the continuing professional education of partners and other professionals was followed.

Eindhoven, the Netherlands, 25 April 2022

R.C.M. (René) Nelis (Chairman and CEO)

L.M. (Leon) Jansen (member of the Governing Board, CFO/COO)

M.A. (Maurice) de Kleer (member of the Governing Board, CQO)

M.M.G. (Marcel) Mans (titular member of the Governing Board, Head of Audit)



ANNEXES

A. List of Public Interest Entities

- | | |
|---|--|
| ▶ Almelose Woningstichting 'Beter Wonen' | ▶ Roche Finance Europe B.V. |
| ▶ Anker Insurance Company N.V. | ▶ Schlumberger Finance B.V. |
| ▶ Ares European CLO IX B.V. | ▶ Stichting Brabantwonen |
| ▶ Basf Finance Europe N.V. | ▶ Stichting de Woonmensen |
| ▶ Bos Fruit Aardappelen Onderlinge verzekeringen BFAO U.A. | ▶ Stichting De Woonschakel Westfriesland |
| ▶ Brand New Day Bank N.V. | ▶ Stichting deltaWonen |
| ▶ Cabka N.V. | ▶ Stichting Dudok Wonen |
| ▶ Conti-Gummi Finance B.V. | ▶ Stichting Elkien |
| ▶ Dragon Finance B.V. | ▶ Stichting Habion |
| ▶ DSV Finance B.V. | ▶ Stichting KleurrijkWonen |
| ▶ Emerging Markets Structured Products B.V. | ▶ Stichting Leystromen |
| ▶ EnBW International Finance B.V. | ▶ Stichting Mitros |
| ▶ GarantiBank International N.V. | ▶ Stichting Nijestee |
| ▶ Kistos NL2 B.V. | ▶ Stichting ProWonen |
| ▶ Leidsche Verzekering Maatschappij N.V. | ▶ Stichting Sité Woondiensten |
| ▶ Mercurius Schadeverzekeringen N.V. | ▶ Stichting SSHN |
| ▶ Mutual Insurance Association 'Munis' (Onderlinge Verzekeringsmaatschappij 'Munis') U.A. | ▶ Stichting Stadgenoot |
| ▶ N.V. Rendo | ▶ Stichting Talis |
| ▶ N.V. Schadeverzekeringsmaatschappij Maas Lloyd (Hampden) | ▶ Stichting Thius |
| ▶ N.V. Verzekering Maatschappij 'De Burcht' | ▶ Stichting Vivare |
| ▶ New Amsterdam Invest N.V. | ▶ Stichting Viverion |
| ▶ Onderlinge Verzekerings-Maatschappij 'Noord Nederlandsche P&I Club' U.A. | ▶ Stichting Viveste |
| ▶ OOM Global Care N.V. | ▶ Stichting Waterweg Wonen |
| ▶ OOM Schadeverzekering N.V. | ▶ Stichting woCom |
| ▶ R.K. Woningstichting "Ons Huis" | ▶ Stichting Woningcorporatie Het Gooi en Omstreken |

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- ▶ Stichting woCom
 - ▶ Stichting Woningcorporatie Het Gooi en Omstreken
 - ▶ Stichting Woonbedrijf SWS.Hhvl
 - ▶ Stichting Woonbron
 - ▶ Stichting Wooncompagnie
 - ▶ Stichting Woonforte
 - ▶ Stichting Woongoed Zeeuws-Vlaanderen
 - ▶ Stichting Wooninc.
 - ▶ Stichting Woonkracht10
 - ▶ Stichting Woonopmaat
 - ▶ Stichting Woonstede
 - ▶ Stichting Woonveste
 - ▶ Stichting Woonwaard Noord-Kennemerland
 - ▶ Stichting Woonwenz
 - ▶ Stichting Woonzorg Nederland
 - ▶ Stichting Ymere
 - ▶ Stichting Zaandams Volkshuisvesting (ZVH)
 - ▶ Stichting Zayaz
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- ▶ Teva Pharmaceutical Finance Netherlands II B.V.
 - ▶ Tiwos, Tilburgse Woonstichting
 - ▶ TVM Verzekeringen N.V.
 - ▶ UK P&I Club N.V.
 - ▶ Vestas Wind Systems Finance B.V.
 - ▶ Westland Infra Netbeheer B.V.
 - ▶ Woningbouwvereniging Bergopwaarts
 - ▶ Woningbouwvereniging De Sleutels
 - ▶ Woningstichting De Woonplaats
 - ▶ Woningstichting Den Helder
 - ▶ Woningstichting Kennemer Wonen
 - ▶ Woningstichting "Ons Huis"
 - ▶ Woningstichting SallandWonen
 - ▶ Woningstichting Sint Joseph Almelo
 - ▶ Woonstichting JOOST
 - ▶ Woonstichting Stek
 - ▶ Woonstichting Triada
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B. List of BDO member firms in EU/EEA

