Transparency Report
2016-2017

Becoming a purpose-led and values-driven organisation

PricewaterhouseCoopers Accountants N.V.

pwc

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On our way to a new balance

The financial year 2016-2017 has been a year focussed on quality improvement, cultural change and innovation. We have progressed with our change programme towards becoming a purpose-led and values-driven organisation. We see this as a key element in regaining society's trust in our core responsibility. At the same time, we must also recognise that we are not there yet. The number of issues the AFM identified in our audit files is still too high. This must be, and can be, improved – and at a faster pace. In this Transparency Report, we would like to take you with us through this journey.

The need for transformation

The notion is gaining ground that the move towards becoming a purpose-led and values-driven organisation is at the very heart of our transformation. Our Journey is a 'must have' and not a 'nice to have', and the public interest must be paramount. We are learning to view our clients' issues through the eyes of their stakeholders, and this is also very much in the interests of the clients themselves. We do not view dilemmas from our own perspective or from our client's perspective but from the broader societal perspective. We challenge our clients to get into the debate, and we are opening ourselves up more and more to constructive feedback by being receptive to discussing troublesome issues and looking to put our house in order. We are using our stakeholder dialogues and client evaluation discussions to determine the extent to which we are living up to our values, the values we re-defined during 2016-2017. These values are also attracting more and more debate within our teams, and we are increasingly seeing that clients select us when we are able to differentiate ourselves with our collaborative team approach and our ability to connect and really listen. Our most recent staff satisfaction survey indicates that 80% of our Assurance staff are now familiar with, and debate, PwC's purpose and values in their everyday work.

More colleagues spending more time

We are spending more time on the audits and on our audit files, and we are doing this with a greater number of permanent staff. Despite this, the pressure of work is still high and we are continuing our efforts to increase headcount further by taking on more staff and holding on to them for longer. This is not always easy given the ongoing tight labour market, so we are looking to focus even more on technology and transferring standardised work to specialist delivery centres. This not only improves quality and consistency, it also brings a better balance between the volume of work and the resources available as we aim for greater stability in our planning.

Higher client expectations

Audit quality is the responsibility of the auditor, but the auditor cannot achieve this without good collaboration with the client. We are demanding more and more of the organisations we audit, both in regard to the quality of their internal control systems and the extent to which they facilitate our audit process. For some organisations this is taking a bit of getting used to. We are focussing our efforts on clients that value an audit appropriate for their organisation. In some cases, we have no option but to say no to new audit engagements or to say goodbye to clients where we conclude that they do not sufficiently share our quality objectives or can not or will not allow us to perform our audit to the standards of quality currently expected by society. We recognise here that it is important to keep the dialogue open with the organisations that have a statutory audit requirement and also with their stakeholders.

> ***"PwC aims to contribute to trust in society and to help solve important problems. That is our purpose and therefore also the compass for all we do."***

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Remaining attractive to talented people
Offering an attractive work environment for talented people remains high on our agenda. All the change and regulation we are facing asks a lot of our people. The negative perception of the audit profession often contrasts with the enthusiastic commitment shown by our staff to do things as well as they can and in a way in which our purpose and newly redefined values are being embraced. For the third consecutive year, the results of our staff satisfaction survey were the best ever. If we are to attract and retain talent, which is a key ingredient of quality, we need to offer a sector with proper perspective and with societal relevance. This is also an area where we are aiming to achieve a new balance.

Maintaining dialogue with stakeholders on the dilemmas the sector faces
Restoration of trust is not just a question of improving quality, but also of being in continuous dialogue with stakeholders regarding the dilemmas the audit sector is facing and about how we deal with them. Societal responsibility and transparency are inseparable from each other, and they require candour and openness to constructive feedback, particularly about matters such as our business and remuneration models.

We are on a steep learning curve and we are committed to taking this challenge on. The recent parliamentary debate about the Law on supplementary measures for audit firms ('Wet aanvullende maatregelen accountantsorganisaties'), which addresses a number of sector dilemmas, underscores yet again the need for this.

"The negative perception of the audit profession often contrasts with the enthusiastic commitment shown by our staff to do things as well as they can."

The audit profession still does not have a definition of quality that has society-wide acceptance. There is a lack of clarity across society as to the role of the auditor in identifying and investigating fraud and in matters related to a client's going concern. This expectation gap is unhealthy and it needs to be closed. But we cannot achieve this alone; the legislative and supervisory bodies also need to play their part.

Our transformation to becoming a purpose-led and values-driven organisation is in full flow. Our five newly defined values are focussed more on the interests of society (see *page 23*), and our commitment to the three strategic priorities of our change programme – continuing our journey, working on continuous quality improvement and focussing on innovation and growth – is rock solid. At the same time, the expectations of our stakeholders are constantly challenging us to press on with change. So, we are on our way to a new balance, and the progress we have made during the past year is set out in the Report of the Assurance Board.

Ad van Gils
Chair of the Board
PricewaterhouseCoopers Accountants N.V.

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1. Continuing our journey

This Report of the Assurance Board sets out the developments of the past year, clustered around our three strategic priorities.

Our aim is to be an organisation with its societal antennae well-tuned and with our purpose (our Why) as the driver for our decision-making regarding which engagements we take on, how we do them and how we discharge our responsibilities and define our success. The characteristics of an organisation like this are set out in a strategic vision, which we call the PwC Vision 2020. For the Dutch elements of the PwC network of member firms, we have translated this vision into five areas of focus (our What). More information on the PwC strategy, Vision 2020, is included in PwC NL's Annual Report 2016-2017.

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Priority 2 | Focussing on continuous quality improvement

Priority 3 | Focussing on innovation and growth

Visual 1 Our journey and the three strategic priorities

If we are to achieve our purpose, it is not only the Why that is important but also the How – how we provide our services, how we communicate with our clients and society and with each other, and how we conduct ourselves as we work with our clients and with each other. To facilitate this, the global PwC network reassessed and redefined its values during autumn 2016.

The five new values we have defined (Act with integrity, Make a difference, Care, Work together and Reimagine the possible), and their corresponding behavioural characteristics, are focussed on the interests of society and are therefore more aligned with our purpose. They describe our vision of the behavioural characteristics we aspire to achieve (see *page 23*).

The journey in our everyday work

We have brought together all our initiatives for becoming a purpose-led and values-driven organisation into what we call 'the Journey'. Taking this journey together is the first priority of our change programme. A number of wide-ranging initiatives were started in 2015 to bring the journey to life among our Assurance people. We have progressed further with these during 2016-2017 in terms of increasing staff awareness of our purpose, the priorities of our change programme and our values and, in particular, also in terms of reflecting the journey in our everyday work and in our behaviour. Firstly, all our Assurance people received a publication in the summer of 2016 setting out how the various elements of our journey linked into each other. Secondly, we have set up what we call a 'change network' incorporating partners from all business units and sectors and 115 ambassadors from all staff levels, with a view to proactively promoting behaviour and dialogue consistent with our purpose and values through coaching on the job and performance coaching.

To give impetus to this, we have shared a number of best practices through digital magazines, videos, meetings and other media. In the summer of 2016, a large part of our Summer School training programme was devoted to the journey.

To reinforce the link between our journey and our everyday work, all business units have held 'Journey Pitch' sessions addressing dilemmas that staff may have to deal with in their work. In groups, they were able to see how the purpose can function as a compass when dealing with dilemmas. A number of follow-up 'interest simulation' sessions were organised in early 2017 to encourage staff to reflect back on the audit season and on the dilemmas that arose.

Our purpose and values are also integrated into our educational programme as permanent elements of our training and ongoing learning modules for professional technical matters and personal skills. We made a start this past year on embedding our purpose and values into our regular processes, such as HC processes, our evaluation systems and our way of working. We drafted our client communications, such as the audit plan, management letter and auditor's report, from an outside-in perspective that places society and the users of the financial statements at its centre.

Our journey, purpose and values

PwC's purpose is: Building trust in society and solving important problems. As part of achieving that goal, we have among other things defined five core values (see page 23) and a vision of the firm that we aim to become in the near future. In order to live up to these values, Vision 2020 and our purpose, we have set a transformation process in motion, a process that we call 'the Journey'. These initiatives for change are transforming us into a purpose-led and values-driven organisation.

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Culture and Behaviour Monitor

Since the prior year, we have been bringing the changes in culture and behaviour within our organisation together into what we call the Culture and Behaviour Monitor, with periodic analysis of the results. The lesson we take from this past year is that, while most of our staff are aware of the journey, we now need to ensure that they take it on board and live it in their everyday work. In this context, it is critical (and challenging) that leaders at all levels demonstrate proper behaviour consistent with the values.

Despite seeing positive results in the efficacy of coaching, giving and receiving timely feedback remains an area for attention - in particular as regards in-line feedback through coaching on the job and requests for Snapshots (see *page 37*). Experience tells us that feedback is at its most effective when it is given in the moment. Timely requesting of feedback is crucial in reinforcing our position as a learning organisation that is continuously improving its working methods and that has an outward, societally focussed culture as its norm. We will be promoting this proactively during the coming year.

In a culture in which robust dialogue is at the heart of our relationships, requesting feedback from our clients is also an area for attention, and we will be evaluating this coming year how we go about this and how the feedback links in to our public interest role.

Results of our stakeholder dialogue

It was clear from the dialogue that our stakeholders believe that the areas they highlighted as critical to our strategy in 2015-2016 continue to be equally critical this year. These include integrity, quality, culture and behaviour, independence and the impact our services have on society.

Our stakeholders have again this year provided us with some clear messages: Strive to encourage businesses and organisations to act in a trustworthy manner and to focus on their long-term value creation; adapt to the changing technological world; and be transparent about the dilemmas you face during the journey towards becoming a purpose-led and values-driven organisation. These messages help guide us as we deal with the questions and dilemmas that we come up against in our daily practice. A complete overview of our stakeholder dialogue, and our response thereto, is included in PwC NL's Annual Report 2016-2017.

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2. Focussing on continuous quality improvement

Building an organisation focussed on quality and learning capacity gets top priority in our change programme. Our quality management system safeguards the quality of the services we deliver. The seven elements of this system, including our primary quality indicators, are set out in this Transparency Report (*page 23* et seq.).

We are spending more time on our engagements, in particular on the audit of revenue recognition, increasing awareness in the area of fraud and corruption risks, reliance on the work of other auditors, and the impact of IT in the audit. We are focussing on bringing more discipline to the application of auditing standards and the documentation thereof in our audit files. We are achieving this by employing increased numbers of permanent staff. While first year audits in particular require significant investment in audit hours, we are also spending more time on our recurring audits. And we are investing in data analysis (to enable our audits to drill down deeper); in on line client portals (to enable us to exchange information amongst ourselves and with clients swiftly and securely during all phases of the audit); in tooling (to, amongst other things, send confirmation requests quickly and securely to third parties such as debtors); and in our digital audit file 'Aura'.

Continuous coaching on the job

We are carrying out more ongoing reviews of our audit work. The Real Time Review Team (RTR team) carries out in-depth reviews of selected audit files before the audit opinion is issued. Not only does this enable us to identify potential quality risks at an earlier stage but it also helps us learn more quickly from each other through coaching on the job. In a mutual learning culture, mistakes are shared, and this increases awareness of the decisions that need to be made, the factors that need to be considered and the areas where things can go wrong.

During 2016-2017, we carried out 128 real-time reviews (RTRs), 16% more than in the prior year, and the RTR team invested a total of 12,500 hours on these reviews, 25% more than in the prior year. This means not only that we have covered more engagements with our ongoing review process but also that we have drilled down more deeply in these reviews. An RTR has been started on at least one file for every external auditor (partners and directors).

External inspection results paint a mixed picture

In June 2017, the Dutch Authority for the Financial Markets (AFM) issued its report Kwaliteit OOB-accountantsorganisaties onderzocht (Quality Inspection at PIE Audit Firms), setting out the results of its inspections into the implementation and embedding of our change process in the areas of control, behaviour and culture, and internal oversight (the three pillars) and of the quality of four 2014 and four 2015 statutory audit files.

The conclusions paint a mixed picture for PwC. The AFM has formulated a number of expectations which we have met to some extent or other. On the one hand, the supervisory body is positive about the focus on and commitment to the change process that we have demonstrated during the period up to and including 2016 and we are pleased with this acknowledgement of our commitment to change. The AFM is positive about the progress made in our culture and behaviour change and about our internal oversight, i.e. the second and third pillars (refer to the green conclusions in Visual 2). However, the AFM is more critical on the first pillar (control), concluding that we are not sufficiently meeting their expectations regarding the design of the in-control cycle for quality and regarding the performance of culture surveys and root cause analyses. To move forward on improvements to the in-control cycle, we decided in early 2017 to introduce one integrated reporting format (the Integrated Dashboard) for quality within our audit firm. This will allow us to manage quality and quality improvement in a better and integrated manner and it forces a greater level of reflection on the operation of, and linkage between, quality measures. The AFM report represents a call to action to continue along the path we have set out.

On the other hand, the AFM deemed three of the 2014 and one of the 2015 statutory audit files inspected as inadequate (see *page 52*). We performed further investigative work on these four audit files and concluded that the audit opinions issued were appropriate.

Change takes time, and results are not always immediately apparent. The limited number of files inspected and the fact that the inspections stretched out over a period of three years mean that it is difficult to provide a clear view of the progress we have made in our change process. But what is clear is that we can, and must, do better – and more quickly.

Visual 2 The three pillars inspected. Source: The AFM report 'Quality Inspection at PIE Audit Firms (28 June 2017)' ('AFM-rapport 'Kwaliteit OOB-accountantsorganisaties onderzocht' (28 juni 2017)')

Pillar	Element	Conclusion
Management	In-control cycle	Far behind
Management	Root cause analyses	Below expectations
Management	Culture survey	Below expectations
Behaviour and culture	Dot on the horizon	Almost as expected
Behaviour and culture	Quality-focussed culture	As expected
Behaviour and culture	Tone from the top	As expected
Behaviour and culture	HR staff	As expected
Behaviour and culture	HR partners	As expected
Internal oversight	Diligence in installing an SB	As expected
Internal oversight	Effectiveness of the SB	Almost as expected

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This clarity of view is also affected by the fact that, in the joint inspections that the AFM carried out along with the US PCAOB, different supervisory bodies deemed the same file to be both inadequate and adequate based on the same underlying facts. This inconsistency in international interpretation of standards highlights a grey area, which is particularly problematic given the international connectedness of the Dutch business world. It is important that standards in the Netherlands regarding statutory audits remain in line with international practice.

Of the nine non-statutory audit files reviewed by the Inspectorate of Education, one file was deemed to be inadequate. As part of the remediation work the audit report issued was deemed by PwC to be not appropriate. All the audit files reviewed by the Dutch Healthcare Authority (NZa) and the Central Government Audit Service (ADR) were deemed to be satisfactory (see *page 52*).

Focus on fraud and corruption

The AFM also reported this past year on its inspection into how the risk of external auditors becoming exposed to corruption, either in the Netherlands or abroad, by or at statutory audit clients, is managed. Along with Guideline 1137 issued by the Netherlands Institute of Chartered Accountants (NBA) entitled 'Corruption: Procedures to be applied by the auditor', the results of the AFM inspection have been reflected in our updated Fraud Panel consultation procedures and we have briefed our staff on this. The fraud training mandated by the NBA has been incorporated into our Summer School programme.

No improvement in internal review results

An important element of our internal review process is the Engagement Compliance Review (ECR). These reviews are carried out by partners, directors and managers independent of the engagement being reviewed, some of whom come from elsewhere in the global PwC network. The objective of the ECR is to review individual engagement quality and identify areas for improvement. During 2016-2017, 40 of our engagements were subject to an ECR. Of these, 35 were compliant, albeit 7 of these 35 engagements attracted comment ('compliant with review matters'). So there were 5 of the 40 audit files that did not meet our standards (prior year: 5 of the 37 files reviewed). As in prior year, none of the five non-compliant files related to a public interest entity (PIE). We performed follow up work on these engagements, and remediation where necessary, and concluded that the audit opinions issued are still appropriate (see page 50).

Lessons learnt from our root cause analysis process

The root cause analysis process is an important element of our quality improvement process. We analyse annually the results of the internal and external reviews of the quality of our audit files (see also *page 53*). This process looks not only at shortcomings but also at areas that went well (best practices).

The more important focus issues arising from last year's root cause analysis process were the following:

- *Getting the right scale and composition in our teams*
  The pressure of work has been high in recent years, as a result of the additional time allocated to improving quality and the transitions involved in mandatory audit firm rotation in the PIE segment. Stability in planning has therefore been under pressure, on top of the ongoing pressure resulting from regular staff turnover. Continuity within the teams is important in terms of retaining knowledge and experience.

- *Knowing and applying auditing standards in current risk areas and in new technologies*
  As a result of, amongst other things, ongoing developments and changing perceptions of risk (including societal risks), the interpretation of auditing standards continues to evolve, through supplementary directives and guidance. Keeping knowledge up to date and consulting with the standards and supplemental guidance and practice aids are an integral aspect of the auditing profession. Proficiency in applying new audit techniques is also important (in particular data analysis), and training, timely coaching on the job and consultation are focussed on these.

- *A professionally sceptical attitude*
  Auditing standards require that sufficient appropriate audit evidence be obtained. The individual's capacity to be self-critical in carrying out and documenting the audit work and in drafting the written reports to the client contributes to improved quality. This requires the right attitude, openness to input and the level of discipline that is inherent in the auditing profession.

- *Project management skills*
  The more the audit requires the involvement of specialists and delivery centres, the greater the need for good planning. Project management is becoming an essential skill in the auditing profession, a skill that needs to be well represented in the audit team.

- *Difficulties in saying 'no' to audit engagements*
  It is important that we do not accept or continue an engagement where we are not in a position to deliver the required level of quality, for instance if we cannot get the right team in place. Despite this, we sometimes still find ourselves coming under pressure to take it on anyway, for instance in the interests of the client relationship, within the context of our societal responsibility, or simply out of our own professional service mindset. It is critical that, in the public interest, we are prepared to take the right decisions, and that is not always easy.

We have translated the focus points arising from the root cause analysis into action plans and improvement measures. We do this annually and incorporate them into our quality improvement plan.

