Transparency Report 2021/2022

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Welcome to our 2022 Transparency report

At PwC, our purpose is to build trust in society and solve important problems. We are a network of firms in 152 countries with more than 327,000 people who are committed to delivering quality in assurance, advisory and tax services.

Our global strategy is designed to address and help solve the magnitude and complexity of the challenges that organisations and society are struggling with. By bringing together a great diversity of people in unexpected combinations, and combining their different perspectives, ingenuity, and passion with the latest technology. Because we believe that challenges can be solved better together. PwC works with clients, society, partnerships and our colleagues, supervision authorities and regulators. Trust is a key component of successful collaboration in this ecosystem.

We try to listen even better to our clients and stakeholders in order to understand their complex challenges. We do this by maintaining a continuous dialogue with each other. Approaching these issues from the different angles that PwC can provide is what we call ‘The New Equation’.

Foreword

When I look back over the past year, it is the COVID-19 pandemic and the Russian invasion of Ukraine that set the tone for the year with a huge impact on society. The pandemic forced us to organise our lives in different ways and the dreadful war in Ukraine has made us realise that we cannot take peace and democracy for granted. The world has changed permanently. But how should we deal with this as a society, an organisation or as auditors? These are fundamental questions to which you can only find answers by engaging in, and continuing to be in, conversation with each other, as these answers are not easily found.

The war in Ukraine has not only confronted us with terrible images of a displaced population and questions about peace and security, but problems for the global economy have also emerged in the wake of this suffering. More expensive raw materials as a result of shortages, uncertain gas supplies at spiralling prices and higher inflation. It is still unclear how the economy will develop this year and next year under the influence of the war. We are in constant dialogue with our clients and stakeholders about what this means for them and for our audits.

We do this through a hybrid model of working, either from home, in the office, or at the client. We have readily embraced this way of working, as if we had never done things differently. We have discovered the positive sides and learnt to appreciate them. Working partly from home creates flexibility and often gives us greater control over our work-life balance. However, it also makes us appreciate how important it is to connect and stay connected with each other. After all, without connections with each other, we have no foundation. Now that we no longer see each other at the office every day, it is more important than ever for our organisation to help colleagues maintain that connection and to constantly let them see that our work matters, that it is relevant and adds value.

It is incredibly important for us to do this as the demand for our services is greater than ever. At the same time, this level of demand does not match our capacity. As with all other professional groups, last year we faced a higher employee turnover than we are used to and the labour market is particularly tight. It is therefore important for PwC to maintain these connections, and also constantly keep motivating people and make them feel connected to our organisation. Furthermore, it is important to promote the profession among young students in order to attain and maintain a good inflow of new employees.

All of these changes meant that last year was not an easy one. Nevertheless, we managed to successfully complete our audits. This makes me proud of PwC, and everyone who worked on these audits deserves a big compliment. I also have huge respect for our colleagues with roots in Ukraine, who despite the war and their fears for the fate of their family, friends and acquaintances continued to fully focus on work.

Our work matters. We play our role in important societal topics – fraud, going concern and the impact of climate change on business operations. We are constantly reflecting on whether we can improve even further in these areas, for instance by making use of technology and by deploying forensic auditors, or by collaborating even better with other parties in the chain to trace fraud.

It's all about relevance. For us to continue to meet society's expectations and to be able to play a leading role in new domains, such as ESG, in a constantly changing world.

I hope you enjoy reading this 2021-2022 Transparency Report

Wytse van der Molen
Chairman of the board of PricewaterhouseCoopers Accountants N.V.

Our year in figures

Download the appendices to this Transparency Report on pwc.nl

Internal and external reviews

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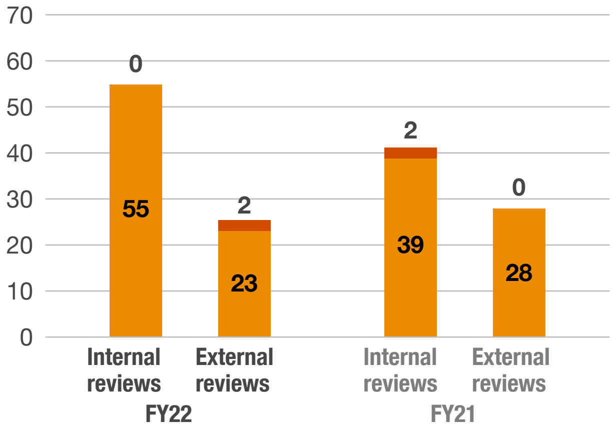

Number of hours spent on audit engagements per specialism

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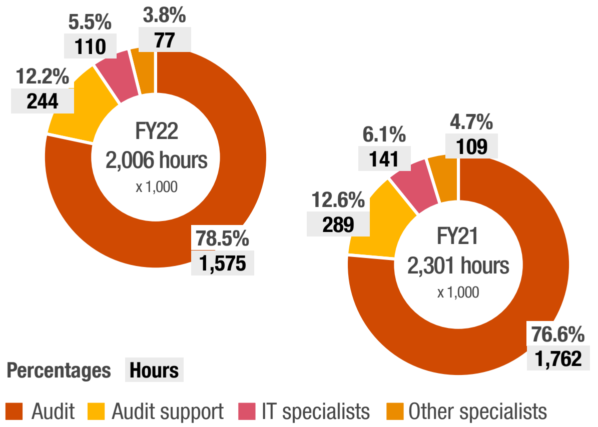

Turnover

See page 10

Total
FY22 **19.2%** FY21 **14.6%**

Male
FY22 **20.5%** FY21 **15.1%**

Female
FY22 **17.1%** FY21 **13.9%**

Turnover cultural background

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Dutch
FY22 **18.3%** FY21 **12.7%**

Western
FY22 **29.2%** FY21 **19.7%**

Non-western
FY22 **19.7%** FY21 **18.1%**

Sick leave

See page 11

FY22 **5.4%**

FY21 **4.8%**

Long-term sick leave

FY22 **3.8%**

FY21 **3.6%**

Number of auditor's reports issued on ESG and sustainability information

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FY22 **19**

FY21 **21**

Diversity in our practice

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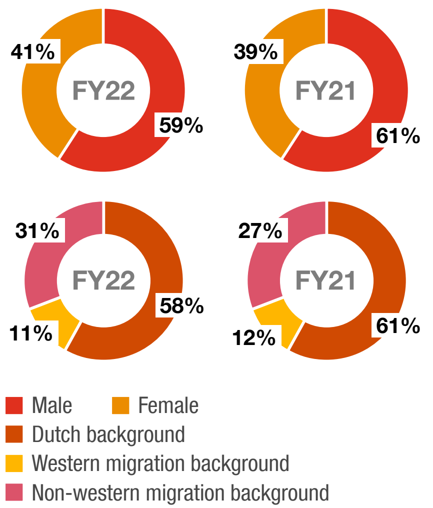

Number of fraud panel consultations

See page 6

FY22 **71**
FY21 **69**

Number of unusual transactions reported to the FIU

See page 6

FY22 **71**
FY21 **83**

Number of audits with forensic audit support

See page 6

FY22 **161**
FY21 **170**

Number of real-time reviews

See page 12

FY22 **149** reviews
FY21 **189** reviews

Number of engagement quality reviews (EQRs)

See page 33

FY22 **414** FY21 **514**

Number of hours spent on EQRs

FY22 **6,230** FY21 **8,119**

Our People Survey

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FY22
People Engagement Index
87%

Participatie in de People Survey
75%

FY21
People Engagement Index
82%

Participatie in de People Survey
74%

Report of the Assurance Board

As the Assurance Board of PwC, we report on the developments over the last financial year and the themes we have worked on.

Societal issues

As auditors, we contribute to trust in society. Where we focus on relevant, transparent and reliable reporting, we see an increasing need for information by society. Issues such as fraudulent reporting, failures to notify that the going concern of a company is in jeopardy or insufficient transparency around the impact of climate risks on the value of assets or liabilities are becoming increasingly important. For this reason, society has come to expect much more from auditors on these topics.

Full attention

The Netherlands Institute of Chartered Accountants (NBA) has made reporting on going concern and fraud compulsory in the auditor's report for statutory audits in the 2022 financial year[1]. This is a development we embrace, and we have already applied it to a number of our audits. Of course this does not only impact the reporting. Independently of this, our auditors include these aspects in their risk assessment and their audit strategy, which is developed based on this risk assessment. We are in favour of the management and supervisory boards of organisations expressing their view and taking responsibility for the going concern of the company and the fraud risks as part of their responsibility in the chain. However, it is unfortunate, and this was also our reaction to the consultation by the Corporate Governance Monitoring Commission, that this view was not included in the proposed revised corporate governance code.

1 Reporting on fraud has been compulsory since the 2021 financial year for Public Interest Entities.

Forensic audit support and BRS support

Every year, we carry out a scan on bribery and corruption risks in our client portfolio. Which companies could be more susceptible to these types of risks? Our forensic auditors look at these organisations together with the audit teams. This also applies to the risks concerning going concern, where our business recovery services (BRS) specialists support the audit. It is far from easy to identify risks of fraud and going concern everywhere, therefore it is important to remain alert to them. For instance, it is important that we remain professionally sceptical as auditors towards the organisations that we audit when they provide a future reflection that highlights the positive sides, but does not include the risks or negative sides. We regularly train our audit teams in recognising going concern risks and fraud indicators. We also centrally monitor the financial performance of our clients in order to see whether there are going concern issues, or whether they may occur, and we have consultation requirements for these matters as shown in the table below:

1 Fraud and going concern	FY22	FY21
Total number of consultations with National Office and the fraud panel	362	964
Of which regarding going concern	61	115
Of which regarding fraud	71	69
Number of clients where BRS specialists were involved	56	42
Number of clients where forensic specialists were involved	161	170
Total number of reports on unusual transactions at the Financial Intelligence Unit (FIU)	71	83

The significant decrease in the number of consultations is related to COVID-19 consultations, of which 491 were completed in FY21 (FY22: 49). The COVID-19 consultation was still compulsory in FY21, but ceased to be compulsory in FY22.

A great example of how a classic fraud was detected at one of our clients by a young colleague can be found in *this vlog*.

Climate risks

All listed companies in the Netherlands need to have prepared a transition plan so that their operations are entirely carbon neutral by 2050. Eumedion, a representative of institutional investors, stated in its focus letter late 2021. Other parties also expect action from the business community to meet ambitious sustainability targets. Climate risks and the necessary action to meet sustainability targets have an impact on business models, investments required, risks, future profitability, lifespans of assets and suchlike.

As part of the audit, our auditors examine whether this impact, where relevant, has been adequately expressed in the financial statements. We have also highlighted this specifically in our auditor's report for a number of companies.

> "As auditors, we contribute to trust in society. Where we focus on relevant, transparent and reliable reporting, we see an increasing need for information by society."