COUNTRY	COUNTRY OF ESTABLISHMENT/GEOGRAPHY	NAME OF MEMBER FIRM
AUSTRIA	Austria	BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Steiermark GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Salzburg GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Oberösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Audit GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
BELGIUM	Belgium	BDO Bedrijfsrevisoren BV/Réviseurs d'Entreprises SRL
BULGARIA	Bulgaria	BDO Bulgaria OOD
CROATIA	Croatia	BDO Croatia D.O.O.
	Albania	BDO Albania Sh.P.K.
	Sarajevo	BDO BH d.o.o. Sarajevo
CYPRUS	Cyprus	BDO Limited
CZECH REPUBLIC	Czech Republic	BDO Audit s.r.o
	Czech Republic	BDO Group s.r.o.
	Czech Republic	BDO Czech Republic s.r.o.
DENMARK	Denmark	BDO Statsautoriseret revisionsaktieselskab
	Denmark	BDO Holding VI, Statsautoriseret Revisionsaktieselskab
ESTONIA	Estonia	Aksiaselts BDO Eesti
FINLAND	Finland	BDO Oy
	Finland	BDO Audiator Oy
FRANCE	France	BDO France
	France	BDO AUDIT DES ACTIVITES SOCIALES
	France	BDO PARIS ENTREPRISES
	France	BDO PARIS AUDIT PME
	France	BDO ATLANTIQUE
	France	BDO RENNES
	France	BDO LYON AUDIT
	France	BDO IDF
	France	BDO LES HERBIERS
	France	BDO FONTENAY LE COMTE

COUNTRY	COUNTRY OF ESTABLISHMENT/GEOGRAPHY	NAME OF MEMBER FIRM
FRANCE	France	BDO NANTES
	France	BDO LES ULIS
	France	BDO Paris Audit & Advisory
	France	BDO Méditerranée
GERMANY	Germany	BDO AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Oldenburg GmbH & Co KG Wirtschaftsprüfungsgesellschaft
	Germany	BDO DPI AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Dr. Daiber Audit GmbH
ICELAND	Iceland	BDO ehf.
IRELAND	Ireland	BDO
ITALY	Italy	BDO Italia S.p.A.
LATVIA	Latvia	BDO Assurance, LLC
LIECHTENSTEIN	Liechtenstein	BDO (Liechtenstein) AG
LITHUANIA	Lithuania	BDO Auditas ir Apskaita, UAB
LUXEMBOURG	Luxembourg	BDO Audit
MALTA	Malta	BDO Malta CPAs
NETHERLANDS	Netherlands	BDO Audit & Assurance B.V.
NORWAY	Norway	BDO AS
POLAND	Poland	BDO Spółka z ograniczoną odpowiedzialnością Sp. K.
	Poland	BDO Legal Latala i Wspólnicy Sp.K.
PORTUGAL	Portugal	BDO & Associados, SROC, Lda
ROMANIA	Romania	BDO Audit SRL
	Romania	BDO Auditors & Accountants SRL
	Romania	BDO Auditors and Business Advisors SRL
SLOVAKIA	Slovakia	BDO Audit, spol. s r.o.
SLOVENIA	Slovenia	BDO Revizija d.o.o.
SPAIN	Spain	BDO Auditores, S.L.P.
	Spain	BDO Audiberia Abogados y Asesores Tributarios, S.L.P.
SWEDEN	Sweden	BDO AB

COUNTRY	COUNTRY OF ESTABLISHMENT/GEOGRAPHY	NAME OF MEMBER FIRM
SWEDEN	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
	Sweden	BDO Sweden AB
	Sweden	BDO Syd AB
	Sweden	BDO Syd Intressenter AB
	Sweden	BDO Syd KB