The appeal against the AFM fine

On 16 March 2016, as a result of its regular 2013-2014 inspection of 2011-2012 audit files, the AFM levied an administrative fine on PwC in the amount of € 845,000 for failure to meet its duty of care under Article 14 of the Wta (the Audit Firms Supervision Act). This duty of care requires the organisation to endeavour to ensure that its external auditors comply with the requirements relating, amongst other things, to professional competence. PwC filed an appeal in mid-2016 against this decision to levy a fine. After this appeal was rejected by

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the AFM, PwC filed an appeal with the district court in Rotterdam and the court still has this appeal under consideration.

PwC proceeded with this appeal because it has a difference of opinion with the AFM as to how the AFM can establish failure to meet duty of care. PwC hopes to obtain clarity from the court regarding what is expected of an audit firm in terms of duty of care, specifically as regards how quality is managed in statutory audits performed by its external auditors. It is important to get clarity on this particularly for the future.

PwC believes that duty of care is an obligation to apply best efforts and that failure can only be determined when it is clear which of the organisation's best efforts failed. The AFM takes the view that a shortcoming on the part of the external auditor in a statutory audit that has been inspected, in and of itself, can constitute evidence of failure by an organisation in its duty of care. PwC sees this differently. For an error by an external auditor to constitute evidence of a failure in duty of care, the AFM must be able to identify shortcomings in one or more of the audit firm's best efforts as the cause of the failure. In its decision to levy a fine, the AFM did not clarify the best efforts that PwC could have and should have made in order to prevent the shortcoming(s) identified on the part of the external auditor. On this basis, PwC believes that the AFM has provided insufficient evidence to support a failure in its duty of care and that the fine levied therefor is unjustified.

PwC's appeal is not directed against the fact that the AFM identified shortcomings in the statutory audits inspected. Based on its own investigation, PwC acknowledges that three of the files inspected include aspects in which the performance or documentation of the audit could have been better. Contrary to the view of the AFM, however, this does not necessarily mean that PwC failed in its duty of care. There are, incidentally, a number of shortcomings identified by the AFM that PwC does not agree with. PwC also disputes the perceived seriousness of the shortcomings in the three files that were deemed to be compliant with review matters. Furthermore, it transpires that, in all the audit files inspected by the AFM, the opinions issued are still appropriate.

If PwC is not satisfied with the eventual ruling of the court, PwC does still have the option of further appeal to the Trade and Industry Appeals Tribunal (CBb). If the fine is overturned, a monetary amount equal to the fine will be contributed to the Foundation for Auditing Research (FAR), the foundation set up in 2015 to carry out academic research into the drivers of audit quality.

Moving forward with our dilemmas

Every sector has its dilemmas, and our sector is no exception. The auditing profession has historically structured itself around partnerships of professional practitioners, and organisational structures and business models have emerged to fit these roles and responsibilities built on independent thinking and collective learning. In a later stage, the collaboration with other disciplines was extended to assure the specialist expertise that increasingly became necessary as the audited entities became more complex.

It is clear that any potential form of collaboration arrangement faces its own inherent risks and that these risks can evolve over time as sector-related and/or societal attitudes and perceptions change. How to mitigate these risks while keeping the model intact is a dilemma. Developments in earlier years, such as the financial crisis and the increasing need for transparency, have required these dilemmas to be more explicitly identified and addressed in dialogue with stakeholders. We are open to this as this is the only way that society can be confident that risks are being adequately monitored and mitigated.

The sector and we still need to get used to the new reality. We are learning to be transparent and to get into dialogue about dilemmas and how they are to be dealt with. Our learning curve is steep and we are very firmly committed to taking on this challenge. We are also taking very seriously the call from the auditing sector's Accountancy Monitoring Committee (MCA) to get into dialogue with our stakeholders about the sector's dilemmas. In parallel with the sector's initiatives and to help facilitate a healthy debate on the subject, the Ministry of Finance is also looking into alternative remuneration and business models, and we will be making our contribution to this as well.

At sector level, we have also started dealing with the MCA's recommendations. In June 2017, the NBA launched its Agenda for Change. We are actively participating in this and contributing our most recent experiences and insights. The objective of the agenda is to generate a more fundamental approach, in close dialogue with stakeholders, to the sector's improvement programme to reinforce the 53 sector measures implemented from the 'In the Public Interest' sector report.

The NBA's Agenda for Change is directed, amongst other things, at the definition of audit quality, learning from mistakes, culture change, the safeguards needed to ensure independent and high quality audits and the divergent expectations of stakeholders within society. The risks in the remuneration model, the partnership model, the multi-disciplinary organisation and the international network dealing with audit quality are also being considered in this process.

Concrete steps are being taken. Root cause analyses are being intensified and are being extended to sector level to include regularly occurring themes. The root cause analyses of the various PIE audit firms are benchmarked to each other in order to optimise the learning benefit and to analyse linkages to the dilemmas. In addition, the independent Foundation for Auditing Research (FAR), set up by the sector, is including a number of dilemmas in its research programme, and a discussion paper on audit quality has now been submitted for public debate. Furthermore, we held a number of retrospective discussions in 2017 with key stakeholders, including the AFM, Eumedion, VEB (a major Dutch investor advocacy association), academia, politicians and VNO-NCW (the Confederation of Netherlands Industry and Employers).

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Progress in implementing the sector measures for improvement

We have now implemented all 53 of the measures for improvement set out in the sector report, albeit that for reasons of prudence we decided to implement measure 5.3 (engagement-specific quality reviews - EQRs) on a phased basis. Measure 5.3 requires that several EQR file reviews be carried out annually for each audit partner/ manager.

We have two types of EQR. During the past year, the legally required EQRs were performed by a Quality Review Partner. In addition to this, EQRs were also carried out by teams consisting of a Concurring Review Partner and the RTR team. These EQRs are more wide-ranging in that they cover more aspects than a legally required EQR covers. The EQRs involving an RTR team focus on proactive coaching within the audit team during the entire course of the audit. During 2016-2017, PwC started at least one extensive EQR for each partner and director. The RTR team shared the lessons learnt and best practices with the wider audit practice.

We are also contributing to the success of measure 5:10 (the Foundation for Auditing Research - FAR), amongst other things through providing funding and data to help FAR-supported academics conduct independent research into audit quality and the factors that influence it. We expect that the insights that the research will bring during the coming years can contribute significantly to achieving quality improvement and better linkage between what society expects and what the auditors deliver.

From left to right: Michel Adriaansens, Agnes Koops-Aukes, Ad van Gils and Wytse van der Molen.

Members of the Assurance Board

Ad van Gils (born in 1967) joined PwC in 1991 and has been a partner since 2002. He joined the Board of PricewaterhouseCoopers Advisory N.V. on 1 July 2012. Between 1 July 2013 and 30 September 2016 he was Chair of the Board of PricewaterhouseCoopers Advisory N.V. and an authorised executive director of the Board of Management. He has been Chair of the Board of PricewaterhouseCoopers Accounts N.V and an authorised executive director of the Board of Management since 1 October 2016.

Michel Adriaansens* (born 1963) joined PwC in 1987 and has been a partner since 1999. He has been a member of the Board of PricewaterhouseCoopers Accountants N.V. since 1 May 2015. He is responsible for the Assurance Change Programme and the Quality & Risk portfolio.

* Authorised executive director of PricewaterhouseCoopers Accountants N.V.

Agnes Koops-Aukes* (born 1969) joined PwC in 1992 and has been a partner since 2007. She has been a member of the Board of PricewaterhouseCoopers Accountants N.V. since 1 September 2013. Her portfolio comprises Human Capital, Learning & Development and Diversity.

Wytse van der Molen* (1969) joined PwC in 1994 and has been a partner since 2006. He has been a member of the Board of PricewaterhouseCoopers Accountants N.V. since 1 July 2016. His portfolio comprises Finance, Operations and Markets.

Change to the composition of the Assurance Board as of 1 October 2016

Michael de Ridder stepped down as Chair of the Board of PricewaterhouseCoopers Accountants N.V. as at 1 October 2016 and Ad van Gils was appointed Chair as of 1 October 2016.

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High level of staff satisfaction

Dutch Assurance staff are among the most involved within the worldwide PwC network of member firms. This emerged from our Global People Survey (GPS), the annual worldwide survey among staff into their perceptions regarding culture, policy and working conditions. Assurance's People Engagement Index is 83%, a high score that confirms that the vast majority of our staff are proud to be working at PwC, would recommend PwC as an employer and expects to be still working at PwC for the coming year.

These results underscore our belief that we are on the right track with our programme for change. But, at the same time, we also know that, if we are to maintain this level of staff satisfaction, we need to continue to work on the areas for improvement that the practice feeds back and focus on our capacity as a learning organisation.

We use the GPS results to assess to what extent our policies regarding human capital, corporate responsibility and our purpose and values are delivering results and whether they need to be re-focussed. Following the results of last year's GPS, more focus was placed on retaining talent, integrating new staff into PwC, coaching and feedback, diversity and generating a higher profile for the PwC purpose and values. For the coming year, we are planning to provide better support to our staff in terms of getting to grips with the new feedback methodology.

Investing in bringing on talent

The strength of our Assurance practice lies in the talent and passion of our people. They represent the critical building blocks of the quality that we deliver day in day out. We strive to attract the best people and to keep them connected to us. We also look expressly at identifying the competencies we need to develop or bring in to enable us to continue to play a leading role into the future. We invest heavily in skills and competencies through both education programmes and training on the job. The number of external training and study hours has fallen slightly, partly as we bring in proportionately more permanent staff at graduate level with a shorter route to the chartered accountancy ('registeraccountant') qualification. On the other hand, the number of hours spent in training on the job increased following the intensification of our RTR programme (see *page 45*). In addition to professional technical skills, we are placing more emphasis in our training programmes on professional scepticism skills, values, cross-discipline and cross-border collaboration, and innovative skills.

Headcount growing once again

Our headcount of permanent staff increased by 6% in 2016-2017 compared to 2015-2016 while revenue remained constant. The Assurance practice is now 200 FTEs bigger than it was two years ago. We continue to hire more staff on a permanent basis. Following a successful pilot, to ease the pressure on planning we will be bringing in more students from higher vocational education (HBO) for the peak period. The extra hours spent in recent years as a result of audit

Although, for some years now, we have been able to retain people for longer, we have seen that turnover in 2016-2017 actually crept up (see *page 35*). PwC strives to achieve an inclusive culture in which we embrace diversity. Being inclusive involves everyone feeling involved and valued. Not despite of, but because of, the differences. The challenge we face is not only in recruiting female colleagues or colleagues with a migrant background, but in holding on to them for longer. We have not been sufficiently successful in this, so it remains a key point of attention for the coming year.

Changing workforce mix

There are fundamental changes taking place in the way auditors perform their work and in the competencies that are required. With data analysis we are able to identify trends and risks quickly and comprehensively. We are also standardising more and more of our processes and outsourcing more and more of the more repetitive audit work to specialist staff. This generates quality improvement and performance effectiveness. In 2016-2017, we outsourced 6.5% of our total audit hours to delivery centres and we set up a Project Management Office (PMO), making the Netherlands one of the first territories in the PwC network to use specialist project managers for the project management of major audits, allowing the auditors more time for their core responsibilities.

This changes the mix of our workforce. Firstly, the auditor's role becomes a higher value and more specialised role, and that impacts the mix of juniors and seniors in our organisation (see *page 33*). Secondly, this new world requires a greater knowledge of technology, and the need for data specialists is increasing significantly. Also increasing is the need for specialist professional technical skills, innovative capacity and communicative and interpersonal skills.

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3. Focussing on innovation and growth

Our third priority is to promote innovation and for our Risk Assurance and Capital Markets and Advisory Services (CMAAS) business units to have greater impact for our clients. Of the more than 1,700 professionals in the Assurance practice, in excess of 380 (2015-2016: 350) professionals are now in Risk Assurance and CMAAS, our two fastest growing business units, providing assurance on processes and systems, including cyber security and non-financial information and providing advice on accounting issues, capital markets transactions and treasury. We are seeing a significantly increasing demand for innovative services in such areas as data analysis, cyber security and other assurance services that help protect processes, systems and people.

Investing in an innovative audit approach

Digitalisation facilitates innovation in our audit approach: better linkage to audit clients' systems and processes and smarter audit solutions. Parts of the audit are already being performed using programmed algorithms. The data auditing tool Halo, internally developed within the international PwC network, combines complex algorithms with data visualisation, enabling auditors to identify unusual and non-standard transactions and focus audit work more specifically on the elements where it is needed. It provides audit teams and clients with insights tailored to their needs, enabling us to analyse large volumes of data at lightning speed and reduce the risk of error. Towards the end of 2016, Halo won International Accounting Bulletin's Audit Innovation of the Year award.

Innovation begins with collaboration

We have opened up new opportunities for people to come forward with ideas and then work them through in practice, responding with innovation programmes like Mindscape and Grassroots Innovations and partnering arrangements with organisations like Startupbootcamp, a start-up accelerator. In our Data Experience Lab, we analyse data and visualise the results on our dataWall, and in our Blockchain Experience Lab we experiment with Blockchain in co-creation programmes with our clients and other stakeholders.

Room for investment

During this past year, we have again invested in quality, in terms of people, improvement measures and technology, and this has increased our costs. Competition in the recruitment markets has also meant higher costs.

Our aim is for profitable growth. This is not an end in itself, but it does have a significant impact on our ability to invest in quality, technology and talent. After two years of reduced profitability following investments in quality and audit firm rotation in the PIE sector (involving many proposals and first year audit transition costs), our financial results from audit held steady last year. We will again be discussing with clients the increases in time spent and how this can be suitably remunerated. We are satisfied with the financial results we have achieved this year.

To conclude

We are now starting to reap the benefits of our focus on change and improvement, and we are on the right path. Having said that, we remain focussed on the quality of our audits and our audit files. We still have work to do, and we are prioritising this. Through extra training, coaching on the job, technological innovation, standardisation, expansion of the workforce and more focussed client selection, we are creating the environment and resources needed for these next steps. And we are looking forward most enthusiastically to taking the next steps on our journey.

We would like to thank our staff for their commitment and contribution during this past year, our clients for their understanding for the higher standards we are setting, and all our stakeholders for the trust they have had in our transformation towards becoming a purpose-led and values-driven organisation.

Amsterdam, 25 September 2017

The Assurance Board,
Ad van Gils (Chair)
Michel Adriaansens
Agnes Koops-Aukes
Wytse van der Molen

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Continuing to improve and change

The Board of Management has been diligent in the progress it has made during 2016-2017 on its journey to achieve cultural and behavioural change. In our supervisory role, we have seen during the past year that the PwC organisation is moving full speed ahead. However, it has been clear from recent developments that meeting stakeholders' expectations is not an easy task.

There has been change for the better. That much is clear from the views expressed by the external supervisory body regarding the progress made by PwC in implementing and embedding its change trajectory. The firm is on the right track in its ambition of becoming a purpose-led and values-driven organisation (the PwC journey). The change in culture and behaviour that the Board of Management is aiming for takes time and constant dedication as well as update and encouragement periodically when results are not sufficiently visible or the changes are not happening quickly enough. Just before the end of the financial year, the external supervisory body concluded that a number of the statutory audit files selected for inspection from the financial years 2014 and 2015 were inadequate and reported that there are still a number of areas in which PwC needs to make further progress. We concur with the Board of Management's conclusion that there are aspects that must be, and can be, improved.

That change cannot come soon enough and that quality levels must improve were also clear from the very recent parliamentary debate about the Law on supplementary requirements for audit firms ('*Wet aanvullende maatregelen accountantsorganisaties*'). The Second Chamber believes that change in the sector is not happening quickly enough and that too many mistakes are still being made. For all those who have been working long and hard to improve things, this is not good to hear. But the reality of the situation is that the path chosen does need to be pursued more quickly.

The Public Interest Committee continues to look critically at what the Board of the audit firm is doing to achieve the cultural and behavioural change it aspires to and at how it is investing in its organisation and people. The challenge is to stay true to, and focussed on, the strategic course set and on the fundamental change needed to get there.

Supervision

It is the Public Interest Committee's responsibility to monitor how PricewaterhouseCoopers Accountants N.V. safeguards the public interest in the audit opinions it issues. The Public Interest Committee stems from the Code for Audit Firms. It monitors the extent to which PwC's societal antennae are attuned, the adequacy of the dialogue with stakeholders, and the extent to which PwC satisfactorily reflects society's interests in what it does. In this written report, the Committee is reporting back on how it has discharged its supervisory responsibilities and with its conclusions as to how the public interest is safeguarded within PwC.

The Public Interest Committee has been one of the sub-committees of the Supervisory Board of Holding PricewaterhouseCoopers Nederland B.V. since the installation of the Supervisory Board following the Future Accountancy Working Group's 'In the Public Interest' report. The members of the Supervisory Board are all independent third parties. The Public Interest Committee comprised four members during 2016-2017. Following the wish expressed by all the supervisory directors to be closely involved with the issues that the Public Interest Committee deals with regarding the audit firm, the Committee, as from 2017-2018, now comprises all members of the Supervisory Board.

We met four times during the year, with full attendance at all meetings. The other members of the Supervisory Board were invited to the last two meetings, with one member being unable to attend one of the meetings. The meetings include an open, frank and constructive dialogue with the members of the Board of Management who attend (the Chair of the Board of the audit firm and the member responsible for quality and change, as well as the Chair of the Board of Management), the Compliance Officer and his deputy, the National Office lead partner, and the Manager for Public Affairs. When specific issues are discussed, such as internal quality reviews (ECRs) and legal procedures, the officer responsible within the organisation generally also attends.

Virtually all meetings have included a discussion of the progress made in the three strategic priorities of the change programme (Continue the journey, Build quality business, and Grow and innovate), together with the redefining of PwC's values, the roll out of these values, and the partner/director sessions about the importance of these values. We have stressed how important the tone from the top (from the senior management and partners/directors) is to the various elements of the change programme, and we see the Culture and Behaviour Monitor as a positive development in this regard. We have advised the Board of Management to achieve greater impact by focussing not only on the measures and action plans they have put in place but also on the issues underlying them.