Sustained outcomes

Whereas it used to be a relatively niche topic several years ago, the attention given to reporting on sustainability has undergone a boom. Increasing numbers of organisations realise that they must contribute to limiting global warming by reducing greenhouse gas emissions in their organisation and also curtailing these emissions in the chain in which they operate. In this regard, there is a great focus on the environmental element of ESG. The social element of ESG pertains to social policy, such as diversity or the treatment of employees. Governance is about how organisations are managed and supervised, but also about the quality of the external communication around environmental and social performance.

2 Assurance reports (limited and reasonable assurance) issued on sustainability information	FY22	FY21	FY20
Sustainability information in (integrated) annual reporting	17	19	17
Sustainability information in sustainability reporting	1	1	1
CO_2 statement on website	1	1	1
Total	**19**	**21**	**19**

ESG elements

At first, intrinsically motivated companies got started with ESG, but it has now become much more widely accepted. This is also due to pressure from stakeholders who ask, or sometimes even demand, that a company conducts itself properly and has regard for the planet and people, and not profit alone. This also means that an increasing number of organisations are reporting on ESG elements. These elements are included in a sustainability report or integrated report that combines financial and non-financial reporting. This is certainly becoming the norm among listed companies. It enables clients, employees, but also financiers and other stakeholders to read where the company creates value and so has a right to continue in business and where it does not. These reports also make it clear where the risks lie for the respective organisation, for instance the risk for business operations with the continuation of global warming, or when raw materials become more scarce. Employees are also being increasingly swayed by ESG elements when choosing their employer.

Last year, we had a relatively small number of professionals working for those intrinsically motivated organisations on advice and consultancy concerning ESG. This year, however, we made considerable investments to scale up our ESG team. In the past year, the emphasis of our ESG activities has been on advising our clients on these reporting topics and not yet directly on providing assurance. We issued 19 assurance reports on ESG information. That number is still modest compared to our total number of auditor's reports, but we expect it to increase over the coming years. Our clients are focusing more and more on sustainable business operations in which they see risks and opportunities. Whether or not companies are motivated by legislation and regulations, they also more frequently rely on us as auditors to provide assurance on ESG information. Is it accurate, complete and reliable? They also do this because their financiers and investors look at this for their investment decisions. Anyone who is really 'green' can already expect a lower interest rate on the capital market now.

European Green Deal

Furthermore, the European Green Deal means that many more directives are being imposed on Dutch organisations by the European Union. There are numerous abbreviations in this environment, as will become clear in this paragraph. To illustrate a few of these, we will first mention the Sustainable Finance Disclosure Regulation (SFDR) that entered effect on 10 March 2021. Its aim is to focus capital flows on achieving a greener and cleaner economy. Secondly, we will mention the Corporate Sustainability Reporting Directive (CSRD). This will become mandatory in 2024 for all listed companies and from 2025 for companies that meet two out of the following three criteria, namely, more than 250 employees, a turnover greater than 40 million euros, and a balance sheet total greater than 20 million euros. This directive makes it mandatory for companies to report on the environmental and social impact of their business activities and it requires companies to have this information verified by an auditor. At PwC, it means that our upskilling programmes continue in full swing so that we know exactly what all these laws and regulations mean. However, we are also doing this because we want to lead the way with our ESG approach. We need to embed this in all areas of our organisation.

Non-financial key data

Management teams in organisations have to deal with more and more non-financial key data on the basis of which they want to steer their company. With this, they are accountable to stakeholders to make improvements not only in financial areas, but also in non-financial areas. This is made more difficult by the fact that there are still only limited principles established for several of these. For instance, although there is the Greenhouse Gas (GHG) Protocol for CO2, this is only used by relatively few companies. Standards also need time to settle. The CRSD mentioned above and the proposed European Sustainability Reporting Standards (ESRS) with this are extensive. The IFRS Foundation, known for the International Accounting Standards, is also working on developing a global standard through its International Sustainability Standards Board (ISSB). Other bodies that set standards are also actively engaged with this. The practice of methods and applications still needs to take shape. At PwC, we seize international consultation moments on these types of regulations to emphasise that we advocate a global framework. We are enthusiastically engaged in discussions with our clients about ESG and what it means for them.

Doing the right thing

The views of investors such as JAB are also interesting. Luuk Hoogeveen, CFO at investment company JAB: "We are not an NGO so we have to create returns for our investors. However, we are not only driven by money. I want to do the right thing for our investors and for society. How do we strategically set up a return generating plan using ESG as a building block and as an integrated part of our business operations? And how can we accelerate our ESG approach to remain the market leader?" These are the questions that JAB posed to the ESG team at PwC. So ESG is also really a strategic theme, and no longer something that is nice to have. As such, ESG policy forms the basis for companies to identify risks that may jeopardise going concern. That also makes it a topic that auditors cannot ignore in their audits. And if a company makes any assertions in this regard in its annual report that do not correspond with reality, we have to raise this.

What is PwC doing?
Just as many of our clients, we have to reassure our stakeholders and achieve sustainable progress. Reducing our impact on the climate is essential for both of these. That is why we have committed to Net Zero by 2030. The Science Based Targets initiative (SBTi) has validated PwC's objectives to reduce the emission of greenhouse gases by fifty percent, in absolute terms, by 2030, compared to 2019 levels, in line with a 1.5 degree scenario. We will do this by travelling less, for instance. We are also affiliated with the *Anders Reizen* initiative. Furthermore, we adhere to the circular economy with our net-zero carbon office furniture. We will also discuss sustainable measures with the lessors of our office premises. However, ESG is about more than just the climate. That is why we also have specific targets in areas such as the male-female ratio, diversity and equal pay. At PwC in the Netherlands, we have also started a campaign entitled 'Green figures' to give our clients different perspectives for achieving even better solutions.

A journey

It is all part of a journey for organisations, and our clients travel at different speeds. It is also a journey for us. As auditors, we have an increasingly greater role to play in ESG and it is also a role we wish to embrace.

Impact of the war in Ukraine

Colleagues

At PwC Netherlands, we also have colleagues from Russia and Ukraine and their well-being is our priority. That is why we immediately had conversations with them about this terrible situation. Some colleagues from Ukraine had or have family members in the war area or had to quickly take action to collect family at the Polish border. We gave these colleagues the space they needed. In addition, colleagues organised emergency appeals, for instance, to transport baby food or medical supplies. Colleagues also donated (part of) their well-being budget to Ukraine, and this amount was then doubled by PwC Netherlands.

Audits came to a standstill (temporarily)

A number of our colleagues in the Netherlands were working on audits of organisations with undertakings in Ukraine. These audits came to a standstill at the start of the war, but were later resumed, in particular for the companies located in a relatively calm part of Ukraine. The PwC teams in the Netherlands, Ukraine and the companies themselves were committed to see the audit through to the end, but at times they had to resort to creativity and flexibility to achieve this. There were times when our colleagues in Ukraine were temporarily 'out of sight', because the war erupted locally, forcing them to get themselves to safety. Or because they had to help relatives. For many PwC colleagues in the Netherlands, the war came very close.

Separation

On 14 March 2022, our global organisation decided to withdraw from Russia as a result of the war. It was announced on 29 April 2022 that PwC Russia would operate separately under a new brand name. The separation did not happen from one day to the next, but the first steps in this process were taken immediately. The separation took effect on 4 July 2022.

Farewell to clients

Russia's war against Ukraine was and still is a reason for us to reconsider and end relations with a number of clients. In line with the EU and US sanction legislation, we immediately ended relations with a number of clients that fell under this legislation. We also considered it appropriate to discontinue our services for several clients who most likely did not fall under the sanction legislation, but who had a direct or indirect link with Russia. These choices, which generally were not straightforward, were preceded by a meticulous decision-making process in which we weighed up the interests of a wide range of parties involved with the relevant client and also emphatically considered the societal and ethical aspects.

Impact of geopolitical uncertainty

As a result of the war in Ukraine, we have learnt the hard way that geopolitical uncertainty can have an unprecedented impact. Many Dutch businesses were economically inconvenienced by disrupted supply chains because they did business with Ukraine or Russia. As a result, the prices of raw materials and energy have shot up, for instance. We will undoubtedly see this again in the annual reports of 2022 and we are training our colleagues to be attentive in this respect.

Capacity and quality

Our industry also has to deal with capacity challenges. There was a smaller increase in new colleagues, while the demand for our services is growing. For this reason, we and our colleagues were required to be creative about attracting, contracting, securing, retaining, and maintaining colleagues. For example, we did this by offering colleagues a personalised career path and a training pathway, such as for work on sustainability reporting or the IT audit and digitization. Furthermore, we want to seize new ways of growing. We want to grow in terms of the quality of our work, grow personally, and grow as an organisation in the market. However, finding and retaining the right colleagues continues to be a point of attention.

High employee turnover

Over the last year, employee turnover in our organisation was high, particularly around the summer and during fall 2021. This was a recovery effect from the first year of the COVID-19 pandemic, when colleagues mainly remained in their positions during those uncertain times and employee turnover was markedly lower. These employee turnover figures emphasise the importance of continuously staying connected with our talents.

A survey has shown that our colleagues seem to place greater value on a higher, fixed salary than on a variable income (bonus). We have responded to this. We have also made career paths more flexible by creating two moments in the year when colleagues can be promoted to the next management level instead of a single promotion moment. Also, overtime can now be compensated by every colleague in the same month in which it was accrued, in order to contribute to a better work-life balance.

3 Employee turnover	FY22	FY21
Total employee turnover	19.2%	14.6%
Turnover of colleagues with above-average appraisals	16.6%	16.8%
Male/female employee turnover		
- Male	20.5%	15.1%
- Female	17.1%	13.9%
Turnover of employees from differing cultural backgrounds		
- Dutch	18.3%	12.7%
- Western	29.2%	19.7%
- Non-western	19.7%	18.1%

Increasing capacity

In addition to all of the initiatives to attract new colleagues, we have also increased our capacity in other ways. We have absorbed peak moments through the use of our temporary workforce. These are professionals who work for us during busy seasons. We have also deployed employees from PwC offices abroad, such as Pakistan, India, South Africa, Cyprus and the Philippines on our audits by virtually including them in our teams in our so-called Talent Hubs. Better project management, digital delivery of documents for the audits and partially performing our audits digitally have further contributed to making our work more efficient which has released capacity. We have also said ‘no’ to a number of potential new clients and projects.

Productivity

The average number of client hours per colleague (productivity) is decreasing in line with our actions over the last few years. Nevertheless, our colleagues’ perception of their workload has not reduced as they are carrying out a lot of other important indirect tasks in addition to client work, such as developing and giving training courses, supporting audit teams with technical issues (consultations) or implementing digital solutions so that audits can be performed more efficiently. In the coming year we want to give specific attention to bringing focus to these indirect activities in order to reduce perceived work pressure and promote job satisfaction.