C. List of abbreviations and acronyms

A&A	▶	Audit & Assurance	EEA	▶	European Economic Area
A&A MT	▶	Audit & Assurance Management Team	EEF	▶	Engagement Evaluation Form
A&B	▶	Accountancy & Business Advisory	EQR	▶	Engagement Quality Review
ADR	▶	Dutch Central Government Audit Service	ERP	▶	Enterprise Resource Planning
AFM	▶	Dutch Authority for the Financial Markets	ESG	▶	Environmental, Social and Governance
AI	▶	Artificial Intelligence	ETD	▶	Engagement Team Discussion
AML/CTF	▶	Anti-Money Laundering/Counter-Terrorist Financing	EU	▶	European Union
APT	▶	Audit Process Tool	FAAS	▶	Financial Accounting Advisory Services
APT NG	▶	Audit Process Tool Next Generation	FAR	▶	Foundation for Auditing Research
BA	▶	Business Advisory	FCNC	▶	Fraud and corruption and non-compliance
Bta	▶	Dutch Audit Firms (Supervision) Decree	FIU	▶	Financial Intelligence Unit
CAT	▶	Centre for the Audit of Tomorrow	FSO	▶	Financial Supervision Office
CAT-NL	▶	Centre for the Audit of Tomorrow – The Netherlands	FTE	▶	Full-time equivalent
CBd	▶	Dutch Trade and Industry Appeals Tribunal	HR	▶	Human resources
CEO	▶	Chief Executive Officer	IFRS	▶	International Financial Reporting Standards
CFO	▶	Chief Financial Officer	IIP	▶	Internal Inspection Programme
COI	▶	Conflict of interest	ISA	▶	International Standard on Auditing
COO	▶	Chief Operating Officer	ISMS	▶	Information Security Management System
CPE	▶	Continuing Professional Education	ISO	▶	International Standards Organisation
CQO	▶	Chief Quality Officer	ISQM	▶	International Standard on Quality Management
CSRD	▶	Corporate Sustainability Reporting Directive	ITRA	▶	IT Risk Assurance
DAS	▶	Dutch Accounting Standard (RJ)	KPI	▶	Key Performance Indicator
DNB	▶	Dutch Central Bank	LoS	▶	Line of Service
DPA	▶	Dutch Data Protection Authority	NBA	▶	Netherlands Institute of Chartered Accountants
DSA	▶	Dutch Accounting Standard (NV COS)	NOW	▶	Temporary Emergency Bridging Measure for Sustained Employment

OTJT	▶ On-the-job training
PCAOB	▶ Public Company Accounting Oversight Board
PDCA	▶ Plan Do Check Act
PES	▶ Pre-employment screening
PIE	▶ Public Interest Entity
PPD	▶ Professional Practice Department
QAR	▶ Quality Assurance Review
QRM	▶ Quality & Risk Management
RCA	▶ Root Cause Analysis
SiSa	▶ Single information Single audit
SME	▶ Small and Medium-Sized Enterprises
SRA	▶ An association of accounting firms specialising in SMEs
TBQR	▶ Theme-based quality review
TOJ	▶ Training on the Job
TOP	▶ Top, Development and Performance
TVL	▶ Reimbursement of Fixed Costs for SMEs
UBO	▶ Ultimate Beneficial Owner
WNT	▶ Dutch Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act
Wta	▶ Dutch Audit Firms (Supervision) Act
Wwft	▶ Dutch Money Laundering and Terrorist Financing (Prevention) Act

D. Legal framework

The subject matter of this Transparency Report is governed by statutory requirements. The table below provides an overview of those statutory requirements and shows where the elements in question are addressed 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;	i. 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;	ii. and iii. Annex B: List of BDO member firms in EU/EEA
	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;	
	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.	iv. Quality in 2022 > Organisational Structure Key figures – BDO Global
c.	A description of the governance structure of the audit firm.	BDO Quality Management System > Organisational 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 set-up: BDO Quality management system Description of changes and effectiveness: Quality in 2022 Statement: Quality in 2022 > Statement by policymakers
e.	An indication of when the last quality assurance review referred to in Article 26 was carried out.	Quality in 2022 > External supervision > Supervision by 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 audited by BDO in reporting period
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 2022 > Statement by 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 2022 > Statement by policymakers
i.	Information concerning the basis for the partners' remuneration in audit firms.	BDO Quality Management System > Our people > Performance assessment and remuneration of partners and other professionals
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
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:	Quality in 2022 > Acceptance and continuance of client relationships and engagements > Revenue
	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;	
	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 DUTCH AUDIT FIRMS (SUPERVISION) DECREE:		CHAPTER
a.	The manner in which the body has fulfilled its role in respect of all duties and responsibilities assigned to it.	Report of the Supervisory Board
b.	The attendance rate of the individual members of the body responsible for internal supervision at the body's meetings.	Report of the Supervisory Board > Meetings and attendance of members of Supervisory Board
c.	The subject matter of the main findings, discussions and decision-making of the body.	Report of the Supervisory Board
d.	The manner in which the evaluation referred to in Article 34h was carried out and how the outcomes of the evaluation are followed up.	Report of the Supervisory Board > Self-assessment of Supervisory Board