Other matters discussed during our meetings included: the improvement plans put in place by individual audit partners/directors following file reviews, progress in implementing the mandatory EQR process, updates on inspections by external supervisory bodies, periodic reports from the Compliance Officer, developments within the audit firm (such as the appointment of business unit leaders and the formation of a separate business unit for Financial Services), PwC in the media, developments concerning the audit profession and the professional body, results of the international review team's Engagement Compliance Reviews and reviews performed internally, the effects of performance in the area of quality on staff and partner/director remuneration and evaluation, lessons learned from claim situations, Internal Audit reporting on their testing of the Quality Management System, and the 2017 stakeholder dialogue. We have also discussed incident notifications and incoming disciplinary complaints with the Board of Management.

In addition to consultation during the regular committee meetings, the Chair and members of the Public Interest Committee have also had ad hoc contact with the Chair of the audit firm, the Board of Management and the Supervisory Board on specific matters of interest.

The Committee's self-evaluation was carried out as part of the overall Supervisory Board evaluation, and this is addressed in the Report of the Supervisory Board included in Holding PricewaterhouseCoopers Nederland B.V.'s Annual Report 2016-2017.

Keeping the dialogue with stakeholders open

The intensive dialogue that PwC has had with its internal and external stakeholders is set out in its Annual Report 2016-2017. We follow very closely the steps being taken by the Board of Management to restore public trust in the auditing profession, in particular the steps relating to quality improvement. The findings of the Accountancy Monitoring Committee earlier this financial year led to intensive discussion with the Board of Management, both in meetings and in informal sessions between the Supervisory Board and members of the Board of Management. These discussions addressed the subjects raised in the report in the areas of: quality, fraud and going concern, audit and advisory within one organisation, the partner and remuneration models, the structure and balance within the market, and in particular as to how to work collectively within the sector as a whole to avoid these aspects leading to quality, independence or other issues. We and the Board of Management recognise that public perceptions of the matters addressed in the report (and of decisions made relating thereto) change over time as societal developments and expectations evolve. It is indeed essential that the expectation gap in areas such as the auditor's responsibility in terms of fraud and corruption and the auditor's role in going concern issues be addressed. Public trust in the sector and in the profession must be restored, and this needs dialogue, on the part of both the sector and PwC itself, with a wide range of stakeholders. PwC knows it has a responsibility to engage in this dialogue and, in doing so, contribute to the development of the profession's vision and agenda for quality.

We see it as positive that PwC's Board of Management is actively involved in the auditing sector's agenda for change and is contributing to societal issues such as those mentioned previously. Also, we have encouraged the Board of Management to contribute to the Ministry of Finance's investigation into remuneration and business models.

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Quality under control
One particular key issue that was the subject of extensive discussion with members of the Board of Management and the Compliance Officer this year was the way in which PwC is adopting the measures taken for improvement with a view to improving quality. Within the context of our internal supervisory responsibilities, we requested the Board of Management to provide periodic insight on a more integrated basis into the relevant aspects of quality within the audit firm, the (statutory) audits performed, and the efficacy of the quality improvement process. The number of different reports (including those for quality) makes it difficult to identify simply and clearly what the key areas of focus are. To get a clear view as to how quality and quality improvement is managed, the areas that are troublesome and the areas that need extra attention, we focus our supervisory activity on those quality indicators that require proactive management on the part of the Board of Management.

We have achieved a lot together as a firm. Many measures for improvement have been adopted in a short timeframe, there is a day-in-day-out effort to deliver higher and higher levels quality, and the change process is being taken seriously. As indicated, however, there is still much that can and must be improved. This was clear from the reports issued by the external supervisory body. PwC is very well aware that there are things that can and must be improved and that there is much work still to be done. We have requested the Board of Management to re-review the efficacy of the measures and initiatives put in place to improve quality and also to increase the speed at which changes are achieved and results thereof become clearly visible. We believe it is important for there to be better insight available when setting (or reconfirming) priorities for the agenda for quality and the tangible action plans relating thereto. The discussions we have had covered both the current status and the future follow up process.

Focussing on society
We reported last year that PwC had decided not to accept all aspects of the AFM's decision to levy a fine on the basis of its regular 2013-2014 inspection of a number of 2011-2012 audit files. The particular aspect that concerns PwC is the underlying interpretation of duty of care: in what circumstances does an organisation meet its duty of care and in what circumstances does it not. After the AFM rejected the objection, PwC filed an appeal with the district court in Rotterdam, and this appeal is still before the court. If the decision to levy a fine is annulled, a monetary amount equal to the amount of the fine will be contributed to the Foundation for Auditing Research (FAR).

All of our meetings during the year included consideration of the key societal developments and an update of ongoing and recent legislation and regulation as they apply to auditors and audit firms, including the related consultation processes.

Participation by members of the Committee in PwC's meetings with its most important stakeholders provide the Committee with up to date insight into the expectations of the stakeholders and into the way in which PwC is addressing these. We concur with the Board of Management's view that the Board's dialogue with stakeholders regarding the issues that the sector faces should involve not only organisations like PwC but also the legislative and regulatory bodies as well.

Transparency report
We have discussed this Transparency Report 2016-2017 with PricewaterhouseCoopers Accountants N.V.'s policymakers. We believe that the tone of the Report is consistent with our understanding of the approach taken by PricewaterhouseCoopers Accountants N.V. to ensure that the public interest is safeguarded and of the status of its quality management system.

The Public Interest Committee,
Nout Wellink (Chair)
Naomi Ellemers
Jan Maarten de Jong (as from 1 July 2017)
Annemarie Jorritsma (as from 1 July 2017)
Frits Oldenburg (as from 1 July 2017)
Cees van Rijn
Yvonne van Rooy

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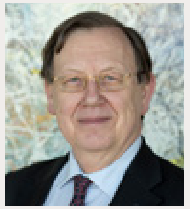
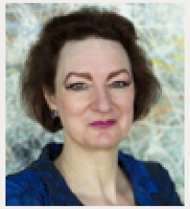


Nout Wellink (born 1943) was, until June 2011, President of De Nederlandsche Bank (the Dutch Central Bank). He was also a member of the Governing Council of the European Central Bank (ECB) from 1999 to 2001, President of the Bank for International Settlements from 2002 to 2006 and Chair of the Basel Committee on Banking Supervision from 2006 to 2011. From 1 May 2008 to 1 September 2016, he was Chair of the Board of Governors of Leiden University. He has been Chair of PwC's Public Interest Committee since 2013. He is also a non-executive director of the Bank of China, Chair of that bank's Risk Policy Committee and Chair of the Bontius Foundation.



Naomi Ellemers (born 1963) is a social psychologist and professor at Utrecht University, working in areas such as remuneration and motivation, organisational diversity and change, moral behaviour and ethics. Amongst other things, she is a member of the Royal Netherlands Academy of Arts and Sciences and a Corresponding Fellow of the British Academy for the Humanities and Social Sciences (FBA). Previously she led the Social and Organisational Psychology department of Leiden University, with responsibility for various research projects and, amongst other things, the educational curriculum. She is currently a board member of the Praemium Erasmianum Foundation. Ellemers has been a member of PwC's Public Interest Committee since 1 May 2015. In her primary role as university professor at Utrecht University, she has entered into a collaborative arrangement with the AFM under which she will be involved, amongst other things, in the promotion and publication of academic research into the psychological processes involved in supervision. Given her secondary role as supervisory director at PwC, she will not be involved in any way in research into audit firms.

Cees van Rijn (born 1947) was CFO and member of the Board of Management of Nutreco from 2001 to 2011. His previous appointments included CFO of Sara Lee Meats Europe, CFO Northern Europe of the McCain Foods Group and a number of positions with Nutricia. He is currently supervisory director at ForFarmers, Chair of the Supervisory Board of the Detailresult Groep and supervisory director at Royal FloraHolland, the Plukon Food Group, UTZ Certified and Erasmus Q-Intelligence. Van Rijn has been a member of PwC's Public Interest Committee since 2013.

Yvonne van Rooy (born 1951) has been, amongst other things, Secretary of State for Economic Affairs, Member of the European and Dutch Parliaments, Chair of the Executive Boards of both Tilburg and Utrecht Universities and Deputy Crown-appointed member of the Social and Economic Council of the Netherlands (SER). She has been Chair of de Nederlandse Vereniging van Ziekenhuizen (the Dutch Association of Hospitals) since 2012. Her other appointments include Chair of the Supervisory Board of Philips Electronics Nederland, member of the Executive Board of the Confederation of Netherlands Industry and Employers (VNO-NCW), board member of Stichting Administratiekantoor Koninklijke Brill, supervisory director of NN Group, Member of the Curatorium Protectors of the Camp Vught National Memorial, member of the Supervisory Boards of the Nationaal Kunstbezit (the Netherlands Art Collection Foundation), the Nexus Institute and the Gemeentemuseum The Hague (the Municipal Museum of The Hague. Van Rooy has been a member of PwC's Public Interest Committee since 2013.
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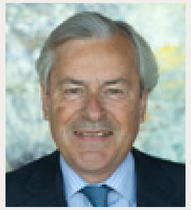
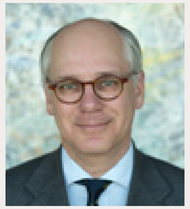


Jan Maarten de Jong (born 1945) was a member of the Managing Boards of ABN AMRO and ABN AMRO Holding from 1989 to 2002. He joined Algemene Bank Nederland in 1970 and held a number of positions including Director General and member of the Managing Board. He was adviser to the Managing Boards of ABN AMRO and ABN AMRO Holding from 2002 to 2006.
De Jong's other positions have included supervisory directorships at AON Nederland, CRH Plc (Ireland), KBC Bank NV (Belgium), Heineken, Nutreco, Theodoor Gilissen Private Bankers and de Onderlinge 's-Gravenhage. Amongst other things, he is currently a member of the Supervisory Board of KBL European Private Bankers S.A. (Luxemburg) and a member of the Managing Board of Stichting Preferente Aandelen ASML. De Jong has been a member of PwC's Public Interest Committee since 1 July 2017.

Annemarie Jorritsma (born 1950) has been a member of the Dutch Senate (Eerste Kamer) for the VVD since 9 June 2015 and Chair of the Nederlandse Vereniging van Participatiemaatschappijen NVP (the Dutch private equity association) since 1 September 2015. She stepped down as Mayor of Almere in September 2015, a position she had held since 2003. She was also Chair of the VNG (the Association of Netherlands Municipalities) for seven years. Prior to that, she was a minister in the Kok Cabinet for eight years, four with the Ministry of Transport and Water Management and four with the Ministry of Economic Affairs. Jorritsma's other positions include Chair of Koninklijke Nederlandse Heidemaatschappij, Chair of the Supervisory Board of Alliander, Ambassador for Topvrouwen and Chair of Stichting Verkiezing overheidsmanager van het jaar (the public sector manager of the year award) and of the jury for businesswoman of the year. Jorritsma has been a member of PwC's Public Interest Committee since 1 July 2017.



Frits Oldenburg (born 1961) has been of-counsel with FG Lawyers since 2013. He was a member of the Board of Trustees of the International Bureau of Fiscal Documentation from 2004 to 2014 and was a partner with NautaDutilh from 1995 to 2013. As a notary, he specialised in company law and was also, amongst other things, a board member of de Koninklijke Notariële Beroepsorganisatie (the Dutch professional organisation for notaries). He is currently a member of the Managing Board of Stichting Vrouwe Groenevelt's Liefdegesticht, the Dutch Red Cross' North and East Gelderland District and Stichting Astma Bestrijding (the Dutch foundation for combatting asthma). He has been a member of PwC's Public Interest Committee since 1 July 2017 (after having been a member of this committee from 2013-2015).

Changes to the composition of the Pubic Interest Committee as of 1 July 2017
Jan Maarten de Jong, Annemarie Jorritsma and Frits Oldenburg joined the Public Interest Committee as of 1 July 2017, as a result of which all members of the Supervisory Board are now members of the Public Interest Committee.

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Our definition of quality

For an audit firm, service quality begins with compliance with legislation and regulation, in particular acting with integrity, objectivity, independence and professional scepticism. But more is needed for us to live up to our purpose. For this, we need to create value for our stakeholders that goes beyond compliance and that differentiates us as a firm, for instance by providing insight through public benchmarks, participating in the public debate, contributing to the development of our people, and contributing to our clients' business processes through, for instance, management letters and improved financial statements and reporting.

So, in this context, we define quality as follows:
1. Compliance with legislation and regulation and thereafter
2. Delivering added value to society, our people and our clients.

The objective of a quality management system is to ensure compliance with all applicable legislation and regulation. Our Quality Management System (QMS) is the framework that PwC has developed to manage quality and assure continuous delivery and improvement in the quality of our assurance services.

Our quality management system

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

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

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 all 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 and professional scepticism.

The Auditors 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 Audit Firms (Verordening accountantsorganisaties), and the Supplementary Requirements regarding Auditing and Other Standards (Nadere Voorschriften controle- en overige

Regulatory framework for the statutory audit in The Netherlands

Who	*What*	*Standards framework in general*	*Legislation and regulation*
Audit firm	Operating structures	- Quality management system - Work performed in a managed environment and with integrity	Wta, Bta, EU Regulation
External auditor	Professional practice	- Code of Ethics - Independence rules - National and international audit standards (such as ISAs)	Wta, Bta, Wab (VGBA, ViO), EU Regulation

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standaarden (NV COS)). The scope of these regulations extends beyond the statutory audit and applies also 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 ISQC1 (International Standards on Quality Control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements) issued by the International Auditing and Assurance Standards Board (IAASB). This standard defines the objective of the quality management system as follows:

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

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

The quality management system for our audit firm, as set out in our QMS, is focussed on this objective.
QMS consists of seven pillars:

1. Leadership
2. Ethics
3. Independence
4. Client and engagement acceptance
5. Human capital
6. Engagement performance
7. Monitoring

In the table alongside the most important elements of the QMS for each of the seven pillars are included. *Pages 23-54* describe these seven interconnected pillars and a number of elements in further detail and reports on the most important quality indicators related to the various pillars.

The culture and behaviour within our organisation and the diversity and vitality of our people play a role in how our QMS operates, but they are not independent elements as such. More information regarding diversity and vitality are included in the PwC NL Annual Report 2016-2017.

The management board of PricewaterhouseCoopers Accountants N.V. (also referred to as the Assurance Board) and the Board of Management of Holding PricewaterhouseCoopers Nederland B.V. are the policymakers of the audit firm PricewaterhouseCoopers Accountants N.V. The Assurance Board is responsible for the design, maintenance and operation of the quality management system, and the Assurance Board assesses the adequacy of the design, existence and operating effectiveness of the system on an annual basis. Where shortcomings are noted, a remediation process is set in motion to correct the practices and/or to update the systems affected. The annual statement by the policymakers regarding the operating effectiveness of the quality management system is included in this Transparency Report (see *page 62*).

The Business Unit Leaders, along with their management teams (consisting of a quality assurance partner, change partner, human capital partner and operations partner) are responsible for implementing the policies for quality within their respective business units. They acknowledge this by annually confirming their commitment to and implementation of all of PwC's policies for quality.

Pillar	Most important elements
Leadership	- PwC purpose and values - Stakeholder dialogue - Enterprise risk management - Audit Quality Risk Assessment - Partner/director involvement
Ethics	- Gedragscode - Complaints procedure - Notification and whistleblower procedure - ICT Code of Conduct
Independence	- Firm independence - Authorisation for Services - Personal independence - Personal Independence Compliance Testing - Additional function database - Annual compliance confirmation - Independence training and communication
Client and engagement acceptance	- Client and engagement acceptance - Selectivity - Partner/director and QRP allocation - Acceptance and risk panels
Human capital	- Global People Survey - L&D curriculum - Appointment of partners and directors - Talent and workforce management - Evaluation process staff (evaluation and promotion) - Evaluation process partners/directors (BMG&D)
Engagement performance	- PwC Audit Guide - Aura and other tools - QRP involvement - National Office consultations (fraud, continuity, other) - Notifications (AFM, Wwft, other) - Specialist involvement - Outsourcing to delivery centres - Real Time Reviews - Legal proceedings
Monitoring	- Engagement compliance reviews - Quality indicators - Compliance Office - Internal Audit Department - Reviews by PwC Global - Root cause analysis

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Our process of quality improvement

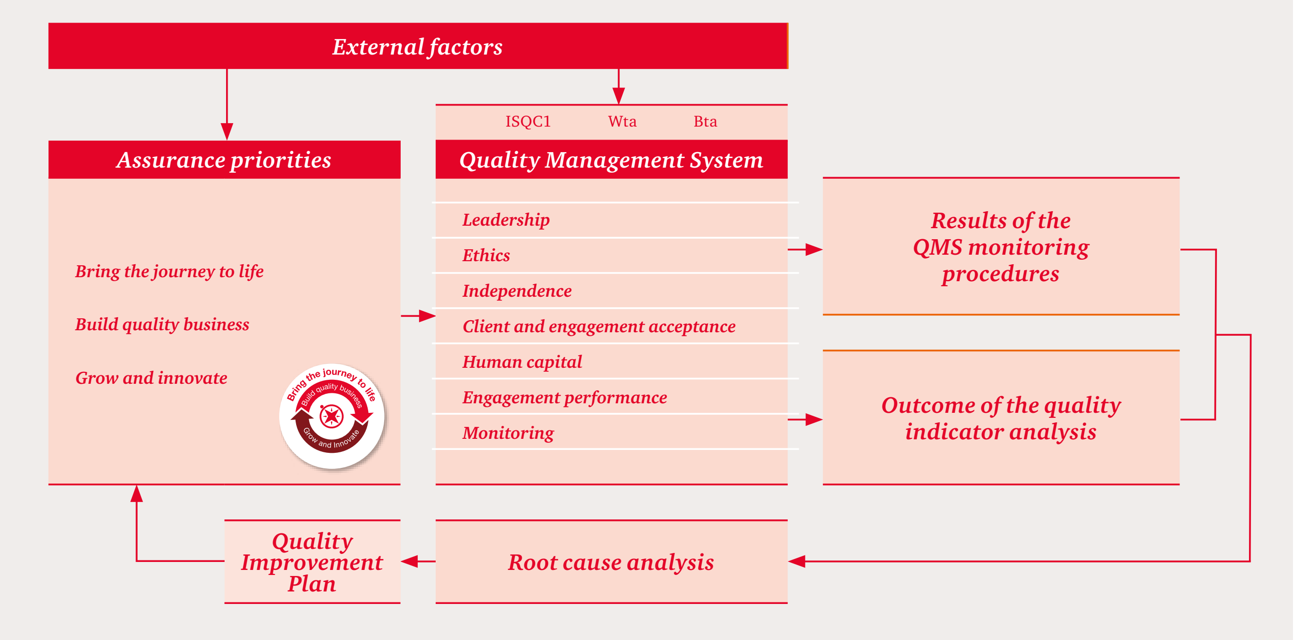
Quality improvement is a continuous process within our quality management system. External and internal factors, not only changes in legislation and regulation and internal PwC standards but also technological change and innovation, result in updates to our quality management system and therefore impact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

To monitor the operating effectiveness of the QMS and process of quality improvement, we use the results of the monitoring procedures included in QMS itself as well as the results of the analysis of progress made in achieving objectives as measured by the quality indicators. The quality indicators are pulled together from their respective reporting elements within Assurance and incorporated into the annual cycle of root cause analyses. A Quality Improvement Plan is then put together based on the outcome of this root cause analysis process, and this in turn sets the agenda for measures and action plans for quality improvement. The quality improvement process is set out in the schematic to the right.