Rise in sick leave

Absences due to sickness increased considerably due to the COVID-19 pandemic which was followed by a wave of flu. Some colleagues also had to deal with mental health issues due to the prolonged period spent working from home and the limited opportunities to meet each other during the lockdowns. We dedicated extra attention to this by having conversations about this with colleagues, and doubling our efforts to connect and arrange social events as soon as this became possible again. Sickness absences have since decreased. However, that does not alter the fact that we have to continue to give our attention to this.

A new way of working together

Society opened up again at the end of February 2022 and once again we had to find balance in the way that we work together. It meant not going back to old ways, but instead looking for a new balance. To provide clarity for everyone, we issued a guideline of a minimum of two days work in the office or at the client. This balance varies according to the individual, team and client, and it is something that we discuss together. In 2019, we were still switching to the possibility of working from home, whereas it became the norm during the COVID-19 pandemic. PwC colleagues connect with each other via video calls, and *virtual audit rooms* were set up so we can work together as if we were together in person.

From summer 2021, we were able to meet frequently in person once again and with more people at the same time. We embraced this moment to attempt to connect with each other and organise social activities again, which had been sorely missed. It also became possible again to discuss the audit in person with each other.

Starting employment virtually

Training sessions and introduction programmes for new colleagues could also be followed in person again. However, two years of associates started employment virtually as a result of the COVID-19 pandemic. They were not accustomed to physically being in a team or to working at the client and some of them had some difficulty in making the shift to meeting in person again. We gave specific attention to this and our shared experience was that new colleagues can be more efficiently and effectively given guidance and coaching together in person from time to time.

4 Workload	FY22	FY21	FY20
Average number of client hours by audit colleagues per FTE			
Partner/director	1,001	1,041	1,071
Manager/Senior manager	1,258	1,330	1,337
Associate/Senior associate	1,327	1,335	1,377
Total	**1,277**	**1,304**	**1,338**
4 Sick leave			
Sick leave	5.4%	4.8%	4.2%
Long-term sick leave	3.8%	3.6%	3.1%

Root cause analyses and quality improvements

Our Quality Improvement Team (QIT) is an important driver behind our quality improvement programme and consists of auditors, psychologists, philosophers and mathematicians who work together in various sub-teams. For instance:

- *Real-time review team:* Our real-time review (RTR) team reviews audit files in detail before we issue our auditor's report and gives coaching to the audit team in areas where improvement is required. This enables us to learn from one other.
  Over the past year, the RTR team has focused in particular on the impact of the COVID-19 pandemic on audits, going concern and the use of digital tools in the audit. Once again, we see that steps have been taken this year in our quality-oriented thinking and actions.
  Over the past year, the RTR team selected audit files based on quality risks and then divided them into three categories:
  1) a full end-to-end review for engagements with a higher risk profile, such as first-year audits; 2) reviews with a specific focus on higher risks in the audit such as fraud and going concern; and 3) engagements where the audit team completes a questionnaire to assess the quality of the file. Based on this, specific parts can be selected together with the RTR team where further coaching by the RTR team is needed. This increased the effectiveness and impact of the programme and allowed us to reduce the number of reviews from 189 in FY21 to 149 in FY22.
- *Business Intelligence team:* this sub-team analyses data from files and external sources and draws the attention of audit teams to potential shortcomings. The ultimate aim is that we will be able to predict audit quality.
- *Culture & Behaviour team:* The Culture & Behaviour team has rolled out a long-term plan that aims to create a culture focused on quality. Central elements of the plan include:
  - *Safe learning environment:* an environment where everyone can bring out their best and contribute optimally to our purpose.
  - *Growth mindset:* a mindset in which everyone wants to develop continuously and is capable of learning continuously.
  - *Accountability and assertiveness:* individual resilience which ensures that everyone is able to function optimally in multiple teams, is able to take responsibility and in effect is accountable towards the team, client and society.
- *Research & Reporting team:* this sub-team measures the effectiveness of the quality improvement measures that have been taken. We use the input and insights obtained to refine our continuous quality improvement programme and the culture and behaviour plan.
- *Root cause analysis team:* this sub-team carries out continuous root cause analyses both on individual audit files and on specific themes. Over the past year the root cause analysis team carried out 39 root cause analyses (FY21: 34). Further information about the results of these analyses can be found later in this section.

5 Number of real-time reviews

FY22	FY21
149	189

Root cause analyses
Every year, the Assurance Board looks at what went well and at areas where improvements can be made. It has become clear this year that we have to take more time to give feedback and coach colleagues within our audit practice. It also became apparent that we are not where we want to be with our capacity planning, as was also shown in previous root cause analyses, but that various useful initiatives have been taken in this regard. For instance, getting employees from PwC offices abroad, such as Pakistan, India, South Africa, Cyprus and the Philippines working on our audits by virtually joining our audit teams in the Talent Hubs, better planning the audit process and drawing the attention of the organisation being audited to its responsibilities. To deliver quality, we also need clients to make an effort. Furthermore, we are increasingly providing a safe learning environment and we are showing that we place quality first.

Research into outsourcing

One of the researches performed last year was into the collaboration between the Audit Support department and audit teams in which we looked at the reasons why Audit Support carried out less work than in our strategic ambition.

Audit Support performs standardised audit activities, such as confirmations with third parties, audits of cash and tangible fixed assets. By performing these activities, Audit Support provides support to the audit teams. Our long-term vision is to increase the quality of audits and in doing so stimulate the adoption of almost fully digitalised audits (sourcing strategy) over time by standardising part of our activities and then automating these.

The research highlighted a number of primary themes which have room for improvement. These themes involved communication, collaboration, quality and efficiency. We identified various measures for each theme that we implemented over the course of the last year. For instance, we communicated about our outsourcing strategy through various channels so that everyone was clear about what we wish to achieve with Audit Support. As for quality, we once again scrutinised and where possible improved the services that are carried out by Audit Support, and the feedback we received from the audit teams played an important role here. We finetuned the feedback process so that people can learn from each other and our Audit Support colleagues are more a part of the audit team. We also gave our colleagues tips & tricks on how they can ensure that the necessary information is provided to Audit Support on time so that the process is not delayed.

Perceived work pressure

Last year, we also carried out research into work pressure. Despite a fall in the average number of client hours, our colleagues are still not always perceiving a reduction in work pressure. We are closely monitoring this matter at the level of the business units, we have conversations about it and implement measures where necessary. One of these measures is the introduction of flexitime, which enables colleagues to compensate their overtime during the month with free time. Colleagues are using this more and more. We also implement policies to better distribute work in order to lower work pressure.

Mental models

Mental models are a preconceived idea that we may have, but do not always necessarily correspond to reality. ‘It’s always important to meet a deadline’ is an example of a mental model that can be restrictive. It can lead to behaviour in which an employee wants to meet a deadline for the sake of doing so, even though he or she may not be quite up to it anymore, and also doesn’t start the conversation to discuss possibilities for postponing. Another example is: ‘as auditors, we always have to be service-oriented towards clients’. This would not make it impossible to delay the publication of the financial statements. Whereas quality should be given the highest priority. A final example: ‘as a manager, I should know everything’. As a result of this, managers do not dare to ask questions whereas no one can know everything and we consider it important that everyone can speak up, which also increases quality. These kinds of restrictive mental models, which are all too familiar, are being discussed more often in the audit teams. So much so that colleagues dare to address and challenge each other on these mental models more and more. This is a change in culture that is beneficial for team dynamics, decision-making and quality.

Results of internal and external reviews

In order to monitor the quality of audit files, internal and external reviews are conducted, for instance, by the regulatory agency, the Netherlands Authority for the Financial Markets (AFM). This year, the AFM also assessed our internal review process. It is particularly important that we learn from these reviews as auditors so that we can continuously improve our approach and results.

We continue to learn from our internal and external reviews

An important test of the quality of our services is the engagement compliance review (ECR) process. This international assessment is carried out by a team, consisting of independent partners, directors and managers, some of whom are from our global network organisation. The aim of the ECRs is also to identify areas for improvement.

Over the last financial year, 55 of our engagements were reviewed through an ECR (41 were reviewed in the previous year). No files were deemed to be non-compliant. The file reviews show that we have been able to maintain the quality of our work, despite working from home.

Regulatory agencies such as the Inspectorate of Education (*Inspectie van het Onderwijs*), the Central Audit Service (*Auditdienst Rijk, ADR*), the Dutch Healthcare Authority (*Nederlandse Zorg Autoriteit*) and the Dutch Accreditation Council (*Raad voor Accreditatie*) investigated 25 files over the last financial year as part of their regular supervision (28 files were investigated in the previous financial year). Two files were found to be unsatisfactory and three files were compliant with improvement required.

In the autumn of 2021, the Public Company Accounting Oversight Board (PCAOB) examined three audit files for 2020 and parts of the system of quality management. For one file, the PCAOB identified a single deficiency in the audit. Furthermore, as a result of the inspection, a Form AP (a form with information about the parties involved in an audit that must be submitted to the PCAOB after completion of the audit) was resubmitted. Finally, the PCAOB found no shortcomings in the system of quality management.

6 Internal reviews (ECRs)	Number of reviews				Compliant			
	FY22	FY21	FY20	FY19	FY22	FY21	FY20	FY19
Audit engagements	43	33	58	48	43	32	56	46
Other engagements	12	8	9	12	12	7	9	11
Total	**55**	**41**	**67**	**60**	**55** (100%)	**39** (95%)	**65** (97%)	**57** (95%)

6 Internal reviews (ECRs)	Of which compliant with improvement required				Non-compliant			
	FY22	FY21	FY20	FY19	FY22	FY21	FY20	FY19
Audit engagements	7	9	11	14	0	1	2	2
Other engagements	3	2	0	0	0	1	0	1
Total	**10**	**11**	**11**	**14**	**0** (0%)	**2** (5%)	**2** (3%)	**3** (5%)

7 Review by	Number of reported file reviews			Number of non-compliant files		
PwC financial year	FY22	FY21	FY20	FY22	FY21	FY20
Financial year assessed	2020	2019	2018	2020	2019	2018
AFM	3	-	-	1	-	-
PCAOB	3	-	-	1	-	-
NBA	-	-	19	-	-	0
ADR	5	10	11	0	0	0
Education Inspectorate	4	4	4	0	0	0
NZa	6	5	5	0	0	0
NOREA	0	8	-	0	0	-
Dutch Accreditation Council	3	-	-	0	-	-
Other bodies	1	1	-	0	0	-
Total	**25****	**28**	**39**	**2**	**0**	**0**

** Points for improvement were identified in 3 of the 23 satisfactory files (last year: four)

Mainly positive

In December 2021, the AFM issued its definitive findings about the internal quality inspection of auditing firms that audit public interest entities (PIE). The AFM was mainly positive about the insights that our internal quality inspection provides into the quality of our statutory audits. Our ECR process contributes to achieving the quality targets and the quality-focused culture and it provides a further boost to a learning organisation. We are happy with the steps that we have taken over the years in this regard and with the conclusions of the AFM.