NBA GUIDANCE 1135: PUBLICATION OF QUALITY FACTORS		CHAPTER
Input: investments in quality, people, time available for audit engagements, technology and methodology (via network or otherwise).		
Leverage on the audit engagements by expressing the number of hours spent by partners/directors as a percentage of total number of hours spent.		Quality in 2022 > Engagement performance > Capacity planning > <i>Average ratio of hours per partner, senior manager, manager and other team members (leverage), by PIE and non-PIE</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 2022 > Engagement performance > Capacity planning > <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 2022 > Engagement performance > Methodology and technology
The average number of hours spent on training and education per employee (internal and external training).		Quality in 2022 > Our people > Development and continuing professional development > <i>Average number of hours (internal and external) training and education divided into partners, (senior) managers and other team members (in FTEs)</i>
Staff turnover, addressing the relevant characteristics based on which the organisation monitors the ratio of staff turnover, such as turnover by job level and years of experience, or by differentiating between key talents and other professionals.		Quality in 2022 > Our people > Staffing > <i>Turnover rate among partners, senior managers, managers and other team members</i>
Outcomes of employee satisfaction surveys on aspects related to coaching and audit quality.		Quality in 2022 > Culture and leadership

NBA GUIDANCE 1135: PUBLICATION OF QUALITY FACTORS	CHAPTER
Process: insight into key measures and how their implementation is monitored.	
Number of FTEs or hours spent on audit support (PPD, Compliance and Independence), expressed as a percentage of total number of FTEs or audit hours.	PPD: Quality in 2022 > Engagement performance > Professional Practice Department > <i>Number of partners, directors, senior managers, managers and other team members in A&A PPD (in FTEs)</i> Compliance and Independence (QRM): Quality in 2022 > Monitoring and evaluation > Monitoring compliance with quality controls > <i>Number of partners, directors, senior managers, managers and other team members with a focus on compliance and risk management (in FTEs)</i>
Number of consultations on reporting and audit issues as a percentage of number of audit engagements.	Quality in 2022 > Engagement performance > Managing the quality of an engagement > Consultation procedure > <i>Number of requests for formal consultation on reporting and audit submitted to PPD</i>
Number of engagement quality reviews (EQRs) and other quality reviews performed prior to issuing an auditor's report as a percentage of statutory audits, broken down by required and voluntary EQRs.	Quality in 2022 > Engagement performance > Managing the quality of an engagement > Engagement Quality Review (EQR) > <i>Number of EQRs, broken down by required and voluntary EQRs</i>
Number of hours spent on EQRs and other quality reviews prior to issuing an auditor's report as a percentage of total number of hours spent on audit engagements subject to a quality review, broken down by required and voluntary EQRs.	Quality in 2022 > Engagement performance > Managing the quality of an engagement > Engagement Quality Review (EQR) > <i>Number of hours spent on EQRs as a percentage of total number of hours spent on audit engagements subject to an EQR</i>
Percentage of hours spent by IT specialists and other specialists on audit engagements (broken down by specialists governed by Standard 620), by PIE and non-PIE.	Quality in 2022 > Engagement performance > Managing the quality of an engagement > Use of specialists > <i>Number/percentage of hours spent on audit engagements by IT and other internal specialists (by PIE and non-PIE)</i>

NBA GUIDANCE 1135: PUBLICATION OF QUALITY FACTORS	CHAPTER
Output: insight into the effects of system controls.	
Number of internal and external quality reviews performed after issuing an auditor' report, as a percentage of total number of issued auditor's reports, and the outcomes of these quality reviews.	Quality in 2022 > Monitoring and evaluation > Supervision of professional services > <i>Number of cold reviews and theme-based quality reviews performed, including outcomes</i>
Number of internally reported violations of independence rules, as a percentage of total number of employees.	Quality in 2022 > Monitoring and evaluation > Violations > <i>Number and nature of violations</i>
Number of fundamental errors that were corrected, where the financial statements containing the error were audited by the organisation, as a percentage of number of issued auditor's reports.	Quality in 2022 > Engagement performance > Managing the quality of an engagement > Consultation procedure > <i>Number of requests for formal consultation on reporting and audit submitted to PPD</i>

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