One reporting vehicle for quality

The strategic priorities, the quality management system and the quality indicators on which we manage are currently reported through various different reports and, together, these comprise the quality indicators referred to in the NBA Guideline 1135 'Publication of quality factors'. In early 2017, we decided to develop one integrated report, the Integrated Dashboard, for quality within our audit firm, which will enable us to manage quality and quality improvement on an integrated basis better.

Framework for the pillars of our quality management system



To assess the operating effectiveness of the quality management system and of the measures and steps taken, the quality indicators are benchmarked to the goals set. Our ambition for the coming year is to set goals for more quality indicators so that we can determine more explicitly whether we are achieving our ambition and also provide more insight and input to the root cause analysis process.

The set of indicators regarding culture and behaviour within our audit firm are not grouped within our QMS, but are reported separately. See also page 50 for a description of our Culture and Behaviour Monitor.

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Our tone from the top must reflect precisely what we have set as our purpose, strategy and values, and it must provide leadership to our staff by demonstrating behaviour that is consistent with a quality-driven culture and a learning organisation whose primary focus is the public interest.

Tone from the top
The Assurance Board (the Board) puts in its communications to the practice, the importance that we place on the PwC purpose, the values and on the Assurance strategy central. The Assurance Board's communication takes several forms, including digital newsletters, dedicated intranet pages, blogs and video messages, Assurance-wide events, and the regular monthly Lessons Learnt email of current findings from the Real Time Reviews. We also communicate through public appearances and opinion papers, office dialogue and dilemma sessions with Board Members and staff, and through this Transparency Report. In addition, National Office communicates on professional technical matters through its weekly newsletter, and the Assurance Board is very closely involved in the design of the Summer School, an annual multi-day programme of training, and in the audit transformation programme.

Our values

Act with integrity
- Speak up for what is right, especially when it feels difficult
- Expect and deliver the highest quality outcomes
- Make decisions and act as if our personal reputation were at stake

Make a difference
- Stay informed and ask questions about the future of the world we live in
- Create impact with our colleagues, our clients and society through our actions
- Respond with agility to the ever changing environment in which we operate

Care
- Make the effort to understand every individual and what matters to them
- Recognise the value that each person contributes
- Support others to grow and work in the ways that bring out their best

Work together
- Collaborate and share relationships, ideas and knowledge beyond boundaries
- Seek and integrate a diverse range of perspectives, people and ideas
- Give and ask for feedback to improve ourselves and others

Reimagine the possible
- Dare to challenge the status quo and try new things
- Innovate, test and learn from failure
- Have an open mind to the possibilities in every idea

Our values
The principles and guidelines on how PwC staff and partners should behave and should act in various circumstances and situations are prescribed in our global Code of Conduct, see paragraph 'Ethics'. The Code of Conduct is supported by our values. In 2016-2017 the global values have been recalibrated and rolled out in the practice (refer to figure). In practice, this means that we expect from every PwC colleague to behave in line with these values.

Partners and directors setting the right example
In addition to the Assurance Board, partners, directors, senior managers and managers play an important role in living our norms and values, including demonstrating professional scepticism and appropriate behaviour. Our partners and directors are responsible for the quality of each individual engagement they perform with their teams. There is emphatically room for professional judgment, but there are also clear frameworks and limits in which our people must operate. Partners and directors set the tone for their team members. In our evaluation and remuneration methodologies for partners and directors, we look very specifically at how their behaviour has influenced the achievement of our strategic goals, with quality as the key driver (see paragraph 'Human capital').

Appointment process for new partners and directors
We have an extensive process and a Country Admissions Committee (CAD) in place that coordinates the appointment of new partners and directors. The CAD acts as an advisory body for both the BoM and the three LoS Boards of PwC Netherlands, among which the Assurance Board. The CAD has a sub-committee for each LoS with an independent chairman's duo. The Chair of the CAD is appointed by the BoM and the members are appointed by the LoS Boards, both for a maximum of two four-year terms. The Chair and members may hold no other management functions. The CAD focuses mainly on the extent to which the personal qualities of the professionals concerned fit the profile we

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have set for PwC partners and directors. The Assurance Board appoints new directors based on advice from the CAD and these appointments are ratified by the BoM. Subject to approval by the General Meeting (GM), the BoM makes new partner appointments based on proposals from the Assurance Board and on advice from the CAD. The BoM needs to obtain the approval of the SB for those professional practitioners being appointed as external auditors within the audit practice. The BoM's submission to the GM for approval of its appointments is accompanied by advice provided by the Partner Council and, for those being appointed as external auditor in the Assurance practice, also the approval of the SB. Any decision by the BoM to terminate the association agreement with any partner who acts as external auditor in the audit practice also requires the approval of the SB.

Stakeholder dialogue

We are in constant contact with our more important stakeholders to hear from them what their key expectations are and to sound out our own ideas. We do this through a programme of stakeholder dialogues (see PwCL NL Annual Report 2016-2017). The People Survey, our annual survey into staff satisfaction, provides input as to how staff view aspects such as culture, behaviour and leadership within the organisation (see paragraph 'Human capital'). In addition, the Public Interest Committee keeps us focused on how well we are attuned to the perceptions of society (see the section 'Report of the Public Interest Committee').

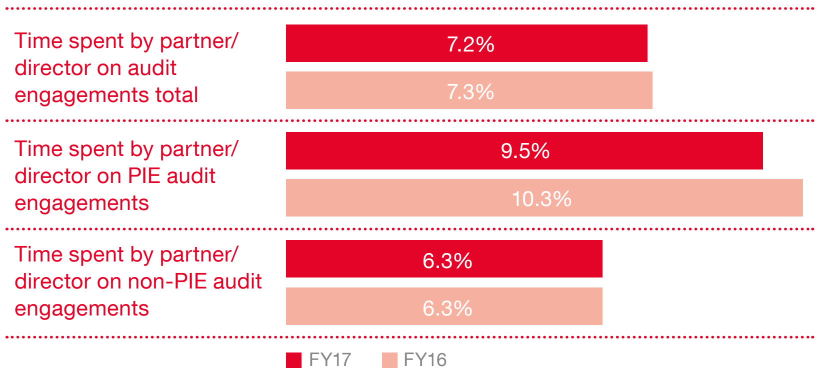
1.1 Productivity down slightly, pressure of work still high

We achieved 80,000 more hours on direct client work this year (up 3.7%) with our permanent workforce and an average of 90 more FTEs (up 5.4%). The majority of the extra hours were spent by managers and senior associates. This reduced slightly the pressure of work on our permanent workforce from an average of 1,296 direct hours per person in FY16 to 1,275 in FY17.

Average number of direct hours per FTE	FY17	FY16
Partner/director	900	945
(Senior) manager	1,180	1,213
(Senior) associate	1,370	1,381
	1,275	**1,296**

1.2 Time spent by partners/directors virtually unchanged

The percentage of time spent on audit engagements by partners and directors (7.2% of total direct hours) was virtually unchanged from prior year. The reduction in involvement on PIE audit engagements results from the large number of first year audits in FY16, which involved a relatively higher amount of time spent by the audit teams of which the time spent by partners and directors was proportionately higher.



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We participate in the public debate on the role of the external auditor and we contribute to the sector-wide evolution of the profession through various forums such as NBA bodies, the Dutch Accounting Standards Board, the Dutch Financial Reporting Committee of the NBA (our Dutch professional body) and at various universities. We speak to politicians about developments in the profession and also specifically about legislative proposals.

Enterprise risk management

As part of our regular planning and audit cycles, we regularly take stock of the principal risks and opportunities we face in strategic, operational, financial and compliance areas and how these are mitigated within the context of the risk appetite we have set. We take further action where necessary, and our management model keeps these actions under review. This methodology, Enterprise, Opportunities and Risk Management, is part of our PwC network standard for risk and quality, and this includes how we deal with enterprise risk management.

We apply tailored, in-depth risk assessments for risks in the area of audit quality. The results of these assessments are addressed within the Assurance Board, the Board of Management's Risk Council, the Public Interest Committee and the Supervisory Board and we share the results within our global network. The principal risks relating to the focus areas in our strategy are set out in our PwC NL Annual Report 2016-2017.

A vision for change, with focus on culture and behaviour

To meet the expectations of our stakeholders and to build trust in society (our purpose), quality and continuous learning and innovation are key. It is essential in the rapidly changing world of today that we get our organisation fit and ready for the future. The journey is preparing us for the transition of becoming a purpose-led and values-driven organisation. Our change programme comprises of three strategic priorities. See the Report of the Assurance Board for the explanation of these.

Our change programme is being led by a central team comprising an Assurance Board member, partners, a programme manager and communication and change specialists. The team is responsible for the entire management of the programme, for overseeing the synergies between the various initiatives and for leading the implementation and anchoring of the new techniques and behaviour. The team works closely with the transformation team that manages the change programme across PwC as a whole. We have been monitoring change in our culture and behaviour by means of the so-called Culture and Behaviour Monitor, see paragraph 'Monitoring'. ■

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We expect ethical behaviour and attitude from our partners and staff, and our reputation stands or falls on the basis of this. The PwC Code of Conduct provides our partners and staff guidance to ensure they do the right thing. In addition, we have a Complaints procedure and a Notification and Whistle-blower procedure in case something goes wrong or threatens to go wrong. We also have appointed a Code of Conduct Partner.

At PwC, we adhere to the fundamental principles of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, which are:

- Integrity – to be straightforward and honest in all professional and business relationships.
- Objectivity – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
- Professional Competence and Due Care – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practise, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
- Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.
- Professional Behaviour – to comply with relevant laws and regulations and avoid any action that discredits the profession.

In addition, our Network Standards applicable to all member firms of the global PwC network cover a variety of areas including ethics and business conduct, independence, anti-money laundering, anti-trust/anti-competition, anti-corruption, information protection, firm's and partner's taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements. All partners and staff undertake regular mandatory training and assessments, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which we operate.

Code of Conduct

Our purpose, the values (as set out in the Code of Conduct) and the PwC Professional collectively provide guidance to our partners and staff in their behaviour and attitudes. The Code is an integral part of the contracts of employment and association signed by all staff and partners, respectively. The key basic elements of the Code are professional conduct, respect for others, reputational assurance and contribution to society. Clients also agree to ethical conduct in accepting our terms and conditions as part of the letter of engagement. An updated Code of Conduct is implemented across the entire PwC network of member firms in financial year 2016-2017, see our external *website*.

The Code of Conduct is a mandatory element of our training and development programmes. Simultaneously with the updated Code of Conduct a new e-learning ('Living the Code') has been rolled out in financial year 2016-2017. The e-learning specifically addresses the handling of dilemmas. All partners and staff must follow this training. All new employees must complete this training before starting their work.

ICT Code of Conduct

We guarantee the secrecy and the protection of information obtained during daily operations, by, among other things, securing (digital) internal and external information carriers and archives. We have drawn up a Global Data Protection Policy within the PwC network for this, which we have supplemented in The Netherlands with the applicable – and further – Dutch requirements regarding the protection of personal data (The Personal Data Protection Act and the Data Breach Notification Obligation).

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Our ICT Code of Conduct also addresses this. Proper use of information and of the equipment and facilities that PwC provides, and their security, are critical in our organisation. Improper use can result in reputational damage. The ICT Code of Conduct is a translation of the do's and don'ts for staff and partners dealing with IT, internet and social media. This code is an integral part of the terms of employment, and partners and staff are required to confirm annually that they have acted in accordance with the Code for the entire period covered by the confirmation.

The professional oath for accountants

The Professional Oath for Accountants Regulation requires all Dutch chartered accountants within the Assurance practice to swear the professional oath. Already registered accountants have taken this oath during the summer of 2016. Newly qualified chartered accountants swear the oath when they complete their study.

Complaints procedure and Notification and Whistle-blower procedure

The Complaints procedure and Notification and Whistle-blower Procedures are governed by our Code of Conduct. These procedures are both for complaints in the personal arena and for suspicions of professional misconduct or other incidents. Notifications in the personal arena may, for instance, include intimidation, aggressive behaviour or discrimination. Those who file a complaint are put in touch with the Complaints Committee. The Business Conduct Committee (BCC) deals with any notifications of suspected professional misconduct (for instance, improper acceptance of gifts or deliberate mis-invoicing) and with any suspected other incidents.

Staff who experience undesirable behaviour in the personal arena or who suspect professional misconduct have access to any of the Confidential Counsellors we have within our organisation. An outside party with a suspicion of professional misconduct or an incident may report this to the BoM or to the Assurance Board, both of which will report on to the BCC. After due investigation, the BCC submits its advice on the matter to the BoM. Both the BCC and the Complaints Committee report on an annual and anonymous basis to the Code of Conduct Partner. Neither the Complaints Committee nor the BCC may issue sanctions. They submit advice to the Code of Conduct Partner respectively BoM, which is ultimately responsible for the final decision on the matter. The advice submitted can take the form of a proposal for disciplinary or other action, and this can ultimately lead to termination of the employment contract/association agreement. ■

2.1 Four approaches to confidential counsellors, but no formal complaints or notifications submitted

As required by our Code of Conduct, we have a network of confidential counsellors to whom staff can turn to discuss confidential matters such as personal issues (improper behaviour or contact) and suspicions of professional misconduct. These discussions do not necessarily lead to a formal complaint or notification being submitted to the Complaints Committee or Business Conduct Committee (BCC). In most instances, resolutions are worked out in the workplace with the Confidential Counsellor sometimes acting as sounding board or mediator. Confidential Counsellors were approached four times in the Assurance practice.

No complaints were handled by the Complaints Committee and no notifications of suspicious professional misconduct were handled by the BCC. There were two instances (one of which came from a third party) where a suspicion of professional misconduct was referred to a higher authority or another person within the individual's work environment. After due and proper consultation with the parties involved to resolve the issue and ensure no recurrence in the future, a solution was found on both instances and no notification to the BCC was needed.

	FY17	FY16
Number of approaches to confidential counsellors	4	9
Number of complaints handled by the Complaints Committee	0	0
Number of internal and external notifications to the Business Conduct Committee	0	0

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We are expected to comply with the fundamental principles of integrity, objectivity, and professional behaviour. In relation to assurance clients, independence underpins these requirements. Compliance with these principles is fundamental to serving our clients. For the acceptance of clients and continuance of engagements, our procedures contain mandatory regarding both the personal independence and the independence of PwC as an organisation.

The PwC Global Independence Policy, which is based on the IESBA Code of Ethics for Professional Accountants, contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary. In addition to the specific independence requirements of the US Securities and Exchange Commission (SEC) and the PCAOB, the Dutch and EU independence regulations are also included in the GIP.

Independence requirements and procedures

The PwC Global Independence Policy covers, among others, the following areas:

- Personal independence of our partners and staff and firm independence. There are policies and guidance on the holding of financial interests and other financial arrangements, e.g. bank accounts, loans and pension schemes.
- Non-audit services and fee arrangements. The GIP is supported by Statements of Permitted Services (SOPS), which provide practical guidance on the application of the policy in respect of non-audit services to assurance clients.
- Business relationships. There are policies and guidance on joint business relationships and on purchasing of goods and services by PwC.

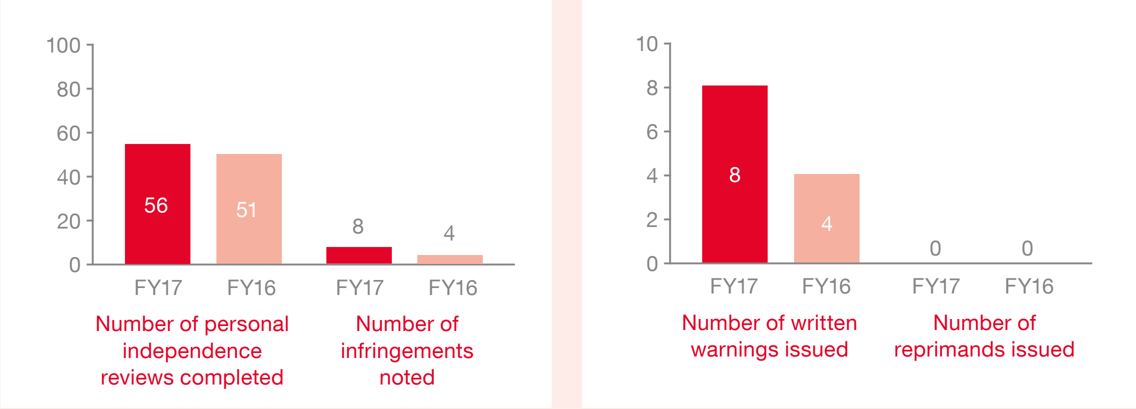
Independence related tools

As a member of the global PwC Network, the firm has access to a number of tools which support us as a firm and our staff in executing and complying with our independence policies and procedures. These systems include:

- The Central Entity Service (CES), which contains information about corporate entities including (public interest) audit clients and SEC restricted clients and their related securities. CES assists in determining the independence status of clients before a member firm of the global PwC network enters into a new engagement with the client.
- 'Checkpoint' which facilitates the pre-clearance of publicly traded securities by all partners and staff before acquisition and records their subsequent purchases and disposals. Partly on the basis of the information in CES, Checkpoint identifies shares and bonds that are or have become restricted. Staff with restricted shares or bonds are automatically informed about the requirement to sell the security to continue compliance with the independence rules.
- The Authorisation for Services (AFS) procedure facilitates the mandatory pre-approval of non-audit services to assurance clients to prevent independence risks. The external auditor ultimately responsible for the client must pre-approve all services proposed for delivery to his/her client. No work may start on an engagement and no time may be charged to an engagement until this approval is in place.