We had reached a different opinion, however, for one of our files based on our internal review. After further analysis, we share the final conclusion that the file was not compliant and as a result, we evaluated our internal review processes. An important learning point is that sufficient seniority (partners or directors) should be involved with the review of files in order to have the right discussions about quality and to provide sufficient coaching to the reviewers. We gave further attention to this aspect in the internal reviews that were conducted last year.

Maximum learning effect

Our audit teams continue to see the internal and external reviews as an exciting and intensive process. If there are any findings, the teams sometimes have the tendency to go on the defensive which can impede learning by the teams and the organisation. Over the coming year, we will be looking at how we can slightly dial down the pressure in order to get the maximum learning effect, as this aids quality.

Internal supervision

In October 2021, the AFM published a report following an exploratory research into the impact and working methods of the supervisory boards of the PIE audit firms. The research shows that supervisory boards have an impact, for instance by stimulating to a greater or lesser extent the agenda-setting and management of quality, the improvement of quality measures and by drawing attention to the development and leadership of auditors.

Digitalisation and alternative delivery models

The quality of our audit comes first. We believe our employees make a difference by combining diverse perspectives, ingenuity and passion with the latest technology.

Digital Lab

PwC has a Digital Lab at an international level, which is an online platform where our employees can build digital solutions and share them with each other. The platform provides access to micro innovations (such as automation and visualisation) which help us to improve quality, work more efficiently, save time and reduce manual work. This creates a better experience for our employees and teams, but also for our clients. For instance, you will also find Aura and Halo in the Digital Lab. Aura is used globally and is our digital audit file. Halo for Journals is our data-analysis tool which enables us to assess potential risks and determine where we should focus our audit procedures.

Deploying these tools enables us to spend less time on retrieving data and allows us to focus more on the quality of the audit. These tools make it possible for our auditors to be more engaged with deeper analyses and be smarter about detecting anomalies and trends in the audits, with the assistance of IT applications that let us visualise data.

We want to perform an almost fully digital audit on 50 per cent of our existing clients and all of our future clients within the next three years in the Netherlands.

Processing unstructured data

The data retrieved from financial and ERP systems, is structured data. However, we can also process unstructured data from clients. This includes, for instance, draft financial statements that we can check for compliance with the prevailing reporting standards using smart IT applications, but also comparisons between invoices and forms for goods received. To do this, we use artificial intelligence. This application has an accuracy of 85 per cent, and after processing always requires a check by an auditor.

Another example is the so-called Continuous Monitoring Platform. We can continuously test the IT general controls for clients that are connected to us in real-time to establish whether the client environment meets the requirements. However, it can also be used on a specific audit of data, for instance to see whether the payroll administration complies with the terms of a collective agreement. This is now a 100 percent audit, for which auditors used to do sampling testwork. As a final example, there are data visualisation tools which enable us to provide a clearer understanding of an organisation’s data flows and the ensuing conclusions.

Taking advantage of new technologies

These types of solutions do not lead to a reduced need for auditors. On the contrary, the expertise of auditors is still greatly needed to operate these tools prudently. This does mean, however, that our auditors need to upskill and take advantage of the new technologies that we use in audit practice. For this purpose, we have a Digital Academy. But we have also recruited fifty experts over the last few years who build these digital solutions, partly through our collaboration with the Young Coders start-up. Our digital accelerators that operate at the cutting edge of IT and auditing are positioned between the audit practice and these experts. They are able to link technology to daily practice.

Digital Trust

On 1 July, we merged our IT audit practice (previously part of the Risk Assurance business unit) and our Audit Support department into a new business unit called Digital Trust. This business unit provides assurance services in the areas of technology, processes and controls through the use of digital and innovative solutions. Digital Trust takes the lead in the further automation and optimisation of digital audits by developing solutions and taking these to the broader assurance practice.

Talent Hubs

Due to the tightness in the Dutch labour market for auditors, PwC also needs to find alternative ways to increase capacity. This is what we call Alternative Delivery Models, and it consists of outsourcing work to specialised delivery centres. We also want to virtually deploy qualified professionals from abroad on audit engagements to absorb the shortages in our workforce in the Netherlands and create scope for growth. They become part of the Dutch audit team. Deploying professionals from abroad not only has benefits for PwC Netherlands, but also for PwC offices abroad. Together with our foreign offices we offer these professionals and local talents the chance to work virtually with colleagues from PwC Netherlands, in the so-called Talent Hubs. Our assurance practice has been working in a pilot scheme over the last two years together with foreign professionals (‘virtual employees’) who have been deployed from PwC offices abroad for assurance clients in the Netherlands. Over the coming year we want to scale this up further and extend this to a systematic deployment of around 200 professionals in the assurance practice in the Netherlands. This will be done via strategic partnerships with PwC offices abroad and a limited number of non-PwC service providers.

In conclusion

Our report presents a summary of the past year. For a large part of the year, all of our colleagues worked from home, just like in the preceding year, and they then worked in hybrid form, partly from home and partly at the client or in the office. The war in Ukraine and higher employee turnover have had a great impact on our organisation. Nevertheless we remained focused on continuing to improve the quality of our work. We achieved this with each other, inside and outside of PwC and with virtual employees from abroad, and in increasingly digital ways. Coming year we will continue to focus on improving quality, the further digitalisation of our audits and other possibilities for performing our audits with even greater efficiency. ESG will play an increasingly important role here.

We look forward to it!

Amsterdam, September 2022

The Assurance Board,
Wytse van der Molen (chair)
Aleid Mulder
Jeroen van Kessel
Joris van Meijel
Raneesh Jagbandhan

From left to right: Raneesh Jagbandhan, Jeroen van Kessel, Aleid Mulder, Joris van Meijel and Wytse van der Molen.

Members of the Assurance Board

Wytse van der Molen (1969) joined PwC in 1994 and was appointed partner in 2006. He has been a member of the Board of PricewaterhouseCoopers Accountants N.V. since 1 July 2016. Since 1 July 2022, he has been Chair of the Board of PricewaterhouseCoopers Accountants N.V. and an authorised executive director of the Board of Management.

Aleid Mulder* (1978) joined PwC in 2001 and was appointed partner in 2017. She has been a member of the Board of PricewaterhouseCoopers Accountants N.V. since 1 July 2022. She has taken over the Human Capital portfolio from Raneesh Jagbandhan.

Jeroen van Kessel* (1975) joined PwC in 1999 and was appointed partner in 2011. He has been a member of the Board of PricewaterhouseCoopers Accountants N.V. since 1 July 2022. He has taken over the Markets portfolio from Raneesh Jagbandhan.

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

Raneesh Jagbandhan* (1977) joined PwC in 2000 and was appointed partner in 2016. He has been a member of the Board of PricewaterhouseCoopers Accountants N.V. since 1 January 2021. Until 1 July 2022 Raneesh was responsible for the Markets and Human Capital portfolios. As per 1 July 2022 he has taken over the Risk & Quality portfolio from Wytse van der Molen.

* Authorised executive director of PricewaterhouseCoopers Accountants N.V.

Report of the Public Interest Committee

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

Translating the public interest into long-term decisions

The Public Interest Committee is tasked with safeguarding the public interest within PwC. Jan Sijbrand and Naomi Ellemers, the chair and member respectively of the Public Interest Committee, tell us about the increasing expectations from society and the importance of a long-term vision. "Decisions must be in line with the purpose and values over the long term. If you really focus on that, you are better off in the long run."

The Public Interest Committee tackled a wide range of matters during the 2021/2022 fiscal year. Sijbrand looks back: "What we saw in the Public Interest Committee over the last year is that societal expectations about organisations such as PwC are increasing. For instance, stakeholders increasingly expect auditors to not only audit a company's financial information, but also the non-financial information, such as a company's CO2 emissions. In addition, society is giving more attention to the role of auditors in detecting fraud and going concern of organisations over the long term. We also see this with tax consultancy. Expectations are increasing in this area too about how PwC advises its clients. Stakeholders expect PwC to do this with a broad societal lens and a long-term perspective for the client, and for society. I see it as the task of the Public Interest Committee to pick up these signals and raise them with the organisation. This is something we have done on multiple occasions over the last year."

Admiration

Naomi Ellemers also reflects on the past year: "What characterised the past year for me again was COVID. I have great admiration for how all of PwC's employees did their work during the lockdown. I sometimes fear that the organisation has forgotten how hard it was and that we have not got over the effects of it. The lockdowns also put pressure on the contact between employees and PwC. This means that the organisation has to attempt to make the work even more enjoyable, attractive, but above all meaningful."

Ellemers continues by talking about the impact of COVID on the work of the Public Interest Committee: "The lockdowns also meant that it was harder for us to perform our supervisory duty. Through a screen you really interact in a different way with the organisation and other members of the Public Interest Committee, some of whom were new this year. That's why I'm pleased that we were once again able to meet in person over the course of last year."

The last year was an exceptionally varied year for the Public Interest Committee. Since the end of the previous year, the work field of the Public Interest Committee has been expanded to include tax and advisory work alongside assurance.

Consideration

Sijbrand: "The discussion that stayed with me the most last year was the ongoing focus around considering the societal role, market position and commercial ambitions of the organisation and the way in which you present yourself publicly about this as an organisation. For instance, over the last year we discussed, among other things, the way in which PwC employees can combine their work at PwC with a position at a university. We called this the 'two hat discussion'. We also discussed PwC being invited by the Dutch Parliament to explain its consultancy work to foreign investors on the housing market in the Netherlands in the tax practice."

What does the Public Interest Committee do?
The Public Interest Committee is responsible, amongst other things, for advising the Supervisory Board and for preparing its decisions regarding the way in which PricewaterhouseCoopers Accountants N.V. safeguards the public interest in terms of audit quality. The CPB is a sub-committee of the Supervisory Board of the Coöperatie PricewaterhouseCoopers Nederland U.A. The Supervisory Board consists entirely of independent members. The members of the CPB are also the members of the Supervisory Body. In this report, the CPB accounts for the way in which it performed its role with regard to the audit firm during the 2021/2022 reporting year, and sets out its findings on how the public interest was safeguarded by PwC.

Ellemers adds: “In my view, reflections on the change in the Board of Management and the firm’s strategy over the last year also played a significant role. What is the role of public interest in this regard and how is that interest embodied? When nominating the chair of the Board, we also expressly looked at this public embodiment.”

Culture

Another theme that the Public Interest Committee gave a lot of attention to last year was culture. Ellemers and Sijbrand outlined why this theme is important for the Public Interest Committee. Ellemers: “The role of the Public Interest Committee is to challenge PwC to give substance to culture and conduct. For instance, by always outlining the broad societal perspective in the Public Interest Committee, even when the organisation says ‘we’re keeping to the letter of the law’ or ‘that’s just the way it goes’. Then the role of the Public Interest Committee is to hold up a mirror. It means that you have to constantly work on your values starting from PwC and you have to anchor those values in the skills of employees. It calls for a culture in which you can learn from mistakes that have been made. PwC has undeniably taken steps in this regard, but it always remains a focus area to which the Public Interest Committee needs to contribute.”