3.1 **Increase in the number of written warnings issued in connection with personal independence infringements**

Of the 56 personal independence reviews carried out regarding partners, directors and director candidates, eight resulted in written warnings being issued for lack of or late registration and deregistration of purchases and sales of securities. None of them constituted infringements of external independence requirements. No reprimands or other sanctions were issued.



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In addition to these systems we also have database in which all additional functions of partners and staff are recorded. All possible additional functions have to be approved in advance. The Independence Offices provides a (binding) advice on any independence restriction before the Business Unit Leader (for staff) or the Board of Management (for partners and directors) approves.

Rotation of senior team members and audit firms

The Regulation regarding the Independence of Auditors in Assurance Engagements ('Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten', ViO)includes a requirement that, unless there is no question of unacceptable risk of undue familiarity or self-interest, action needs to be taken as and when the more senior partners, directors or other team members in an audit team have been involved on a client for seven years. Our internal rotation policy requires that, for all assurance clients, partners, directors and senior team members who have had a 'senior engagement role' on a client must rotate after a maximum of seven years' involvement on that client. For PIEs, the requirement is that the partner responsible for the engagement (the key audit partner) must rotate after five years. This is in line with EU Regulation 537/2014, into force since 17 June 2016, which sets out the requirements for the statutory audit of the financial statements of PIEs and the independence required for them.

With effect from 17 June 2016, the law requires that all PIEs must rotate audit firm after ten years and all transitional arrangements cease as of that date. We have internal procedures in place to ensure that we comply with independence requirements for the new clients and that we maintain independence from the clients from which we resign until the final auditor's report has been issued.

Independence confirmation

All partners and staff are required to complete an Annual Compliance Confirmation (ACC), whereby they confirm their compliance with all policies regarding investments, additional functions, personal relationships and the use of ICT. In addition, all partners confirm that all non-audit services and business relationships for which they are responsible comply with the GIP and that the required processes have been followed in accepting these engagements and relationships. These annual confirmations are supplemented by (re)confirmations on engagement level when partners and staff charge hours to client engagements.

Independence Office

PwC has a designated functionally responsible who is responsible for the implementation of the GIP including managing the related independence processes and providing support to the business. A team of twelve FTEs assists him, as independent specialists, to support our staff and help with matters that concern the question whether we can serve a certain client and whether the service is permitted. The functionally responsible reports to the Risk & Quality Leader of the Board of Management.

Training and communication about independence

We provide all partners and staff with relevant training and communication about independence matters. During the past financial year, much attention was paid to the impact of the EU Regulation on our services. New colleagues must complete a digital training about the independence regulation, as included in the GIP, before they get started.

Personal independence testing

In addition to the earlier described confirmations the Independence Office performs several reviews to determine whether our staff and the audit firm complies with the independence requirements. Among others about one quarter of all partners and directors is being tested each year. Newly appointed (Supervisory) Board-members, partners and directors are subject to the test prior to appointment, and any partner or director who receives a written warning or reprimand is automatically re-tested the year thereafter. Infringements are reported to the Independence Sanctions Committee, and this body is responsible for determining the sanction to be levied within the context of the sanctions policy.

Investment policy

Our Code of Conduct policy for personal investments by partners has been approved by the Supervisory Board and published on our external website. ■

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Pillar 4 *Client and engagement acceptance*

Our acceptance procedures are designed to ensure that we accept only those engagements for which we have the resources, capacity and professional expertise available to assure delivery of the high level of quality that our stakeholders may expect from us. We also impose requirements on our clients with regard to the quality of their internal control and the extent to which they allow us to perform an audit.

Client acceptance and independence

A successful client relationship begins with mutual trust between the client, its stakeholders and us as the auditor. To ensure that this trust is in place from the start, we have developed robust client acceptance processes and systems that focus on identifying the risks inherent in the client and ensuring that we fully understand them. This information enables us to accept only those clients that we believe fit within our acceptance criteria and where we expect to be able to comply with the fundamental principles of objectivity, integrity and professional behaviour, including independence.

Procedures for the acceptance of clients and engagements

We accept new clients only when we are assured of the integrity of the new client and when we have sufficient people and professional expertise to assure a high level of quality. We also assess the independence requirements that apply to the client and whether the service is permitted under the national and international legislative and regulatory requirements that apply. For example, Dutch law prescribes (in addition to EU Regulation 537/2014) that advisory services to public interest entities (PIEs) conflicts with the statutory audit responsibility, see also the paragraph 'Independence'.

As part of our acceptance procedures (A&C), we assess the risk profile of the client and the engagement, including an assessment of integrity, continuity and other experiences with the client. Where we identify a higher than normal level of risk in the client or engagement, prior approval is needed from the business unit's Quality Assurance Partner, the Assurance Risk Management Partner and, where necessary, the Assurance Board. In some cases, we do not accept the client or the engagement. Where it is in the public interest that we accept such a higher risk engagement, we take additional steps to mitigate the risk by, for instance assigning a Quality Review Partner (QRP) or Concurring Review Partner (CRP) to the engagement.

Acceptance and risk panels

We also have Acceptance and Risk Panels for referral of potential clients and engagements where our risk assessment or the size criteria indicate a need for wider assessment. Dependent on the nature of the engagement, in addition to the partner/director responsible, the panel may include the Assurance Risk Management Partner, the Business Unit, Industry or Regional Leader and/or a member of the Assurance Board. Depending on the circumstances, other specialists. The risk panel may decide to impose additional requirements to address the risks identified, for instance an additional level of involvement, such as a second partner on the engagement or a specialist as part of the engagement team.

Selectivity

Our profession has changed in recent years. Our clients can testify to this. We spend more time on our audits and our audit files. Through the deployment of suitably qualified staff and our commitment to deliver high quality, we are looking more closely than in the past into engagements that we may not wish to continue or accept. We also impose higher requirements on the organisations we audit with regard to the quality of their internal control and the extent to which they allow us to perform an audit. If we identify clients that do not add sufficient value to the level of quality we are looking to deliver or if their conduct is not in line with our expectations, we resign from the client. If we do not have the resources to deliver the service, large or small, then we do not participate in the proposal process. We do not compromise on quality.

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4.1

Composition of turnover PwC Netherlands 2016-2017 [1]
(€ 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] 42	[iii] 1	4	1	-	**48**	6%
Statutory annual financial statement audits (non-PIE clients)	[ii] 161	4	7	1	37	**210**	27%
Other annual financial statement audits		[iv] 20	1	-	4	**25**	3%
Other reports and assurance reporting			37	1	114	**152**	20%
Assurance-related services				-	1	**1**	1%
Other					331	**331**	43%
Total	**203**	**25**	**49**	**3**	**487**	**767**	100%

Composition of turnover PwC Netherlands 2015-2016 [1, 2]
(€ 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] 39	[iii] -	6	2	1	**48**	6%
Statutory annual financial statement audits (non-PIE clients)	[ii] 162	5	8	1	40	**216**	29%
Other annual financial statement audits		[iv] 36	3	-	7	**46**	6%
Other reports and assurance reporting			23	1	51	**75**	10%
Assurance-related services				1	1	**2**	1%
Other					357	**357**	48%
Total	**201**	**41**	**40**	**5**	**457**	**744**	100%

The summary above 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 annex). This definition differs from that included in Article 13, paragraph 2, sub. k of EU Regulation 537/2014.

1 Turnover represents the amounts charged for engagements by all members of the PwC Netherlands member firm. Amounts charged directly by other international PwC member firms to our multinational clients, including audit clients, are not included in this table.
2 The comparative figures have been adjusted following a revised application of the classification methodology. With effect from this year, we have allocated services to categories based on NV COS standards (the NBA's Further Regulations regarding Audit and Other Standards). This has resulted is a shift from assurance-related services to other services

This allocation of revenue is in line with Article 13, paragraph 2, sub. K (i-iv) of EU Regulation 537/2014:
i) Revenues from the statutory audit 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 audit of annual and consolidated financial statements of other entities;
iii) Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and
iv) Revenues from non-audit services to other entities.

The consolidated revenue reported in the annual financial statements of PricewaterhouseCoopers Accountants N.V. for 2016-2017 amounted to € 301 million (2015-2016: € 303 million), of which € 190 million (2015-2016: € 181 million) related to statutory audit work and € 111 million (2015-2016: € 113 million) to other services.

PricewaterhouseCoopers Accountants N.V. is part of an international network of independent member firms. The total revenues earned from the statutory audit of annual financial statements and consolidated financial statements by all audit firms (established in EU/EEA member states) that are part of the network of independent member firms (see Appendix B) amounted to 3 billion euros in 2016-2017.

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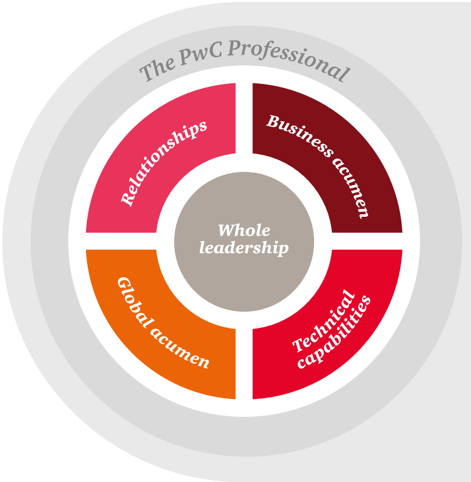
The talent of our people and the passion they put into their work are critical cornerstones of our quality. We see ourselves as a learning organisation that offers its people good coaching and training and development programmes that prepare them to deliver the quality that they need in our ever-changing environment and that ultimately enable us to create added value for society, our clients and our people.

The PwC Professional

Our comprehensive leadership model, The PwC Professional, sets out the competencies and skills that our people need if they are to achieve our purpose, to contribute to the implementation of our strategy, to respond to changes and, to develop, both personally and professionally. These are not just technical competencies and skills, but also skills such as professional scepticism, focus on quality, innovative capacity, authenticity, self-awareness and the ability to work with others irrespective of cultural differences and physical limitations. It is not for nothing that Whole Leadership is at heart of the PwC Professional. In the Netherlands, we have added some additional guidance concerning the mindset that is essential in a quality-focussed and learning organisation, and we have also included the criteria set for trainee accountants by the Committee for Learning Attainment in Accountancy Education (Commissie Eindtermen Accountantsopleiding (CEA).



Whole leadership
I lead myself and others to make a difference and deliver results in a responsible, authentic, resiliant, inclusive and passionate manner.

Business acumen
I bring business knowledge, innovation, and insight to create distinctive value for clients, PwC and other stakeholders.

Technical capabilities
I apply a range of technical capabilities to deliver quality and value for clients, PwC and other stakeholders.

Global acumen
I operate and collaborate effectively with a mindset that trancends geographic and cultural boundaries.

Relationships
I build relationships of high value which are genuine and rooted in trust.

The PwC Professional model is anchored in our recruitment, training and evaluation programmes and systems. As an example, our people can self-assess within the framework of the model to identify where their strengths and challenges lie. The PwC Professional is promoted throughout the organisation, for instance in staff meetings, internal magazines (including special editions) and on our intranet.

Recruitment

We aim to recruit and retain the best people, and we set the bar high for new staff. The process for starters is a multi-stage one with selectivity testing after each stage. All stages include an assessment and two interviews, one broad-based and the other more specific and focused. Ethics and Code of Conduct are some of the issues that come up during the in-depth interview.

New professionals all follow an extensive induction programme giving them detailed insight into our Code of Conduct and addressing issues such as ethical behaviour and independence. Getting professional scepticism well embedded into our day-to-day audit work is a key element of this.

Formation and talent management

In the rapidly changing world of today it is important that our formation is adaptable. Our formation must be able to meet the demands arising from the variety of engagements we perform for our clients. We do not only focus on the size, but also on the diversity within our formation. We are looking for colleagues who have different competencies. Colleagues with a migrant background and a balance between men and women also contribute to a diverse and inclusive culture. Diverse teams contribute to the quality of our work. It is not always easy to find qualified colleagues in a competitive labor market, therefore the retention of talents is of great importance to us. By offering challenging projects, cycles of experience and a technical and personal development program, we commit and inspire colleagues to develop themselves to the maximum.

Staff development and promotion

In our people development, we focus extensively not only on professional skills but also on management and soft skills, with the PwC Professional and behaviour in line with our values (see the figure on *page 23*) as the starting points.

New recruits in Assurance start their development programme in The Associate Academy. This is where our direct intake from universities and institutes of higher education get started. The Associate Academy provides our associates with intensive and broad-based training (both theoretical and practical) and coaching and guidance from accredited internal coaches. We monitor the breadth and depth of our associates' progress through the use of a PwC Professional-based competency passport, fine-tuning development plans accordingly. The Academy allows us to optimise the long-term mobility and flexibility of our staff. After two years, we then assess the readiness of the associate for promotion to senior associate in one of our business units.

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Staff are considered for promotion only when they meet the professional standards required of the next level. In addition to consistent demonstration of the necessary professional skills, a critical factor is also the manner in which the staff member deploys these skills, in other words: his/her behaviour in the day-to-day audit work. Study progress towards professional qualification and personal development as an individual both also play key roles. For promotion to manager in the audit practice, staff must have successfully completed the training for the chartered accountancy qualification (both the theoretical and the practical elements).

For the appointment to senior manager we have a nomination process, in which the Business Unit Leader nominates the candidates. Historical performance and potential also weighs in. After Assurance Board's approval the candidate will give a presentation to a national panel comprising of a mix of Assurance Board or CAD members, Business Unit Leaders or HC Partners, assisted by staff of the Human Capital department. The candidate promotes to senior manager based on the advice of this panel and approval by the Assurance Board. Among other things, the panel looks at the technical performance, the development since being a manager and the contribution to quality-oriented roles and initiatives.

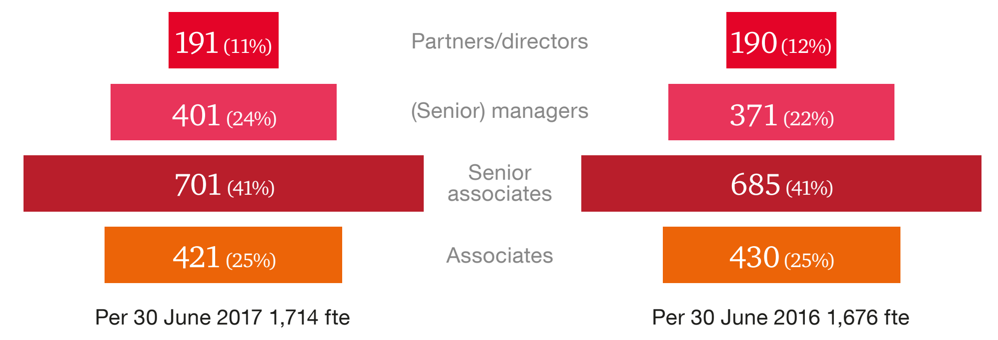
Promotion from senior manager to director follows a fixed two year process, for which candidates are proposed by their Business Unit Leader. As and when the Assurance Board approves the Business Unit Leaders' nominations, the candidates start on what we call development days.

Quality and professional expertise are determining factors in the nomination process for directors and partners, including:
- A written and oral test, by National Office, in the areas of auditing, risk management and financial reporting, to be successfully completed before the candidate may be nominated.
- What we call the director dialogues, in which the director candidate sets out his/her vision for his/her contribution to the PwC purpose, the PwC relationship with society, quality, human capital and staff development.
- The self-assessment that the candidate puts together on a number of quality related criteria, such as consultation activity and attitude, compliance with training goals and knowledge of auditing and accounting standards.
- Positive results in at least one engagement-specific quality reviews in the two years preceding the director appointment. For the appointment to partner, positive results in at least three engagement-specific quality reviews in the five preceding years.
- At least 700 hours for upcoming directors and 400 hours for upcoming senior directors and partners of demonstrable experience (through a so-called quality experience) in a quality role. Until 1 July 2017 a transitional arrangement applied to all newly appointed directors and partners. They drew up a clear plan as to how achieve this within five years.

5.1 Further growth in the permanent workforce and a reduction in the flexible workforce

Our permanent workforce grew by 2% to 1,714 FTEs as at 30 June 2017. In FY17 the average headcount was 1,763 FTEs (FY16: 1,672 FTEs) while revenue increased slightly. This increase in headcount results from a higher number of audit hours per engagement, new clients and growth in our Risk Assurance and CMAAS practices, coupled with reduced use of temporary, external staff (limited to the senior associate staff level) during our busy season. We have reduced this temporary support from almost 113,000 hours in FY16 to just over 27,000 in FY17. As our permanent workforce continues to grow, we will be reducing the pressure of work and aiming for more continuity within our teams, which will further benefit quality.

In addition to a reduction in the temporary flexible workforce, we will continue to recruit specialist project managers to support the larger audit teams by relieving them of their project management responsibilities and allowing them to focus more on the more substantive elements of their work.



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Learning and development

To maximise consistency across the PwC network, a formal curriculum has been developed at network level. This includes courses on our audit approach and updates on auditing standards and their consequences. This further education supports us in our focus on the quality of the statutory audit and offers staff the chance to sharpen up their professional decision making, scepticism and technical and professional skills.