Jan Sijbrand: “Furthermore, we look at the context. What is it that is embodied in the organisation that might lead an employee to make mistakes? PwC employees really want to avoid making mistakes and to maintain levels of quality, but with the Public Interest Committee we also see that levels of quality can come under pressure due to factors that also play an inherent role in an organisation such as PwC, such as pressure on planning and staffing of projects and a high degree of service orientation towards clients. I see it as the task of the Public Interest Committee to challenge the organisation to always put quality first.”

Significant impact

The Russian invasion of Ukraine in February 2022 had a significant impact, both societal and in terms of the services provided to PwC clients. Ellemers: “It was good that the global PwC organisation quickly condemned the invasion and parted from the Russian company within the network. That was dynamic and sent a strong signal. Then came the complex part, such as identifying the implications and implementing sanctions.”

Jan Sijbrand: “I share Naomi’s analysis. We sent a strong signal and showed ourselves to be prepared to abandon commercial interests in order to take a principled position.

The implementation at the level of the national firm is complex, because you run into detailed consequences and dilemmas. Here too, the Public Interest Committee acted as a conversation partner for management to deal with those dilemmas, putting the public interest first.”

As to the question of where PwC might surprise them, Ellemers says: “In that case, I think taking extra steps around the purpose and values. Decisions must be in line with the purpose and values over the long term. If you really do that, then you’re better off in the long run. This is something I’m sure of. In that case, not only do you have financially sound business operations, but you also do your work with greater pleasure and you have better future prospects as a firm. You have legitimacy in society and you are attractive to new employees.”
Jan Sijbrand shares this view: “Let the long term prevail over the short term. That’s something that resonates with me.”

Public Interest Committee,
Jan Sijbrand (chair)
Chris Buijink
Frits Oldenburg
Naomi Ellemers
René van Schooten

The policy makers of PricewaterhouseCoopers Accountants N.V. have discussed this Transparency Report 2021-2022 with us, and we consider the tone of the report to be appropriate to the insight we have gained this past year into the manner in which PricewaterhouseCoopers Accountants N.V. safeguards the public interest and the status of its system of quality management.

Public Interest Committee

Report of the Young Assurance Board

The Young Assurance Board reports on their views and experiences from the past year in their role as a sounding board for the Assurance Board.

Attractive profession, job satisfaction, staffing and work pressure

The Young Assurance Board (YAB) was created in December 2018 by PwC to maintain connections between the Assurance Board and young professionals. The YAB consists of eight representatives from various business units, which makes it a good reflection of young colleagues from throughout the Assurance practice. Together they act as a sounding board for the Assurance Board and share their ideas and experiences from practice on a regular basis. They also collaborate closely in working groups with the Assurance Board on a variety of themes. Their report on the last financial year discusses the attractiveness of the profession, job satisfaction, staffing and work pressure.

Attractiveness of the audit profession

In the YAB, we regularly have discussions with each other about our profession and the future of our profession. We look at what gives us a boost of energy, what makes our profession so unique and where we see opportunities for improvement. For us, it almost goes without saying that we have the opportunity to visit various organisations and gain knowledge about the different risks and challenges that these organisations face on a daily basis and that we are able to work with so many diverse people and environments. It amazes us each year how much we have learnt with and from each other. Every time that we meet a deadline and we celebrate our successes as a team during an audit dinner, for instance, we are happy to all work together in an environment with so many talented and enthusiastic colleagues. All of our colleagues share the same aim, namely to create trust in society.

Unfortunately, there was a decrease in the number of new employees joining the company last year. We find this worrying, so we have taken various steps to draw attention to the problem. Last year, the YAB had two meetings with students to brainstorm about the attractiveness of the profession from the perspective of students.

As this topic not only involves PwC but also the entire occupational group, the YAB also contacted the AFM, NBA and the young boards of six audit firms of public interest entities (PIE). In this way, we pooled our strengths. One of the issues that was discussed in the conversation between the young boards and the AFM was that the profession is not always shown in a positive light in the news following reviews by the AFM and that this may harm the attractiveness of the profession. We also have to ensure that the profession does not descend into mere box-ticking. That can also harm its attractiveness.

A letter was sent to the NBA in conjunction with the other PIE young boards. This not only addressed the attractiveness of the profession, but also concerns about the number of new students that enrol in accountancy degree programmes. The NBA indicated that it shares our concern and that this point will be high on its agenda over the coming year. Furthermore, we think that “the image that being an auditor is a dull profession” must be addressed quickly.

Concerns about staffing

In December, members of the YAB highlighted their concerns about staffing, in particular during the busy season period, to the Assurance Board. The members noted an increasing number of vacancies in audit engagements which could increase work pressure. During the open and frank discussion with the Assurance Board, initiatives were considered to reduce work pressure.

One of the solutions suggested by the Assurance Board was the implementation of virtual talent hubs. These involve colleagues from outside the Netherlands working remotely with us on engagements. Working from home also brought benefits as colleagues were often able to work more efficiently by scheduling focused time. Virtual audit rooms, in which various employees virtually sit around a table, was also a good contribution, and the ability to compensate overtime by making use of flexitime was helpful. We also gave thought to the design of the practical training requirements to become a chartered accountant and we helped young professionals by evaluating the guidelines for the mid-year reports and adapting these on the basis of feedback from this group. Lastly, we tried to stimulate the teams to make clearer agreements with clients about the audit, such as the delivery of information needed for the audit.

Challenges following the COVID pandemic

The increasing digitalisation during the COVID pandemic meant that young colleagues who started at PwC during this period could not always find their way easily at PwC as an organisation, or at the client. This was particularly noticeable when society opened again and we could go back to working in the office or at the clients. The YAB asked the Assurance Board to provide guidance on finding a balance with ‘hybrid working’. For instance, how many days should a PwC employee spend in the office or at the client? That became a guideline of a minimum of two days at the client or in the office, and to monitor this on a case by case basis. The role of the other team members was also stressed here to enter into discussions with new colleagues and to open this challenge for discussion within the team. By getting young colleagues involved with the decision and returning to working in person as a team, we saw an increase in job satisfaction among young professionals who had not yet experienced the added value of working at the client. Young auditors, who had not physically been at the client during the COVID pandemic also underwent training, which included role plays, to practice dealing with clients. PwC also organised various internal events to rekindle the underlying ties between colleagues, which created a sense of connection and further contacts.

Study into work pressure

At YAB, we have noticed that the number of direct hours has been decreasing for years, but the perception of work pressure has not yet reduced. At the time of writing, a study is underway to find out the reason for this discrepancy. This involves, among other things, a survey that is being distributed to employees who can complete it anonymously. This survey is about client selectivity, team dynamics and project management. The YAB got involved with the creation of the survey and encouraged young professionals to take part. The YAB has also been engaged with the analysis of the results and in defining action points together with local business units. These action points are currently being collected and will be communicated to the Assurance Board in due course.

Career paths

The YAB also has frequent meetings with the Works Council, with the aim of sharing the views that we hear from colleagues with the Works Council as well. The YAB has heard a variety of opinions on the factoring in of variable remuneration into the fixed remuneration. This development gives young professionals a greater chance of being able to buy a house, for instance. However, it also means that colleagues with a previously high variable remuneration will be less challenged. The Assurance Board could accelerate promotion to address this, which has already been implemented. It is important that specific career paths are created, so young professionals in our company actually see a learning and development path. We also asked whether the well-being budget could be used for exercise, and this has since been approved.

The future

The projects described above are merely a few examples from the past year. Over the coming year we will remain in contact with all young professionals within PwC, and continue to be active with developments inside and outside of PwC. The attractiveness of the profession and the well-being of our colleagues is a focus area for the coming year. We will continue to look at where we can make a contribution to this over the coming year in conjunction with various parties, both inside and outside of PwC. We intend to consider this from the perspective of employee intake, but also from the perspective of work pressure. On this point, and also on other points, it is definitely good to see that the Assurance Board really does give us room to share our experiences and suggestions on the basis of equality. Not only do they listen to us, but they also take actions based on our input. That is worthy of a compliment.

On behalf of the entire Young Assurance Board,
Buket Sahin-Kurtulus (chair, BU FS)
Alexander Ackermans (Digital Trust)
Daan Kempenaar (Broader Assurance Services)
Inge Verdouw (BU Amsterdam)
Jessica van der Vlugt (BU Zuid-Holland)
Juliette Missaoui (National Office)
Stefan Alberda (secretary, BU Noord-Centrum)
Steffie Nuijts (BU Zuid)

Monitoring quality

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

Monitoring quality

Focus on quality

Delivering quality is our number one priority. It touches on our very reason for existence and improving the quality of our audits is essential within a culture that puts serving the public interest first. That's why we invest continuously and in a wide variety of areas, including training (professional technical training and behavioural and ethical training), and the development of methodologies and technologies. It is important that we are transparent both in what we do and deliver in terms of quality improvement and our cultural change as well as in the results and impact of these endeavours.

Our system of quality management

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

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

The audit firm

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

The external auditor

All external auditors are required to comply with the Code of Ethics regarding professional competence (including continuing professional development training), objectivity, integrity, professionalism and confidentiality. The Audit Profession Act (*Wet op het accountantsberoep (Wab)*) gives the NBA the authority to prescribe professional requirements for auditors in the practice of their profession, and the NBA has issued instructions regulating the auditing profession in the form of so-called Regulations and Supplementary Requirements (*Verordeningen of Nadere Voorschriften*) and, in particular the Regulation Code of Ethics for Professional Accountants (*Verordening gedrags- en beroepsregels accountants (VGBA)*), the Regulation concerning the Independence of Auditors in Assurance Engagements (*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)*), the Regulation concerning Audit Firms (*Verordening accountantsorganisaties*), and the Supplementary Requirements regarding Auditing and Other

How we define quality

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

In this context, we define quality as:

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

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

Foreword

Our year in figures

Report of the Assurance Board

Report of the Public Interest Committee

Report of the Young Assurance Board

Monitoring quality
Monitoring quality
Our process of quality improvement
Highlighting a few quality indicators

Statements

Download the appendices to this Transparency Report on pwc.nl

The Dutch regulatory framework for the statutory audit

Who	What	Standards framework in short	Legislation and regulation
The Audit Firm	Operations	• System of quality management • Performance in a managed environment and with integrity	Wta, Bta, EU regulations
External Auditors	Practice	• Rules of professional conduct • Independence requirements • National and international auditing standards (e.g. ISAs)	Wta, Bta, Wab (VGBA, ViO), EU Regulations

Standards (*Nadere Voorschriften controle- en overige standaarden (NV COS)*). The scope of these regulations extends beyond the statutory audit and also applies to other services provided by auditors.

A cohesive system of quality management needs to comply not only with this framework of standards but also with the international framework International Standard on Quality Control 1 (ISQC1) 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements' of the International Auditing and Assurance Standards Board (IAASB) that will be replaced as of 15 December 2022 by ISQM1 (International Standard on Quality Management (ISQM) 1, 'Quality management for firms that perform audits or reviews of financial statements, or other assurance or related services engagements'). The ISQC1 standard defines the objective of the system of quality management as follows:

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

a. the firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and

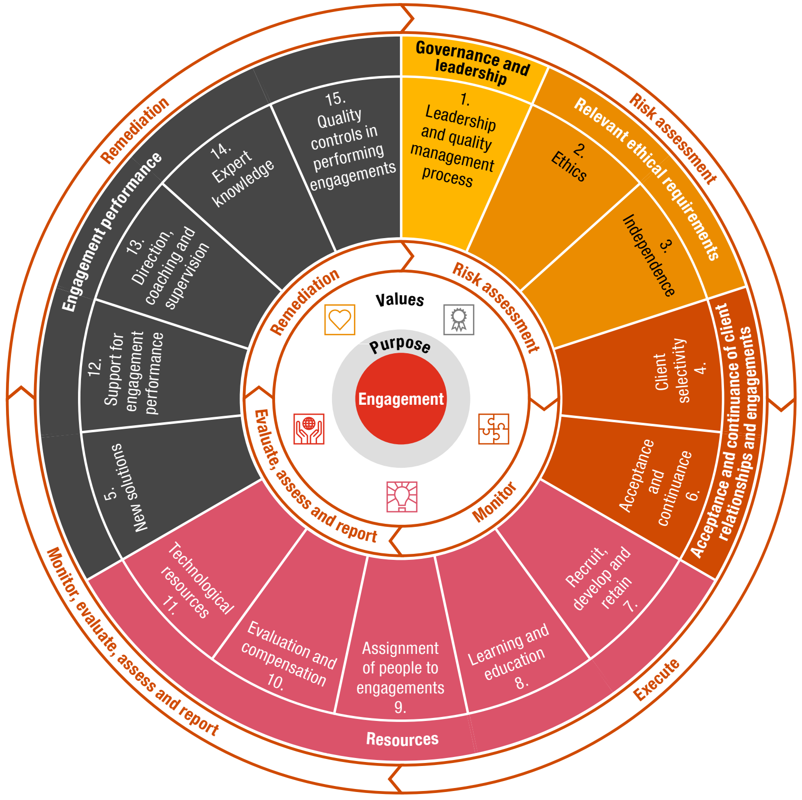
b. reports issued by the firm or engagement partners are appropriate in the circumstances.

The system of quality management for our audit firm, as set out in our Quality Management For Service Excellence (QMSE) framework, is focussed on this objective and prepares us for the translation from ISQC1 to ISQM1 (International Standards on Quality Management 1).

Our QMSE framework is structured along fifteen so-called objectives with regards to:

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

Our system of quality management



When describing our system of quality management, we use the structure of the fifteen quality objectives as shown here on the left. In the appendices to this Transparency Report, a description is included per quality objective of how we have designed our system to comply with each objective.

For each quality objective, a colleague is responsible for achieving the underlying quality objectives. These so-called functional area leaders carry out a bottom-up risk assessment. Added to that are the risks that are relevant to the quality objective that have come up during the annual top-down *audit quality risk assessment* (AQRA). Next, the functional area leader defines mitigating procedures and controls, runs continuous monitoring activities, and finally links each objective to quality indicators for the purpose of assessing whether the quality objective is being achieved. The most important quality indicators for the various quality objectives are included in the Assurance Board report.

There is quarterly reporting to the central team that coordinates and monitors the cohesion of the system of quality management; this reporting addresses the operational implementation of the procedures and controls and the findings that result. The Assurance Board also receives quarterly reporting on key findings, the root cause analyses carried out, and any resultant mitigating procedures. In addition, the operational effectiveness is tested by an independent team (see text in frame: Accountability for the system of quality management).

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

> "Improving the quality of our audits is essential within a culture in which serving the public interest is paramount."

Strategic quality initiatives
Four strategic quality initiatives have been defined within our worldwide network organisation that contribute to the continuous monitoring of the operational efficacy of our system of quality management and of the process of quality improvement.

Aim to predict: assurance quality indicators
We have identified assurance quality indicators (AQIs) that support us in the early identification of potential risks to quality. This quality risk analysis is an essential part of our QMSE, and the quality indicators provide a key tool in the ongoing monitoring and improvement of our system of quality management.

Aim to prevent: real time assurance
We have developed a Real Time Quality Assurance (RTA) programme designed to provide preventive monitoring that helps coach and support engagement teams get the 'right work' completed in real time during the audit. The RTA programme consists of Real-Time Reviews (RTRs) and coaching through what we call Business Intelligence (BI) solutions. The RTRs and BI help audit teams to assure audit quality throughout the performance of their audit work. Where aspects of an audit or file are noted that can or should be improved, the audit team involved is provided with coaching and the opportunity to follow up before completion of the audit.

Learn: root cause analyses
We continuously perform root cause analyses to identify potential factors contributing to audit quality both negatively and positively so that we can take actions to improve quality. Our primary objectives when conducting such analyses are to understand what our findings tell us about our system of quality management and to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at quality findings from all sources including our own ongoing monitoring of our system of quality management as well as Network inspection of our system of quality management.

Reinforce: recognition and accountability framework
Our Recognition and Accountability Framework (RAF) reinforces quality in everything our people do in delivering on our strategy and it encourages them to act in line with our quality-focussed culture. The RAF evaluates quality outcomes and behavioural aspects, it encourages the quality-focussed culture, and it develops the frameworks for the setting of evaluation procedures and remuneration.

Accountability for the system of quality management

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

To be able to carry out this assessment, the Assurance Board receives a quarterly report on the results of the ongoing monitoring activities by the functional area leaders.

This report includes the most important developments and findings per quality objective, root cause analyses performed, possible mitigating measures, and an analysis of the quality indicators relation to the relevant quality objectives.

The design and operating effectiveness of the system of quality management is also tested by an independent team. The team has reported no significant findings as a result of their investigation. Based on this assessment, PwC has concluded that both the Wta requirements and the PwC standards have been met in all material respects.

Furthermore, our system of quality management and the adjustments in it are assessed annually through the PwC network, the so-called quality management (system) review (QMR). This review is performed according to the PwC Network Global Assurance Quality Review Program (GAQR).

This programme is based on the professional standards with regards to the system of quality management (including ISQC1). It includes the policy, procedures, instruments, and guidelines with regard to the system of quality management agreed between member firms in the PwC network.

The review programme is managed by a central team of international team leaders (ITL) consisting of senior partners. Supervision by the members of the ITL and their continuous involvement and support ensure that the reviews are performed consistently and effectively within the PwC network.

Within the QMSE framework, some of the procedures and controls are delegated to the business unit leaders and their management teams (consisting of a quality assurance partner, a change partner, a human capital partner, and an operations partner).

They are responsible for implementing PwC's policies for quality within their respective business units, and the business unit leaders acknowledge this in writing on behalf of their management team through an annual confirmation process. The functional area leaders include the business unit management teams' implementation of the policies for quality in their evaluation of the operational effectiveness of the system as it relates to the objective for which they are individually responsible. The functional area leaders also confirm in writing each year that they have taken responsibility for and followed up on any findings.

Our process of quality improvement

Quality improvement is a continuous process within our system of quality management. External and internal factors, such as changes in legislation and regulation, changes in internal PwC standards, but also technological change and innovation, result in updates to our system of quality management and therefore impact our strategic priorities in Assurance and our QMSE.

To monitor the operating effectiveness of the QMSE framework and process of quality improvement, we use the results of the procedures and controls included in QMSE itself, as well as the results of the analysis of progress made in achieving objectives as measured by the quality indicators.

The outcomes are incorporated into the annual cycle of root cause analyses. Examples are the outcomes of internal and external reviews. Thematic root cause analyses are also carried out during the year which has been described in the report of the Assurance Board.

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

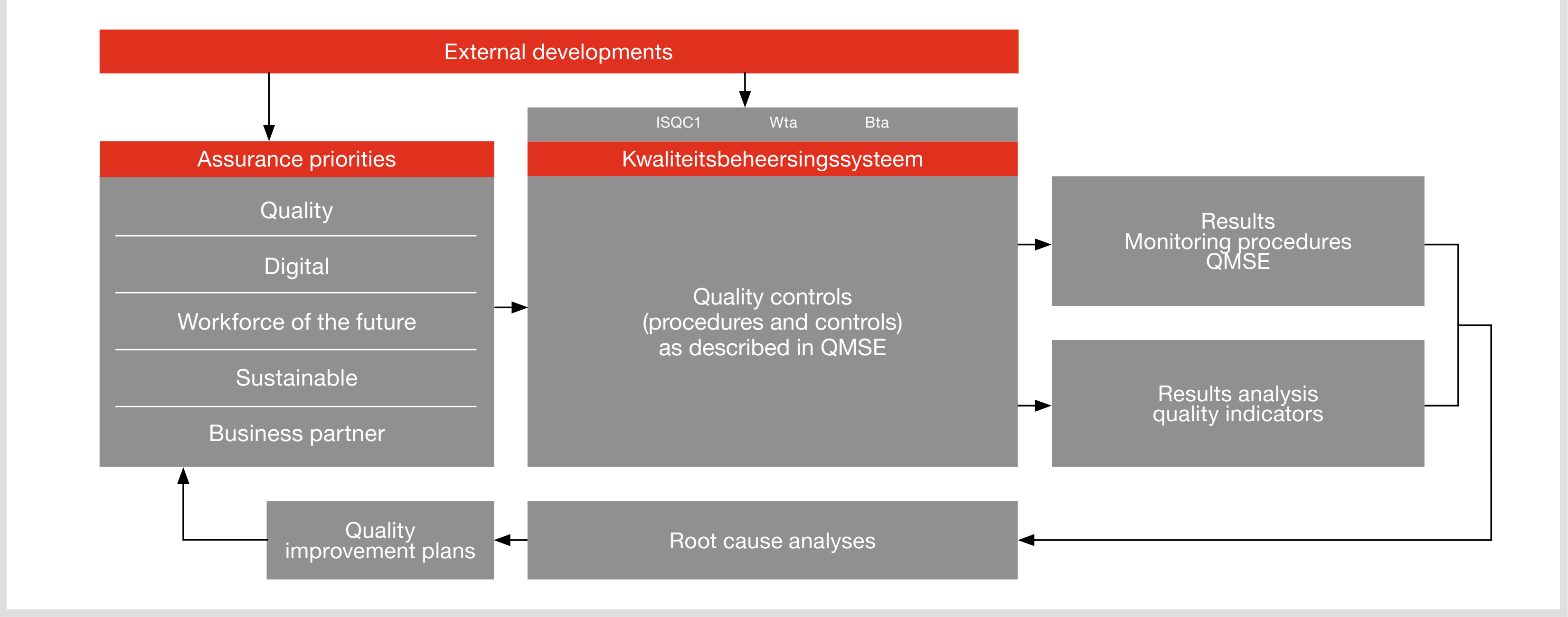
All indicators related to the quality within our audit firm are included by the functional area leaders in their evaluation of the quality objectives. This enables us to manage quality and quality improvements in an integrated manner.