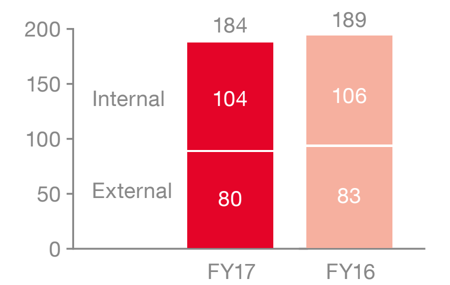
All of our people, including partners, maintain and develop their knowledge and skills through a combination of coaching, on-the-job review and a programme of training. Coaching and on-the-job review are key elements in our team approach to auditing, and our people are given training in providing this coaching and feedback. Also, the Real Time Review team and the engagement-specific quality reviewers (QRPs) play a key role in the professional skills coaching of our people.

PwC has an extensive training programme that covers on a wide variety of competencies and skills. For their professional development, associates and senior associates follow a four-year training programme that familiarises them with all the various aspects of the PwC Audit and our audit software like Aura. In parallel to this, they also follow the post-graduate professional accountancy education for qualification to chartered accountant or IT auditor. They must also complete Dutch GAAP and/or an IFRS curriculum within a set number of years.

Staff levels from senior associate 3 (generally with 5 years' experience) up to and including partner follow a well-defined annual programme comprising a mix of e-learning and Summer School. This programme provides them with training in audit methodology, audit software, risk management and external financial reporting. The content is driven by current developments and the lessons learnt from our root cause analyses and other sources

5.2 Fall in the average number of training hours per staff member

We invest in the development of our staff through training on the job and internal and external education. The total number of hours spent by staff on training and education increased by 2% to nearly 324,000 hours (FY16: just over 316,000 hours), while the average number of hours per staff member fell 3% from 189 hours to 184 hours, mainly as a result of the higher intake in recent years of new starters from universities whose accountancy qualification period is shorter than for starters from other educational streams.



Average number of **hours of training** and education per staff member

(such as National Office consultations). The curriculum is mandatory and sanctions can follow for failure to complete. The e-learning modules and the Summer School both finish off with tests in which the participants must be able to demonstrate that they have understood and fully grasped the subject matter. We also share knowledge through a variety of other channels, such as periodic webcasts and business unit workshops. In addition to the professional skills training programmes, we also have training for all staff levels focused on coaching, communication, reporting and management skills.

Cycles of experience

Mobility is a key element in our flexibility and agility as an organisation. Through what we call Cycles of Experience, we impress on our professionals the importance of mobility and experience outside their regular comfort zones. We discuss individual aims and ambitions and we look which new experiences have added value to both the employee and PwC. A cycle of experience can be of any magnitude: a move to another client portfolio or into another industry sector, a contribution to a corporate social responsibility initiative or to National Office, a move to another business unit or line of service, or a short or long term secondment within the PwC Europe collaboration or within the global PwC network of member firms.

People Survey

Each year, we carry out a staff satisfaction survey amongst our partners, directors and staff (the People Survey). This provides input as to how staff view aspects such as culture, behaviour and leadership within the organisation. They can tell us what they like about PwC and where they see room for improvement. Also questions about our purpose and values are raised. We translate the results of the People Survey into focused plans of action both at national level and within the business units. The People Survey results are also discussed during the BMG&D meetings with our partners and directors. Since 2016, we also carry out two (each among half of our partners, directors and staff) short satisfaction surveys (pulse surveys) with a limited number of questions mainly about culture and behaviour.

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Evaluation and remuneration of staff

From senior associate level upwards, in addition to assessing competency development we also look at individual performance. This is done through the annual evaluation cycle and allocation of both a competence and performance rating. The competence rating provides an annual assessment of the functioning of the employee on a scale of 1 (excellent) to 5 (insufficient). Feedback is an important element to assess the development of competences along the attributes of The PwC Professional. The Snapshot tool is used to obtain this feedback, see figure. The competence rating is the guideline for the salary determination and possible promotion. The performance rating is determined on the basis of the individual contribution to the quality of our services to stakeholders and society along four pillars, namely; client, people, firm/ society and others. The performance rating is decisive for awarding the individual bonus.

We hold annual sounding and benchmark sessions in the business units, in which the partners and managers discuss all staff individually on the basis of the incoming Snapshots and draw an overall objective and consensus view on each individual staff member's competence and performance ratings for the past year and areas they may have for further development. The results of these sessions are reflected in the individual annual evaluation meetings. We also assess the mix of competence and performance ratings in the context of the national coverage and mix we are aiming to achieve.

5.3 Turnover among female staff and staff from migrant backgrounds still above average

Staff turnover has increased from 13% to 15% this year. Turnover among the more highly rated staff (1 and 2 ratings) fell by 2 percentage points, remained constant (at 13.9%) among male staff, increased (from 10% to 16.8%) among female staff, and increased also among staff from migrant backgrounds. This is and will continue to be source of concern and an area for attention.

The relatively high turnover among staff with up to 3 years' service is partly caused by the outflow during the year of twelve trainees taken on as temporary associates to gain experience during this year's peak period and who are scheduled to return to us on a permanent basis after completing their studies in September 2017.

Turnover	FY17	FY16
Total	**15.0%**	**13.0%**
Turnover staff with above average evaluation	**FY17**	**FY16**
Total	9.5%	11.5%
Turnover years of experience	**FY17**	**FY16**
0-3 years	10.8%	7.2%
3-6 years	12.6%	13.4%
> 6 years	25.2%	21.8%
Turnover male/female	**FY17**	**FY16**
Male	13.9%	14.5%
Female	16.8%	10.0%
Turnover (migrant background)	**FY17**	**FY16**
Dutch origin	12.4%	12.7%
Western migration origin	15.1%	7.4%
Non-western migration origin	16.0%	13.2%

5.4 Reduced international mobility due to the smaller flexible workforce

The number of overseas colleagues who joined us in the Netherlands (for both short-term and long-term stays) was down on prior year due to lower staff numbers (mainly senior associates from South Africa) following the reduction in the flexible workforce (see also KPI 5.1). Those who came for a longer period were mainly the more experienced colleagues. Those coming on longer term secondments are generally experienced people.

From abroad to the Netherlands	FY17	FY16
Shorter than one year	31	76
Longer than one year	36	36
From the Netherlands to abroad	**FY17**	**FY16**
Shorter than one year	11	10
Longer than one year	12	14

23 staff members (of which eleven were for a period shorter than one year) went out on secondment to other member firms within the network, mainly under the Cycles of Experience programme and under a programme rolled out within the European member firms.

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5.5 Increasingly higher levels of staff satisfaction

83% (FY16: 73%) of our Assurance people participated in our staff satisfaction survey, the People Survey, this year. The conclusions are that they are proud to be with PwC, they believe that their colleagues act with integrity and they are getting opportunities within PwC to grow and develop professionally and personally. In greater numbers than last year, they believe that PwC is sensitive to people's lives outside the office, the majority is positive about the benefits that the PwC Europe collaborative association can bring to their career, they see the quality of our technology improving, and they are more positive about the use of feedback, both client feedback and staff coaching and feedback on the job.

They believe that talent management needs further attention, they are seeing less and less linkage between performance and reward, and they believe that they should be getting better insight into the thinking behind their evaluations and into how promotions are determined. We will be explicity taking steps to address this during the coming year as part of the roll out of Snapshot (see *page 37*).

We see that staff are becoming more and more acquainted with our purpose and values, which is a critical element in our programme for change.

At 83%, the overall score in the staff satisfaction survey (as expressed in the People Engagement Index) has remained at the same level as last year. As in past years, this is one of the highest scores in the PwC network. These results underscore our belief that we are on the right track with our programme for change but, at the same time, we recognise that we still need to keep working on the areas of improvement that the practice feeds back to us.

	FY17
The people engagement index - which indicates the attractiveness of PwC as an employer.	83%
Questions concerning purpose and integrity	
I have had a discussion about PwC's Purpose and Values and how they should influence my work.	80%
I am encouraged to try new things and learn from failure.	74%
The people I work for support and demonstrate high standards of ethical conduct.	84%
At PwC, I feel comfortable discussing or reporting ethical issues and concerns without fear of negative consequences.	79%
At PwC I can speak openly, even if my ideas are in disagreement with others.	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.	60%
The people on my team take accountability for the outcomes of their work.	75%
Questions concerning coaching and supervision	
The learning and development I have received at PwC (including on the job development, self study and e-learns) has prepared me for the work I do.	84%
The people I work with support me through regular on the job feedback and coaching.	73%

The People Survey includes a number of propositions, and participants indicate the extent to which they agree with each proposition (agree, neutral or disagree). The table indicates the percentage of our staff that agrees with each proposition.

As the People Survey was updated by the worldwide PwC network organsation last year, there are no comparative statistics to be presented.

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Staff remuneration is based primarily on role and responsibility, as set out in The PwC Professional. Salaries are determined on the basis of ranges per staff level, and remuneration is based on the extent to which the expected competencies have been developed and how these have been deployed in the day-to-day work.

The annual salary increases are dependent on the budget that is available after negotiation with the Works Council and on promotions achieved.

There is also a variable element to the remuneration, which varies from a maximum of one month's salary for associates to a maximum of five months' salary for senior managers. Performance in the area of quality is decisive in determining the amount of this variable remuneration.

Evaluation and remuneration of our external auditors and managing directors

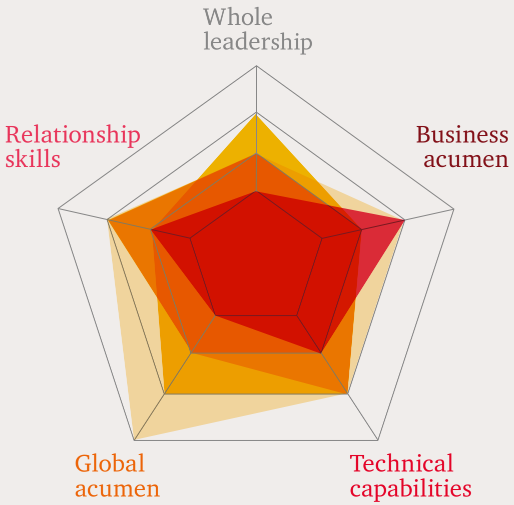
There is a separate evaluation and remuneration system for partners and directors. The partner evaluation and remuneration process is set out in the table on the next page. This process is monitored annually by the Remuneration Committee of the Supervisory Board, with ad hoc input from the Chair of the Partner Council. The members of the BoM are evaluated by the Chairs of the Remuneration Committee and the Selection and Appointments Committee. The Chair of the BoM is appointed as Primary Reviewing Partner for the members of the BoM. The Remuneration Committee and the Public Interest Committee (particularly the latter) are responsible for monitoring that quality and quality improvement are properly reflected in the remuneration of partners. Our remuneration arrangements are not only in line with the 'In the Public Interest' report, but also wholly consistent with our strategy of ensuring that both positive and negative performance in the area of quality significantly impact partner remuneration.

Snapshot

Our people keep track of their progress on all attributes of The PwC Professional with use of the Snapshot tool. This is done by requesting feedback from a colleague on at least 5-10 engagements per year using the online Snapshot tool. In this tool you can indicate with use of a slider to what extent someone has shown The PwC Professional attribute in his/her work, accompanied with a textual explanation. It will become visible in the spider web whether someone is assessed by his/her colleague in accordance, above or below his/her job level expectations, per attribute of The PwC Professional. The separately obtained spider webs lie on top of each other and create the final Snapshot. The larger the spider web on all attributes, the more someone is ready for a next job level.

The starting point for Snapshot is that the current job level of the feedback receiver is compared with his/her next job level. A person who is new to his/her position (such as a first-year senior associate) is therefore logically not yet ready to continue to the next job level in that year (in that case manager). The spider web will not be wide on all attributes of The PwC Professional.

A small spider web is not negative. Nor is it a conclusion or score about the performance in the concerning year. The Snapshot only shows which elements a person can further develop to ultimately make the next step in



The evaluation and remuneration process for directors is the same as that for the partners, except that the various roles are filled by different functional roles. For directors, it is the Business Unit Leader who submits the proposal to the Assurance Board regarding the role of the director, the Assurance Board determines the role/responsibility and mapping, and the Business Unit Leader has the role of Primary Reviewing Partner.

Each year, as proposed by the LoS Boards/Markets Leader, the BoM determines the mapping and performance ratings of each individual partner, including the members of the Assurance Board who (like the members of the BoM) qualify as policy makers of the audit firm. The quality aspect has an impact on the remuneration, as summarised in the table 'evaluation and remuneration' on the next page. In response to the feedback from the Remuneration Committee, the SB believes that the determination of the remuneration of the policy makers of the audit firm is focused on quality and fits within the long-term goals.

The SB is responsible for determining the remuneration of the members of the BoM. The remuneration arrangements for the BoM are into line with the recommendations of 'In

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the Public Interest' report as from 1 July 2015, with the members of the BoM now receiving a fixed remuneration independent of the organisation's profitability and a variable element that can be set at up to a maximum of twenty percent of the fixed remuneration dependent on the achievement of long-term goals set by the SB within the context of the societal role of the organisation. Further information is provided in the PwC NL Annual Report 2016-2017 and the Remuneration Report included therein.

Remuneration based on performance

The aggregate amount of partner and director remuneration varies annually based on the financial performance of PwC Netherlands. Partner remuneration is based on a points system in which the Euro value per point is determined at the end of the year as the profit available divided by the aggregate number of points in circulation. Points are allocated to partners as of the beginning of each year. These are 50% fixed (based on role and responsibility (mapping)) and 50% variable (based on rating), with a regular good performance entitling the partner to the full basic amount of the variable element. The variable element can fluctuate positively or negatively based on the evaluation of the individual partner's performance in the areas of: Clients (50% weighting), People (25 % weighting) and Firm/Strategy (25% weighting). Directors receive a fixed salary and a variable element dependent on their individual performance. The variable element is determined on a basis similar to that for partners.

The BoM sets the salary range for directors on an annual basis. The salary is dependent on the roles and responsibilities of the individual director. We also award directors an annual variable remuneration for the past year, which is determined on a basis similar to that for partners, in which a regular good performance means a variable element of about one third of the total remuneration.

The evaluation and remuneration process for partners runs as follows:

Start of the financial year

Determination of the partner's role

- The Assurance Board Leader submits a proposal to the Board of Management.
- The Board of Management determines the role/responsibility of the partner for the coming year, based a recommendation from the Remuneration Committee of the SB.

Mapping

- Following the recommendation from the Remuneration Committee of the SB, the Board of Management allocates the partner to a particular mapping category and to a particular position within that category.

Determination of objectives

- In consultation with the Primary Reviewing Partner, the partner determines his/her personal objectives, including specific quality objectives and within the context of the strategy of the organisation.

End of the financial year

Evaluation

- An assessment is made at the end of the year of the extent to which the partner has met his/her objectives in the areas of *Clients (including Quality & Risk), People* and *Firm/Strategy*.
- Performance is evaluated during the BMG&D (Evaluation, Mapping, Goal setting & Development) meeting on the basis of a self-evaluation prepared in advance by the partner (the partner report).

Rating

- The evaluation leads to a rating (from 1 to 5) for performance in each of the areas of *Clients, People and Firm/Strategy*, each of which are reflected in the remuneration for that year.
- The Assurance Board makes a recommendation to the Board of Management, which then determines the rating of the partner on the basis of a recommendation by the Remuneration Committee of the SB*.

Remuneration

- The outcome of this process results in a profit share in the form of a variable management fee that reflects the role, specific respon-sibilities and individual performance during the financial year.

Under the Wta, only experienced professional practitioners may be appointed, and registered with the AFM, as external auditors. All other staff operate under the responsibility of, and report to, the external auditor and have no signing authority.

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

Evaluation elements	Test reference	Internal assessment	Evaluation[4]	Impact on total remuneration[1,2]	Financial sanctions FY17	Financial sanctions FY16
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% mpact on total remuneration	6 positive	9 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, increasing if the negative situation is repeated	Up to -50% impact on total remuneration	11 negative	12 negative
Quality management system PwC (QMS)	• External reviews • Internal reviews • Internal audits	Results of QMS reviews and audits	Effects the evaluation of management	Up to -16,66% impact on total remuneration	0	0
		Individual contribution to PwC quality (in terms of roles, projects etc.)	Distinctive contribution: Positive effect on evaluation	Up to +8,33% impact on total remuneration	7 positive	5 positive
Personal independence	• External reviews • Internal reviews • Internal audits	Independence Sanctions Committee decision: • 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 op totale beloning.	0	0
Personal behaviour / Business conduct	• Complaints and notifications • Internal audits	BoM decision based on advice from the Business Conduct Committee or the Complaints Committee	Letter of notification, with no effect on evaluation	No effect on remuneration	-	-
			Note in file, though the effect can be greater in more serious cases and even greater in repeat situations	More serious reprimands: up to -50% impact on total remuneration	0	0
Compliance with requirements and standards (baseline expectations)	Specific objectives: number of training hours, financial management etc	Evaluation of baseline expectations	If unsatisfactory: Negative effect on evaluation	Up to -50% impact on total remuneration	0	1 negative
People component in evaluation	• People KPIs (incl. People Survey) • 360 degree feedback	• Evaluation business unit results (People Survey)[3] • Evaluation 360 degree feedback	Above average: Positive effect on evaluation	Up to +8,33% impact on total remuneration	18 positive	21 positive
			Unsatisfactory: Negative effect on evaluation	Up to -12,5% impact on total remuneration	5 negative	4 negative

[1] For a 'regular' good evaluation. [2] There is also a clawback arrangement in place; this did not need to be applied in FY17. [3] Partners and directors evaluated collectively per business unit.
[4] In addition, a partner or director can receive both a positive and negative remark regarding quality on one of the areas of evaluation Clients, People, Firm (in common parlance 'on the line'). This remark has no direct effect on the performance rating, but influences the evaluation of the partner or director concerned and is included in the BMG&D form. Last year, this concerned fifteen partners and directors.