As part of the evaluation of the functioning of the system of quality management (per objective and integral) and the degree of effectiveness of the measures and actions taken, the results of quality indicators are compared with formulated objectives, so that we can determine whether we are achieving our ambitions. This insight, in turn, is input for the root cause analysis and the quality improvement plan.

Highlighting a few quality indicators

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

Our system of quality management and process of quality improvement



Highlighting a few quality indicators

8 Number of incidents reported to the AFM

FY22	FY21
2	0

Two incidents were reported to the AFM in the past year. Both incidents involved the provision of services not permitted under independence regulations.

One incident related to a prohibited tax advisory service (with a fee value less than 0.05% of PwC's audit fees for the consolidated financial statements 2022) provided by a foreign member of the PwC Network to a foreign subsidiary of a Dutch OOB audit client.

The other incident reported to the AFM related to a prohibited tax compliance service, with a fee value less than 0.0002% of PwC's worldwide audit fees for the consolidated financial statements 2021, provided to a Dutch subsidiary of a Dutch OOB audit client.

9 Hours spent on audit engagements (x 1,000) during the period FY18-FY22

	FY22		FY21		FY20		FY19		FY18	
	Hours	%	Hours	%	Hours	%	Hours	%	Hours	%
Audit	1,575	78.5%	1,762	76.6%	1,844	77.0%	1,850	78.2%	1,800	79.6%
Audit support	244	12.2%	289	12.6%	283	11.8%	264	11.2%	223	9.9%
IT specialists	110	5.5%	141	6.1%	156	6.5%	141	6.0%	129	5.7%
Other specialists	77	3.8%	109	4.7%	111	4.7%	109	4.6%	109	4.8%
Total	**2,006**		**2,301**		**2,394**		**2,364**		**2,261**	

As a general trend, we see a decrease in the number of hours spent on audit engagements by our auditors and specialists because we had fewer colleagues available. The number of hours spent on audit engagements has also decreased due to our decision to reduce workload. Finally, the number of hours reduced because digitization allows us to perform our audits more efficiently.

10 Reviews of personal independence and identified violations

	FY22	FY21
Number of reviews completed on personal independence firm-wide	288	503
Number of breaches identified	33	39
Number of warnings imposed	31	37
Number of reprimands imposed	2	2
Number of financial sanctions imposed	28	32

In FY21 we performed an extra sample test on a monthly basis to raise awareness of independence requirements and achieved a decrease in the number of exceptions. Based on the results over 2020/2021, it was decided to discontinue that extra sample test for 2021/2022 and bring the sample test in line with 2019/2020 (271 samples tested).

There were no serious independence breaches regarding personal independence this year.

We identified 33 exceptions through our personal independence and compliance tests. Of the 33 exceptions there were no exceptions in breach with the external independence regulations, two exceptions were in breach with our internal independence regulations and did not cause any compromise to the independence of our audit teams to our audit clients.

The remainder involved exceptions in administrative maintenance for permitted changes to personal investment portfolios (e.g. administering changes too late) or a failure to accurately or completely register crypto currencies.

As a result, out of the 33 colleagues, 28 colleagues received financial sanctions and 5 received a written warning. This distinction between a financial sanction and a warning and the amount of the financial sanction is based on the severity of the identified exceptions and is in line with our accountability framework.

We continue to give attention to compliance around personal independence through training courses, guidance and frequent communication.

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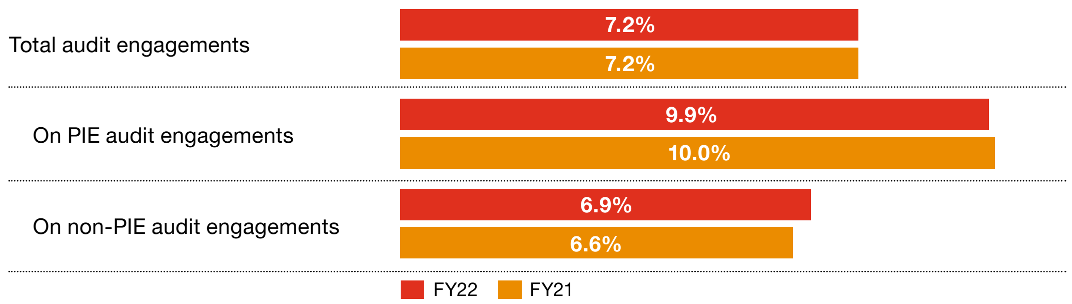
11 Average number of hours spent by partners and directors compared to the total number of hours spent on audit engagements



Various studies, such as the root cause analysis that was conducted following the file reviews by the AFM, have made it crystal clear that the quality of work increases when partners and directors are more involved. The average number of hours spent by our partners and directors has remained stable over recent years, but continues to be a focus area.

We therefore ask our colleagues to devote sufficient time to audits, to do this together with the audit team, and to give their full attention to the audit file: “with the team, in the file”.

12 Headcount (FTE)

	FY22	FY22 %	FY21	FY21 %
Partners/directors	196	11%	204	11%
Managers/Senior managers	476	26%	469	25%
Senior associates	722	39%	761	40%
Associates	440	24%	458	24%
Total	**1,835**		**1,892**	

The size of our workforce was 3% smaller on 30 June 2022 than in the previous year. We had to cope with high levels of employee turnover, in particular during the summer months of 2021. In addition, as many other organisations, we had to deal with high levels of sickness absence and a tight labour market. We have taken a variety of measures to compensate for these shortages, such as a further focus on the recruitment of experienced employees (in addition to new joiners) and investment in our ‘Talent Hubs’, our colleagues from abroad who assist us with our audits.

13 Training hours

	FY22	FY21
Average number of external education and training hours per FTE	60	60
Average number of hours of internal training and other education and training hours per FTE	139	121
Total average number of training hours and courses per FTE	**199**	**181**

The average number of hours spent on internal and external training and courses per FTE increased in FY22. Last year, it was possible again to conduct training courses in person (or partly in person) after these had been held online for two years. One of the training courses offered to all of our colleagues is the ESG upskilling training course in connection with the increasing attention for this subject.

14 Diversity and Inclusivity

	FY22	FY21
Diversity in our practice		
Male	59.4%	60.7%
Female	40.6%	39.3%
Dutch background	58.2%	60.9%
Western migration background	11.2%	11.8%
Non-western migration background	30.6%	27.3%
Diversity in promotions		
Male	20.7%	19.3%
Female	21.2%	22.0%
Dutch background	22.1%	21.2%
Western migration background	17.2%	17.9%
Non-western migration background	18.9%	21.1%

We strive for a diverse and inclusive organisation in which everyone can and may be themselves. This not only contributes to the quality of our services, but also to becoming a better organisation. With regard to the male/female ratio and cultural diversity, we see a positive development and we are becoming increasingly diverse. The difference in promotion between Dutch and non-western colleagues was caused last year by the fact that relatively many non-western colleagues were in the first year of their management level, which means that the chance of promotion is smaller.

15 GPS outcomes

	FY22	FY21
The People Engagement Index - which indicates the attractiveness of PwC as an employer	87%	82%
Questions concerning purpose and integrity		
I am encouraged to try new things and to learn from failure.	87%	81%
The people I work with demonstrate conduct consistent with PwC's Global Code of Conduct.	92%	89%
At PwC, I feel comfortable discussing or reporting ethical issues and concerns without fear of negative consequences.	80%	79%
At PwC, I can speak openly, including voicing my opinions or raising any concerns, even when my views may be different from others.	81%	79%
Questions concerning quality		
The leaders I work with discuss with my team the ways in which we can build better trust and solve important problems.	63%	60%
The people on my team take accountability for the outcomes of their work.	83%	79%
Questions concerning coaching and supervision		
The Learning & Development I have used at PwC, including classroom/virtual classroom, digital assets, webcasts, reading, job aids, eLearns and other digital learning has helped me prepare for the work I do.	72%	72%
The people I work with support me through regular on the job feedback and coaching.	74%	69%

We find the satisfaction of our colleagues important. That is why we again organised an employee satisfaction survey within the Assurance practice which was completed by 75% of our colleagues. In the survey, our colleagues reflected on matters such as the PwC's values: *act with integrity, make a difference, care, work together and reimagine the possible*. We saw across the board that these values are being expressed in increasingly visible ways within the practice:

One of the most important parts of the survey is the people engagement index. This indicates, among other things, the extent to which our employees enjoy working at PwC, whether their personal values correspond to those of the organisation and whether they feel that they belong at PwC. We saw a growth here too, from 82% last year to 87% this year. This makes us proud.

In addition, we see the areas where we want to improve, such as showing appreciation, more opportunities for contact between partners/directors and colleagues, transparent communication about appraisals and remuneration and greater attention to cultural differences. Over the next year we will discuss this together with the Business Unit Management Teams and colleagues. In this way, we will work on widely accepted improvement initiatives and create opportunities to learn from each other.

	FY22	FY21
Act with integrity	84%	82%
Make a difference	70%	58%
Care	67%	65%
Work together	72%	60%
Reimagine the possible	80%	69%

16 Investeringen in technologie in euro's

FY22	FY21
7mln.	**6mln.**

As in previous years, we invested continuously in technology last year. These investments were focused on the effectiveness and efficiency of our processes and our services, such as the automation of standardised activities. The increase is related to the investment in our 'next generation audit', through which we want to carry out an almost fully digital audit for 50 per cent of our existing clients and all of our future clients within the next three years.

17 Errors identified

	FY22	FY21
Number of errors identified under Art. 362, subsection 6 (NL GAAP)	0	1
Number of material errors identified (NL GAAP)	19	12
Number of material errors identified (IFRS)	6	5
Total	**25**	**18**
As a percentage of the total number of statutory audits	1.3%	0.8%

There was a slight increase in the number of errors in the financial statements that we have audited. When a possible error is identified during a financial statement audit, colleagues from National Office are consulted. Specialists then monitor and determine whether there is actually an error. Repair work is carried out (where necessary) and root cause analyses are carried out to identify potential learning points and start any improvement initiatives.

18 Hours spent by National Office

FY22	FY21
114,684	113,096

Our technical National Office department consists of various sub-teams that deal with, among other things, methodology, reporting and the continuous improvement of our system of quality management. The Quality Improvement Team is also part of National Office. This team primarily works on the further implementation of our quality-oriented culture, coaching audit teams, sharing valuable insights with teams based on data (business intelligence) and performing root cause analyses. In addition to the hours spent on this by colleagues from National Office, various colleagues from the practice were also involved. The hours spent by the latter group have not been included for all projects in this overview.