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Quality matters

We also expressly evaluate and reward quality positively. The partners, directors and their team members who score as best-in-class in engagement quality (in ECRs) are evaluated positively in the Clients element of the evaluation, and this is rewarded with additional remuneration. In addition to ECR results, we also clearly take other instances of engagement quality performance into account in our evaluation and remuneration processes. For instance, we actively support and suitably reward those partners and directors who stand their ground when this is appropriate, who resign from clients that do not meet our quality requirements or who arrange for deadlines to be delayed where this becomes necessary. As from FY16, an above-average performance in terms of engagement quality automatically results in a positive evaluation in the Clients element of the evaluation, and this represents a variable remuneration element of between one sixth and one third (i.e. an increase in total remuneration of between 8.3% and 16.7%), on condition that the partner's conduct meets the expectations we have set a PwC partner. Also, above-average contribution to our quality management system or distinctive performance in the People area attract positive ratings in the Firm/Strategy respectively People element in the evaluation, and this represents a variable remuneration for each of these elements of between one sixth and one third (i.e. an increase in total remuneration of between 4.2% and 8.3%).

Quality that does not meet the required level in the areas of engagement quality, management responsibility for the quality management system, independence, business conduct, people and baseline expectations (see hereafter) also has a negative impact on the remuneration of the partner/director. An insufficient performance in terms of engagement quality (i.e. a non-compliant file) results in a negative evaluation in the Clients element or on baseline expectations and thus in a 25 to 100 percent lower variable remuneration of the partner concerned (i.e. a decrease in total remuneration between 12.5% to 50%). Commercial or other performance cannot compensate for the Clients element in the evaluation. Assurance partners and directors are not rewarded for cross-selling at audit clients. In line with the 'In the Public Interest' report, a clawback scheme has been introduced as from 1 July 2015 for audit partners (not for directors) in Assurance.

The manner in which we evaluate quality and the affect that the results of reviews have on the evaluation and remuneration of partners and directors is presented in the table on the previous page.

No additional remuneration for regular conduct

The manner in which our partners and directors conduct themselves with clients, colleagues and other stakeholders can negatively impact their remuneration. 'Regular' conduct (i.e. the conduct that we can expect of everyone) need attract no additional remuneration. We refer to this as 'baseline expectations'. Baseline expectations represent conduct in line with our Code of Conduct, complying with all the internal and external regulatory requirements that apply and demonstrating proactive involvement within PwC. Non-compliance with baseline expectations negatively affects total remuneration by up to 50%.

Sanctions policy

Any instance of non-compliance with external and internal requirements or unacceptable behaviour can result in a sanction being levied by the BoM. This can vary from a written warning or reprimand to suspension or dismissal. The paragraph 'Ethics' summarises the bodies to which infringements can be notified.

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We use a global standardised audit approach. The use of technology and the outsourcing of standardised work to specialised delivery centres contribute to further quality improvement. Audit teams are supported with tools and techniques, and have access to specialist knowledge and technical consultations.

The PwC Audit

We use a globally applied audit methodology (the PwC Audit) that revolves around the issues and complexities that are specific to each client and we use for all (audit) engagements a digital file system (Aura) and industry-specific audit programmes. Aura integrates our standard for the set-up of an audit file. Our well trained and experienced people are at the heart to apply this audit methodology. The approach they apply is smart and they use the most up-to-date techniques that, coupled with the current 6-step audit process, results in an audit that is robust, insightful and relevant.

The audit process begins with

1. Client acceptance & independence

We have addressed this in the previous paragraphs. The other steps are set out below.

2. Deep business understanding

A deep understanding of the client's business is crucial to the quality of our audit, and we look in detail and at an early stage into the client's processes, systems and data. To ensure that we have a good understanding of the client, we use business analysis models and company-specific and sector-specific expertise. Getting the right depth of understanding also helps ensure that the we can prepare our audit approach in time and we can adjust our planning accordingly.

3. Relevant risks

Our audit work focuses on risks that can significantly affect the client's financial reporting. Identifying and selecting the relevant risks is of great importance to the effectiveness of the audit. We regularly give our people risk assessment skills training, and we encourage them to be inquisitive by nature and to use professional scepticism to help ensure that all relevant risks are identified and that an appropriate audit approach is developed to deal with them.

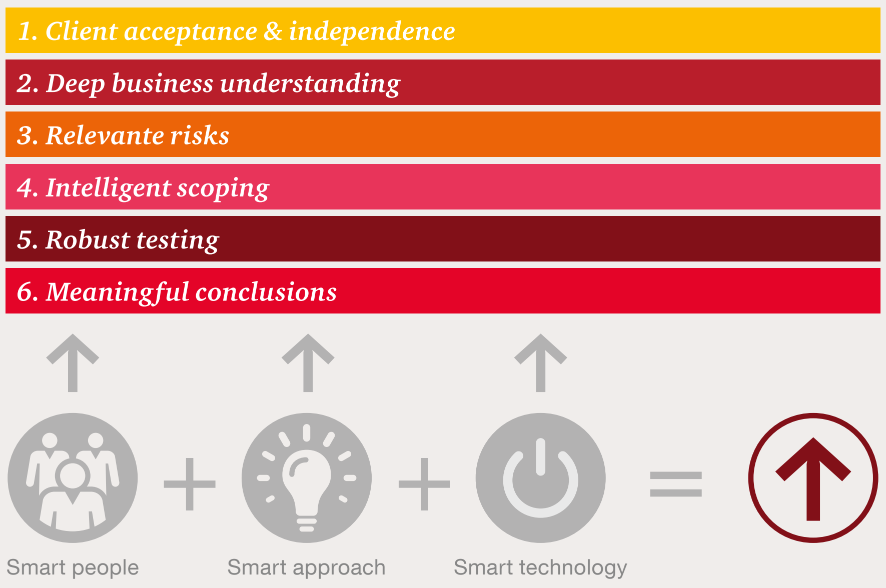
4. Intelligent scoping

We set the scope of our audit work based on what we identify regarding risk, materiality, size, complexity and structure. This scoping sets out what we plan to do, what audit evidence we will be looking to obtain, the client operations we will be looking at, how we will go about it and which PwC professionals and tools are needed. This is documented in Aura, and the information to be provided by the client is exchanged via the secured online portal Connect. This portal allows both the client and us to monitor real-time the status, timeliness and completeness of the information to be provided and other aspects that are important to the quality of our work.

5. Robust testing

Our testing strategy, the way we implement it and the evaluation of the results are all critical to the quality of our audit. We continually challenge ourselves to improve the quality and value of our audit by simplifying work processes, innovating and using the most modern technology. Process mining within data analysis and benchmarking both provide us with better insights and levels of assurance than traditional testing methods could provide on such vast volumes of data and on systems' operating effectiveness. We expect that the use of data

PwC Audit



PwC's audit is built on a foundation of smart people, a smart approach and smart technology. This, together with our six-step audit process, results in an audit that is robust, insightful and relevant.

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analysis and new technologies (such as Halo) will increase in the coming years and, within our global network, we are investing substantially in these developments.

6. Meaningful conclusions

Not only does our audit methodology provide stakeholders with assurance as to the integrity of an entity's financial reporting but, because we bring together the combined know how and experience of our network, it also enables us to draw conclusions that are more informed and more scientifically based. We report to our clients' senior management through the Management Letter, to the Supervisory Board through the Board Report, to shareholders through our attendance at the Annual General Meetings (AGMs) at listed companies and to our PIE clients through the extended auditor's reports.

Team roles and responsibilities

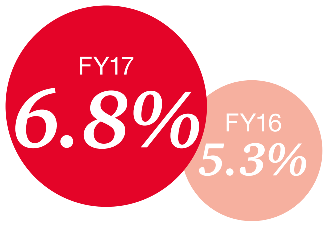
The engagement leader (the partner or director responsible for a project or an engagement) and the engagement manager are responsible for supervising the audit, reviewing the work done, coaching the team and maintaining audit quality. Our partners, directors and (senior) managers have a major role in demonstrating our standards and values, including professional scepticism and the desired behavior. They are setting the example for their team members. Partners and directors are expected to contribute for a substantial part of the total hours spent on the client. All staff are expected to critically self-review their own work to make sure that it meets the requirements that apply.

Our audit software, Aura, integrates our standard for the set-up of an audit file but also the functionalities to help audit team members track the progress of the engagement, ensuring that all work has been completed, that work is reviewed by the appropriate individuals including the engagement partner/director and, where applicable, the Quality Review Partner, and that all matters arising have been appropriately addressed.

6.1 Increased involvement of specialists

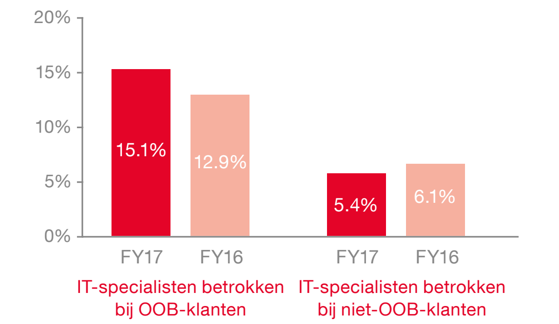
Involving specialists in our audits (including reporting, valuation, taxation and pensions specialists) increases the quality of these audits. Time spent by specialists, from both inside and outside the Line of Service, increased by 1.5%. After a successful pilot in FY16, we have brought in more data specialists to support our audit teams and we have used more tax and actuarial specialists, particularly in our bank and insurance company audits. The extent and nature of this involvement depends partly on the mix of our client portfolio and partly on the extent to which clients are involved in non-routine situations like mergers and acquisitions, investments, divestments and reorganisations.

Percentage uren besteed door verslaggevings-, waarderings-, pensioen- en belasting- en dataspecialisten aan controleopdrachten



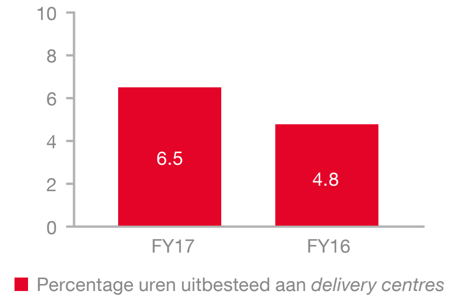
6.2 Increased involvement of IT specialists at PIE clients

The involvement of IT specialists at PIE clients was up by 2.2 percentage points, amongst other things as a result of a changing client mix and increased demand for IT and digitalisation at our clients. We have more new clients in the FS sector this year, a sector with very advanced levels of operational digitalisation. Non-PIE clients have lower such levels and our work is proportionately more substantive-based.



6.3 Increased outsourcing to delivery centres

We have transferred more routine work this year to our delivery centres in the Netherlands, Germany, Poland, India and South Africa – 6.5% of total audit hours (FY16: 4.8%). Outsourcing routine work to specialist colleagues increases quality and contributes to performance efficiency in the audit.



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Delivery centres
A key element of our approach is to reallocate certain administrative and standardised audit procedures to service delivery centres, thereby generating enhanced quality, greater efficiency and increased speed through scale.

We use PwC delivery centres in the Netherlands, Germany, Poland, India and South Africa, all of which fall under strict quality requirements set by the global PwC network of member firms. The quality management systems in the delivery centres are reviewed periodically by an international composed team.

Support from the central infrastructure
The quality and risk management infrastructure out in the field is also provided with support from a central infrastructure. National Office provides support to the practice and to external auditors and staff in their professional development. It plays an important role in the development and implementation of guidelines and requirements in the areas of financial reporting, audit methodology and risk management, and it is responsible for the implementation of legislation and regulation within the organisation.

National Office is also tasked with a number of specific quality measures, such as financial statement reviews and professional consultations with audit teams (both mandatory and voluntary). There are a number of pre-determined situations in which the engagement leader is required to consult with National Office. Examples are to follow-up of a suspicion of fraud arising at a client and going concern issues.

The audit team submits the facts of the case, the regulatory requirements, the client's proposed accounting treatment in financial reporting cases and the views of the audit team. National Office inputs the outcome of the consultation into the consultation database, and the engagement leader must

6.4 Increased involvement of professional practice support functions

Our investments in quality have been channelled into increasing the involvement of our National Office to 56,797 hours. National Office had 228 staff last year (either full-time or on a project basis) providing professional technical support to the practice. This does not include the time spent on financial statement reviews and consultations that were charged directly to client codes.

	FY17	FY16
Number of hours spent on the provision or development of professional technical support	56,797	55,840

6.5 More consultations on financial reporting and auditing

Our consultation procedures provide the audit teams with access to specialists in a variety of professional areas. In addition to voluntary consultations initiated by audit teams, we also prescribe certain situations for mandatory consultation. The number of consultations on financial reporting and auditing increased slightly this year as Public Sector consultations are now carried out through National Office (and no longer through the sector structure) and there have been more consultations on going concern matters.

Formal National Office consultations completed

FY17 687
FY16 660

6.6 Fewer National Office financial statement reviews

As support to the engagement teams, National Office financial reporting specialists carry out reviews of selected client financial statements prior to the issue of the audit opinion. Fewer reviews were carried out this year following a change in our policy on mandatory reviews of IFRS financial statements.

Number of financial statement reviews

FY17 117
FY16 168

6.7 Consultations with the Fraud Panel

The number of consultations with the Fraud Panel fell this year, though we have increased focus in this area, including the incorporation of the NBA's mandatory fraud training into the Summer School programme and the updating of the fraud panel consultation process in line with the NBA's Guideline 1137 'Corruption: Procedures to be applied by the auditor'.

	FY17	FY16
Consultations Fraud Panel	104	119

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indicate concurrence with both the facts and the ultimate conclusion of the consultation. In principle, the conclusion is binding. If the engagement leader is not in agreement with the conclusion, the matter is, after the intervention of an escalation panel, referred to the Assurance Board for a final ruling and action.

The Fraud Panel comes into play where fraud or suspicion of fraud arises at clients. Our risk management policies also require that audit teams are provided with forensic support where this is needed. Also, if it appears that there is an error in a set of financial statements already published on which an auditor's report (or other form of report) has been issued, the engagement leader must consult with National Office.

To provide support to the engagement teams, National Office financial reporting specialists carry out reviews of the financial statements of selected audit clients. Independent of the audit team, they cast an extra critical and specialist eye over the acceptability and completeness of the accounting policies used, the presentational aspects, the note disclosures and the clarity of the financial statements to the external reader.

National Office also distributes periodic professional technical updates to keep the Assurance practice up to date on developments in regulatory matters and auditing and accounting standards. Examples are the weekly newsletter, the Spotlight publication, and the PCAOB updates and the Audit and Accounting Alerts from our US GAAS Desk. The findings of our Real Time Review programme are shared periodically with the entire Assurance practice, amongst other things through the monthly RTR Alerts. We also hold regular (mandatory and non-mandatory) e-learning and webcasts. Furthermore, National Office is also responsible for maintaining Inform, a portal available to all PwC staff and to financial professionals at clients and other business

***6.8* Notifications of unusual transactions**

We submitted 22 mandatory notifications to the Netherlands Financial Intelligence Unit under the Wwft (Money Laundering and Prevention of Terrorism Financing Act) (FY16: 17 notifications).

	FY17	FY16
Consultations Fraud Panel	22	17

***6.9* Number of audit reports issued the same as last year**

We issued more than 2,600 statutory audit reports, of which 194 related to PIE audit clients.

	FY17	FY16
Consultations Fraud Panel	Ruim 2,600	Ruim 2,600
of which PIEs	194	185

associates that provides professional technical information in the areas of financial reporting, assurance and risk management. Finally, National Office plays a leading role in the development of our Learning & Development Programme.

Notification of potential unusual transactions

The NBA issued guidelines for the interpretation of the Wwft (Money Laundering and Prevention Terrorism Financing Act) in March 2014. We have implemented these and tightened up on our client acceptance and engagement continuance systems and procedures. The Wwft requires us to report, to the Financial Intelligence Unit Nederland (previously the Contact Point for Unusual Transactions, 'het Meldpunt Ongebruikelijke Transacties') set up by the Ministries of Finance and Justice, any actual or suspected unusual transactions at or by any of our clients. Notifications of potential unusual transactions can be addressed in the Fraud Panel and notified to the FIUN where the transaction meets the criteria of the Wwft.

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Engagement-specific quality reviews

The engagement-specific quality reviews (EQRs) mandatory by law are carried out by the Quality Review Partners (QRPs), appointed by the Assurance Board, who are responsible for reviewing information provided by the audit team and the information in the audit file. The QRPs are given guidance and training to support them in their role.

Where the Real Time Review team (RTR team) carries out reviews too, the RTR team provides support to the QRP. It identifies the key audit matters in consultation with the QRP and supports the QRP's work in those areas. The RTR team also coaches the QRP in improving the performance of his/her role.

In addition to the legally required EQRs, more in-depth EQRs are performed. These EQRs are performed by a team consisting of a Concurring Review Partner (CRP) and members of the RTR team. These teams perform in-depth reviews on audits before the auditor's report is issued and helps audit teams to assure quality in their audit engagements. Where the team notes areas for improvement in the audit or in the documentation thereof, it provides coaching to the audit team involved. The RTR team does not highlight only areas for improvement, but also areas that are going well and it shares these lessons across the audit practice, in turn contributing to our organisation's capacity for change. Observations from the RTR team are also input for our root cause analysis.

6.10
6.11

More engagement-specific quality reviews performed

The number of statutory audits subject to a regular engagement-specific quality review (EQR) as required by law remained virtually the same as prior year at 297 (FY16: 293). The percentage of total hours spent by EQR reviewers (what we call the Quality Review Partners (QRPs)) fell slightly as the total number of engagement audit hours was higher (see KPI 1.2).

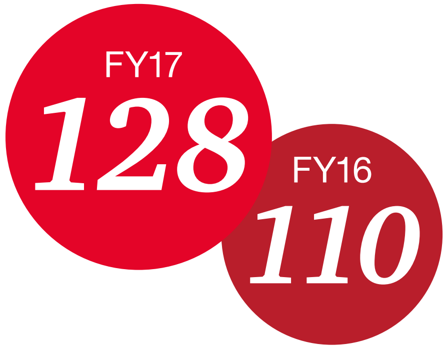
At 49 of these 297 EQRs the reviewer was supported by an RTR team, resulting in a greater level of depth than a regular EQR. The hours spent by the RTR team supporting the QRP is not included in the percentage of EQR hours reported.