19 Number of EQRs carried out by QRPs and CRPs and number of hours spent

	FY22	FY21
Number of legally required EQRs carried out by QRPs	307	374
As a percentage of the total number of statutory audits	16%	16%
Number of not legally required EQRs by CRPs	107	140
As a percentage of the total number of statutory audits	6%	6%
Total number of EQRs by QRPs and CRPs	**414**	**514**
Number of hours spent by QRPs on EQRs	4,199	5,483
Average number of hours spent by QRPs on regular EQRs as a percentage of the total number of hours spent on the statutory audits involved	0.9%	0.7%
Number of hours spent by CRPs on EQRs	2.031	2.636
Average number of hours spent by CRPs on EQRs as a percentage of the total number of hours spent on the statutory audits involved	1.2%	0.9%
Total number of hours spent by QRPs and CRPs on EQRs	**6,230**	**8,119**
Average number of hours spent by QRPs and CRPs on EQRs as a percentage of the total number of hours spent on the statutory audits involved	1.0%	0.8%

The number of statutory audits on which a ‘standard’ Engagement Quality Review (EQR) was conducted by a Quality Reviewing Partner (QRP) required under the Audit Firms (Supervision) Decree (Bta) or EU directive 537/2014 decreased in comparison to the previous year. The number of EQrs that are carried out depends on the composition of our client portfolio. In addition, 107 EQRs were carried out by Concurring Reviewing Partners (CRP). This number is lower than the previous year because we focused more on audit files with higher quality risks. As a result, there was an increase in the effectiveness, efficiency and impact of this programme.

20 Reviews of financial statements by National Office

FY22	FY21
110	117

National Office reporting specialists, in some cases supported by industry specialists, conduct reviews of the financial statements of a selected group of audit clients prior to issuance of the auditor’s report, with the aim of increasing the quality of these financial statements and to provide a learning effect for the teams involved.

21 Evaluation and remuneration of our partners and directors

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

Evaluation elements	Test reference	Internal assessment	Evaluation[2]	Impact on total remuneration[1]	Financial sanctions	
					FY22	FY21
Engagement quality	- Internal reviews (ECRs) - External reviews - Disciplinary rulings	Assessment levels: 1. Compliant - 'best in class' 2. Compliant 3. Compliant with review matters (CWRM) 4. Non-compliant (NC)	Distinctive performance in terms of engagement quality/best in class engagement file: Positive effect on evaluation	Up to +16,66% impact on total remuneration	12 positive	6 positive
			Compliant: No effect on evaluation	No effect on remuneration	-	-
			CWRM: No effect on evaluation, unless there are other negative quality indicators or if caused by repeat situations	No effect on remuneration unless in combination with other quality indicators or if caused by repeat situations: up to -50% impact on total remuneration	0	0
			NC: negative effect on evaluation, larger negative effect with repetition.	Up to -50% impact on total remuneration.	2 negative	2 negative
System of quality management PwC (QMSE)	• Internal monitoring • Internal reviews • External reviews	Evaluation of review outcomes	Distinctive contribution: Positive effect on evaluation	Up to +8,33% impact on total remuneration	21 positive	23 positive
		Individual contribution to PwC quality (in terms of roles, projects etc.)	Effects on the evaluation of management	Up to -16,66% impact on total remuneration	0	3 negative
Personal independence	• Internal monitoring • Internal reviews • External reviews	Independence Sanctions Committee decision[3]: • Warning • Reprimand	Warning: Letter of notification, with no effect on evaluation	No effect on remuneration	-	-
			Reprimand: Note in file, though the effect can be greater in the case of ownership of prohibited securities or in more serious cases	More serious reprimands: up to -50% impact on total remuneration.	0	0
Personal behaviour / Business conduct	• Complaints and notifications	BoM decision based on advice from the Business Conduct Committee or the Complaints Committee	Letter of notification, with no effect on evaluation	No effect on remuneration	-	-
			Note in file, though the effect can be greater in more serious cases and even greater in repeat situations	More serious reprimands: up to -50% impact on total remuneration	2 negative	0
Compliance with requirements and standards (baseline expectations)	Specific objectives: number of training hours, financial management etc	Evaluation of baseline expectations	If unsatisfactory: Negative effect on evaluation	Up to -50% impact on total remuneration	0	0
People component in evaluation	• People KPIs (incl. People Survey) • 360 degree feedback	• Evaluation business unit results (People Survey)[4] • Evaluation 360 degree feedback	Above average: Positive effect on evaluation	Up to +8,33% impact on total remuneration	21 positive	4 positive
			Unsatisfactory: Negative effect on evaluation	Up to -12,5% impact on total remuneration	1 negative	8 negative

1 In relation to a 'regular' good evaluation. 2 In addition, a partner or director can receive both a positive and negative remark regarding quality in one of the areas of evaluation: clients, people, firm. This remark has no direct effect on the performance rating, but it does affect the evaluation of the partner or director concerned and is included in the BMG&D form. Last year this concerned 14 partners and directors (previous year: 24). 3 The Independence Sanctions Committee also has the power to impose a financial sanction in addition to a warning or reprimand. This sanction is independent of any impact on the evaluation/remuneration of a partner/director or employee and is based on decision-making by the LoS-Board. The sanction policy applies firm-wide (see KPI 10). 4 Partners and directors are evaluated collectively per business unit.

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22 Composition of turnover of PwC the Netherlands 2021/2022

Composition of turnover PwC the Netherlands 2021/2022 [1] (x € millions)	Statutory annual financial statement audits	Other annual financial statement audits	Other reports and assurance reporting	Assurance-related services	Other services	Total	% of total
Statutory annual financial statement audits (PIE clients)	i 52	iii 2	5	0	-	59	6%
Statutory annual financial statement audits (Subsidiaries of EU PIE clients)	11	0	1	0	0	12	1%
Statutory annual financial statement audits (non-PIE clients)	ii 156	2	37	2	32	229	24%
Other annual financial statement audit clients		iv 19	2	0	3	24	3%
Other reports and assurance reporting clients			10	0	60	70	7%
Assurance-related services clients				5	10	15	2%
Other clients					528	528	57%
Total	**219**	**23**	**55**	**7**	**633**	**937**	100%

Composition of turnover PwC the Netherlands 2020/2021 [1] (x € millions)	Statutory annual financial statement audits	Other annual financial statement audits	Other reports and assurance reporting	Assurance-related services	Other services	Total	% of total
Statutory annual financial statement audits (PIE clients)	i 59	iii 0	5	0	0	64	7%
Statutory annual financial statement audits (Subsidiaries of EU PIE clients)	21	0	2	0	0	23	2%
Statutory annual financial statement audits (non-PIE clients)	ii 147	5	10	1	23	186	20%
Other annual financial statement audit clients		iv 19	1	0	5	25	3%
Other reports and assurance reporting clients			39	8	103	150	16%
Assurance-related services clients				5	10	15	1%
Other clients					479	479	51%
Total	**227**	**24**	**57**	**14**	**620**	**942**	100%

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

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

i) revenues from statutory audits of annual and consolidated financial statements of public interest entities and of entities belonging to a group of undertakings whose parent undertaking is a public interest entity;
ii) revenues from the statutory audits 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.

Re i) and ii) The summary sets out the revenue earned from statutory audits as defined in Article 1, first paragraph, sub. p of the Law on the Supervision of Audit Firms (including the annex). This definition differs from that included in Article 13, paragraph 2, sub. k of EU Regulation 537/2014.

Re i) In the summary, the revenue earned from statutory audits at entities that are part of a group of companies of which the parent company is a public interest entity is limited to those entities that are part of a group of companies of which the parent company is an EU PIE audited by PwC or an international PwC network member firm.

The consolidated revenue reported in the annual financial statements of PricewaterhouseCoopers Accountants N.V. for 2021/2022 amounted to €365 million (2020/2021: €368 million), of which €244 million (2020/2021: €227 million) related to statutory audit work and €121 million (2020/2021: €141 million) to other services. The comparative figures for 2020/2021 have been adjusted due to the change in the legal structure of PwC Netherlands and a reclassification from other services to Assurance-related services.

PricewaterhouseCoopers Accountants N.V. is part of an international network of independent member firms. Total revenue earned from the statutory audits of annual financial statements and consolidated financial statements by all audit firms (established in EU/EEA member states) that are part of this network of independent member firms (see appendix) is estimated to be €2.4 billion in 2021/2022 (2020/2021: €2.4 billion). This represents the combined revenue recorded for the most recent financial year of all member firms, translated into Euros at the exchange rate prevailing on 30 June 2022.

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- Statements by the policymakers
- Assurance report of the independent accountant

Statements by the policymakers

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

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

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

Policymakers' statement PricewaterhouseCoopers Accountants N.V.

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

Amsterdam, 22 september 2022

Members of the Board of Management of Holding PricewaterhouseCoopers Nederland B.V.

Agnes Koops-Aukes (voorzitter)
Janet Visbeen
Maarten van de Pol
Veronique Roos-Emonds
Wytse van der Molen (ook voorzitter van de directie van PricewaterhouseCoopers Accountants N.V.)

Members of the board of directors of PricewaterhouseCoopers Accountants N.V.
Aleid Mulder
Jeroen van Kessel
Joris van Meijel
Raneesh Jagbandhan

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

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

Amsterdam, 22 september 2022

PricewaterhouseCoopers Accountants N.V.

Wytse van der Molen
Aleid Mulder
Jeroen van Kessel
Joris van Meijel
Raneesh Jagbandhan

Assurance report of the independent accountant

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

Our opinion

We have examined the numbers and percentages on page 4 'Our year in figures' and in the tables 1 to 22 with Quality Indicators of the Transparency Report 2021-2022 (further: 'the reported data') of PricewaterhouseCoopers Accountants N.V., based in Amsterdam.

In our opinion, the information on the reported data of PricewaterhouseCoopers Accountants N.V. has been prepared, in all material respects, in accordance with the applicable criteria as set out on page 44 and pages 48-50 of the appendices (hereinafter: 'the appendices') to the Transparency Report 2021-2022.

Basis for our opinion

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

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

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

Applicable criteria

The applicable criteria for this engagement are included in the appendices Legislative and regulatory framework (page 44) and Reporting criteria of the quality indicators (pages 48 to 50) of the transparency report 2021-2022.

Responsibilities of management for the reported data

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

The applicable criteria are prepared by management. Management is responsible for determining the applicable criteria.

Our responsibilities for the examination of the reported data

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

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

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

Our examination included among others:

- identifying and assessing the risks of material misstatement of the reported data whether due to errors or fraud, designing and performing assurance procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the examination in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the suitability of the reporting criteria used as set out in the appendices Legislative and regulatory framework and Reporting criteria of the quality indicators of the Transparency Report 2021-2022.

Utrecht, September 22, 2022

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

drs. J.F. van Erve RA

Download the appendices to this Transparancy Report on pwc.nl

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

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

‘PwC’ is also the brand name under which member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide services. Together these firms make up the global PwC network, within which some 295,000 people in 156 countries share their ideas, experience and solutions in developing new perspectives and meaningful advice.