In addition to the legally required EQRs, a further 79 even deeper EQRs were performed by a team comprising a Concurring Review Partner (CRP) and members of the RTR team.

In total, we spent 12,500 hours on these 128 RTRs, an increase of 20%. In addition, more files were selected for an RTR review, which further increases the coverage. The RTR team shares with the entire audit practice the lessons learned and best practices coming out of the EQRs.

On at least one file for every external auditor (partners and directors) an RTR was started. Sector measure 5.3 requires that each partner and director be subject to at least two EQRs; we are still phasing this in in the light of the depth of our RTRs.

Number of RTRs completed



	FY17	FY16
Number of independent quality reviews carried out by QRPs	308	293
As a percentage of the total number of statutory audits	12%	11%

	FY17	FY16
Hours spent by all QRPs as a percentage of the total hours spent on all audit engagements to which a mandatory QRP has been appointed	0.5%	0.6%

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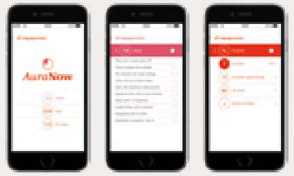
Technologies that power our audits

The global network of PwC member firms is one of the most important drivers for quality. On the one hand, this network is of great importance to be able to adequately carry out the audit of internationally operating companies. On the other hand, the network offers the scale needed to make the investments necessary to carry out proper audits. Further development of electronic files, audit tools and data analysis technologies enables us to effectively audit companies, but it is costly. This includes the development of accompanying methodology and training. These investments can only be realised by a jointly effort of the network.

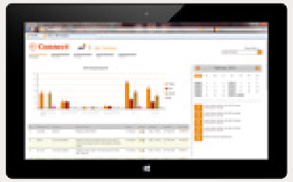
Aura

Aura
The Aura application provides support to our Assurance teams in their audit work, by providing them with a systematic risk-based approach that enables them to focus on the things that matter. Aura integrates a variety of tools to promote audit quality, consistency and ease of documentation. The application also integrates with a variety of other tools and applications, creating one workspace for client work. Aura enables us to plan, perform and document our audit work better. All our engagements are supported by Aura.



Connect

Connect
Connect is our online portal, providing fast, efficient and secure information sharing with colleagues and clients at every stage of the audit. Connect provides visibility on how our teams solve audit related issues and follows the progress on a real-time basis.



Halo

Halo
Halo is our new data auditing suite of tools allowing us to identify and assess risks and determine where to focus audit efforts. Halo allows us to analyse patterns and trends, identifying divergent transactions. Halo comprises three key components: acquisition of client data, transformation of data and applications for testing and analysis of data; and it clearly links the risks identified to the mitigating measures needed. Halo has been, supported by specialists, used on 278 engagements in financial year 2016-2017.

Count

Count
Count is a mobile application that allows our teams to perform inventory count observations at our clients. Count contributes to a further standardisation of the inventory count process. The use of Count has started in financial year 2016-2017 and the application has been used by 54 teams past year.

6.12 **Greater investments in technology**

The PwC network has invested more this past year in the development of new technology, including tools like Aura, Halo and Connect. PwC Netherlands bore its share of these global investments and has also invested locally in technological developments, including investments in Standard Business Reporting (SBR) in the run up to next year's new legal requirements. The total amount invested by the Dutch Assurance practice in audit-related technology amounted to € 5 million (FY16: € 4 million), excluding investments in back office systems and internal time.

	FY17	FY16
Investments in technology (in million euros)	5	4

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Reporting about our work done

Reporting to the public

We expect our external auditors to be transparent as regards the audit work they have done and the matters that arose during the audit. This transparency is provided in the extended auditor's report that we issue on annual financial statements at all our PIE audit clients and among others at large educational institutions. The extended auditor's report provides greater insight into the scope, materiality applied, key audit matters and audit approach. We aim to provide optimal transparency and information sharing in both the content and the lay out of the reports issued by our auditors.

We find it important that our auditors are not only in attendance at the Annual General Meetings (AGMs) and answering questions, but that they also provide insight into the work done and into the auditor's report.

Reporting to the audit client

Our auditors discuss the audit plan, the interim findings (Management Letter) and the Board Report with the Supervisory Boards of their audit clients, particularly through the Audit Committees. We share with the supervisory and managing directors of our audit clients our Transparency Report and our responses to investigations by the supervisory authorities. It is our policy that our auditors discuss the main points of our Transparency Report, including the results of external supervisory investigations, with the Audit Committees of their clients. We inform the Audit Committee (or its Chair) as and when that client's audit is selected for external supervisory review and we share the results with the Audit Committee.

Our auditors report to the Supervisory Board (or equivalent) of their audit clients the actual audit hours spent on the audit for the year and the expected hours for the following year, and this is followed by a active discussion with the board as to how these hours and the and other audit techniques can best be deployed to achieve a high quality audit.

6.13 **Similar number of errors noted under Article 362 para 6 of the Dutch Civil Code**

Last year we identified nine instances of financial statements we had audited in prior year (all of them at non-PIE clients) that contained an error under Article 362 para 6 of the Dutch Civil Code (Dutch GAAP) (previously called a fundamental error). Article 362.6 requires the client involved to file a notification with the Trade Registry. Eight of the instances involved incorrect application of the Article 2:408 Civil Code exemption from consolidation for intermediate holding companies. We also identified one material error (under IFRS) at a non-PIE client (FY16: one). No such errors were noted at PIE clients.

	FY17	FY16
Number of errors under Article 362 para 6	9	10
Number of material errors noted (IFRS)	1	1
Total	**10**	**11**
As a percentage of the total number of statutory audit reports issued	0.4%	0.4%

Providing insight into the Management Letter

We welcome audited entities providing publicly available insight into the Management Letter and the Board Report. It is up to the Chair of the Supervisory Board to address highlights from the Management Letter or Board Report during the AGM, and the auditor attending the AGM then monitors the accuracy and balance of what is presented. We, as PwC, also welcome the Supervisory Board audit committees of our audit clients addressing, in their reports, the key matters from our management letters and the key financial statement risks highlighted by the external auditor.

Legal and disciplinary proceedings

We welcome audited entities providing publicly available insight into the Management Letter and the Board Report. It is up to the Chair of the Supervisory Board to address highlights from the Management Letter or Board Report during the AGM, and the auditor attending the AGM then monitors the accuracy and balance of what is presented. We, as PwC, also welcome the Supervisory Board audit committees of our audit clients addressing, in their reports, the key matters from our management letters and the key financial statement risks highlighted by the external auditor.

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6.14 Status of legal proceedings

We are involved in the aftermath of a number of bankruptcies of companies where PwC was involved as external auditor. The more important of these relate to Econcern, a number of Fairfield funds (that have incurred losses because of the Madoff fraud), LCI Technology and Stichting Zonnehuizen.

Econcern

In 2014 the Disciplinary Counsel of Accountants ('de Accountantskamer') issued two of our external auditors with temporary suspensions in connection with four virtually identical complaints. In 2015 PwC reached an out-of-court settlement in which the appeal against three of the complaints was withdrawn and the suspension ratified as definitive by the Disciplinary Counsel and implemented in early 2016. The appeal lodged by the external auditors with the Trade and Industry Appeals Tribunal (CBb) in connection with the fourth complaint of an investor is still ongoing. The investor also started a civil procedure against PwC on 3 August 2016.

Fairfield funds

These proceedings involve three civil cases lodged against PwC in recent years.

One case, in New York, was brought by the fund liquidator and this was concluded during this past year with the claim brought by the liquidator being declared inadmissible.

The other two civil cases were lodged in Amsterdam. On 3 September 2014, the court dismissed one of the claims in its entirety – this after a complaint filed by the same party had earlier been declared unfounded on all counts by the Disciplinary Counsel of Accountants in 2012 and against which no appeal was filed. The plaintiffs have appealed the decision of the court, and this appeal is ongoing. The court has not yet ruled on the second civil case.

LCI-Technology

This is a civil case brought by the VEB (a major Dutch investor advocacy association) and is currently before the court.

Legal proceedings relating to professional practice	Civil	Disciplinary
Number pending as of 1 July 2016	**6**	**2**
New cases	1	2
Cases adjudicated	1	0
Number pending as of 30 June 2017	**6**	**4**

Stichting Zonnehuizen

On 24 May 2016, the liquidator of Stichting Zonnehuizen (the Zonnehuizen Foundation), which was declared bankrupt in 2011, filed a disciplinary complaint with the Disciplinary Counsel of Accountants against the external auditor responsible for alleged non-detection of errors in the Foundation's annual financial statements. The verbal submissions have been made in this case and the external auditor is awaiting the Disciplinary Counsel's ruling.

In addition, there are two civil cases pending relating to alleged loss resulting from certain work not being the audit of the financial statements performed by PwC and the following disciplinary cases:

Sobi

On 19 April 2017, a professional conduct complaint against nine PwC external auditors and board members was filed by SOBI (an independent foundation that investigates corporate financial reporting) regarding negative publicity arising from an alleged bribery fraud at an audit client. The verbal submissions in this case have not yet taken place.

Boekel

On 31 January 2017, a professional conduct complaint was filed against one of our external auditors in connection with an alleged error in a provision included in the annual financial statements of Boekel. The verbal submissions have been made in this case and the external auditor is awaiting the ruling.

To conclude, disciplinary complaints have been filed against certain PwC external auditors that do not relate to services provided by PwC and have therefore not been included in the overview.

- On 28 April 2017, an audit firm filed disciplinary complaints against 26 auditors, including several former and current board members of the NBA (the Royal Netherlands Institute of Chartered Accountants) claiming that the auditors, as representatives of the NBA, were involved in creating a negative view of the audit firm's quality procedures. One of the NBA board members against whom a complaint has been filed is a former external auditor of PwC.
- On 25 July 2016, a former property fund manager filed a disciplinary complaint with the Disciplinary Counsel of Accountants against one of PwC's external auditors. The complaint, which related to alleged private investment activities on the part of the external auditor, was withdrawn at the end of 2016.

We have filed an appeal under the Dutch General Administrative Law Act against a decision by the AFM (the Dutch Authority for the Financial Markets) to levy a fine (see page 9-10).

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6.15 **Incident notifications to the AFM**

We submitted two incident notifications to the AFM last year. One notification related to an independence-restricted service provided to a PIE audit client by a foreign member of the PwC network and the other related to negative publicity and the position of a former PwC external auditor.

	FY17	FY16
Number of incidents notified to the AFM	2	1

Notifications

Disciplinary proceedings against external auditors and early termination of a statutory audit assignments must be reported to the AFM. The notification obligation also applies to PIE audit engagements. A notification obligation also applies to PIE audit engagements, whit a financial year started after 17 June 2016. This obligation to report regards the so-called 'material breaches' of the business activities of the PIE, threats or doubts about the continuity of the PIE, issuing an adverse or qualified auditor's report, or a disclaimer of opinion.

We are also required to notify our external supervisory bodies of any internal incidents arising within our organisation. Any matter that can result in serious consequences for the integrity of our ongoing practice qualifies as a notifiable incident and is reported to the AFM. There are also prescribed events which we have to report to the PCAOB.

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Monitoring is a fundamental element of our learning organisation and of our continuous quality improvement. It includes our own internal monitoring as well as the monitoring by our external supervisory bodies. It is our policy to analyse the underlying root causes of all matters highlighted by these monitoring processes, and we take appropriate action and monitor whether the action taken is effective.

Internal monitoring

Internal monitoring comes in various forms, and the whole range of the tools we use provides us with constant insight into the extent to which we are in control of our quality and into areas from which we can learn and improve on.

Monitoring through quality indicators

The Assurance Board, Business Unit Leaders, Quality Assurance Partners and National Office all periodically monitor our levels of quality through a number of quality indicators. Currently, various reports contain both strategic, policy-based steering information and operational accountability information. The Assurance Board periodically evaluates the progress on the more important quality indicators (KPIs). These KPIs also include those recommended in the NBA Guidance 1135 (Publication of Quality Indicators). In the coming year, the various reports will be merged into one integrated report (Integrated Dashboard), see also *page 22*.

Culture and Behaviour Monitor

We monitor changes in culture and behaviour by applying a so-called Culture and Behaviour Monitor. This is a tool pulls together images from a wide number of sources into an overall image of aspects that we believe are important in our culture and behaviour. Aspects currently under focus are the following:

- An effective coaching-on-the-job culture
- A diverse and inclusive culture based on encouragement and collaboration
- Sensitivity to the needs of our people, their personal development and their general wellbeing
- A learning organisation in which working methods are constantly being improved and in which an outward-looking culture of societal involvement is the norm
- A culture in which robust dialogue is an integral part of relationships.

7.1 Results of engagement reviews (ECRs)

40 Assurance engagements were subject to an internal ECR, of which 38 were audit engagements and 2 were non-audit assurance engagements. Thirty five (FY16: 32) of the engagements reviewed were compliant with our requirements though seven (FY16: two) of these 35 engagements were rated as compliant with review matters. Four non-PIE audit engagements were rated as non-compliant. Also one non-audit assurance engagement was rated as non-compliant. The number of non-compliant files exceeds our tolerance level of five percent of files reviewed.

The findings reported regarding the four audit files related, amongst other things, to the following:
- Testing of journal entries: Adequacy of the follow up of journal entries selected for testing and the audit work performed regarding unpredictability
- Revenue recognition testing: Performance of the pre-determined testing plan and the consistency of the related testing work
- Testing of receivables: Adequacy of the work planned and performed
- File documentation, such as the archiving of audit information and the extent and substance of the story of the audit.

We performed follow up work on these audit engagements, and remediation where necessary, and concluded that the audit opinions issued are still appropriate.

Our initial review of the ECR results made clear that implementing improvements to the quality of our work is not without its difficulties and involves a lot of time and effort on the part of our partners and staff. As part of our programme for change, we will again be focussing on: the audit of revenue recognition, increasing the awareness of fraud and corruption risks, relying on the audit work of other auditors, the impact of IT on the audit and documentation of work done.

Number of ECRs completed	Compliant	Non-compliant		Total
		PIE	Non-PIE	
FY17	35	0	5	40
FY16	32	0	5	37

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Review of compliance with the PwC Network Standards
Annually, our self-assessment of compliance with the PwC Network Standards are assessed by the global PwC network.

PwC global's reviews of our quality management system
The global PwC network reviews our quality management system and system updates on an annual basis, what we refer to as a Quality Management System Review (QMR).

These reviews by the PwC network are carried out on the basis of the PwC network Global Assurance Quality Review Program (GAQR). The programme, which is based on prevailing professional standards relating to quality control (including ISQC1), incorporates the policies, procedures, tools and requirements that have been agreed by the member firms within the PwC network.

The programme is coordinated centrally by the International Team Leaders (ITL), a group of senior partners. This monitoring by the ITL, with the ongoing involvement and support on the part of its members, is designed to achieve a consistent and effective application of the review process across the PwC network.

Reviews by the Internal Audit Department
Our Internal Audit Department also has an annual programme of testing that covers the design and operating effectiveness of the quality management system.

Engagement compliance reviews (ECRs)
The objective of so-called Engagement Compliance Reviews (ECRs) is to review the quality of the engagement and its compliance with the various PwC policies and procedures and to identify areas for improvement. These reviews are led by partners assigned, specifically from the global PwC network, to, inter alia, bring consistency of approach to the evaluation process. The network's selection criteria require that all engagements with a higher risk profile are selected at least twice every six years. The reviews cover all business units every year, with each partner and director being selected at least once every five years.

Any instances assessed as non-compliant result in sanctions (potentially including financial sanctions) for the partner or director responsible. Those assessed as compliant with review matters do not lead, in and of themselves, to sanctions but, if there are repeat instances or if other quality issues have been noted, this can result in a financial sanction (see *page 39*).

In addition to the ECRs carried out by our global organisation, we also have a programme of additional internal file reviews carried out to the ECR methodology. These reviews can be carried out when specific circumstances so dictate, for instance when a review by an external supervisory body identifies a fundamental or material error in a set of financial statements after the audit opinion has been issued. The results of such reviews also figure in the evaluation and remuneration process for partners and directors.

Monitoring by the Compliance Office
The Compliance Officer supervises the compliance with the quality policy within PwC on behalf of the (co-) policymakers. He is supported by the Compliance Office which deals with the Audit Firms Supervision Act (Wta) and related laws and regulations. The Compliance Office (consisting of five FTEs) reports its findings three times a year to the policymakers, and these reports are also discussed with the Public Interest Committee and Supervisory Board. The Compliance Office reports on possible findings in the internal quality management system, provides recommendations and monitors these. Mandatory notifications to the AFM (see page 49) and the registration and deregistration of external auditors and/or members of the Coöperatie PricewaterhouseCoopers Nederland U.A. in the register of the AFM are notified by the Compliance Office.

Report of Infringements
This Transparency Report fulfils the function of the legally required Report of Infringements in general.

Positive outcome of the review of our quality management system
The annual review, by our worldwide global network, of our Assurance quality management system (including the Dutch delivery centre) did not generate any significant findings or recommendations. The recommendation made last year has been fully dealt with.

Our Internal Audit Department too had no significant findings to report as a result of its annual review of the design and operating effectiveness of our quality management system. On this basis, we concluded that PwC Netherlands complies in all material respects with the PwC Network Standards.

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7.2 Outcome of reviews by external supervisory bodies

On 20 May 2017 we received the AFM's definitive 'Dashboard 2016 inspection; Implementation and Safeguarding of the change process - PricewaterhouseCoopers Accountants N.V.'. The results are summarised in the AFM's benchmark report entitled 'Quality Inspection at PIE Audit Firms: The results of inspections into the implementation and embedding of the change process within the PIE audit firms and into the quality of statutory audits performed by the Big 4 audit firms', published on 28 June 2017.

For PwC, the conclusions of this report paint a mixed picture. On the one hand, the supervisory body concludes positively as regarding the focus on and commitment to the change process that we have demonstrated during the period up to and including 2016. On the other hand, the AFM deemed three of the 2014 and one of the 2015 statutory audit files inspected as inadequate (see also *page 8*). We performed further investigative work on these four audit files deemed as inadequate (relating to one PIE and three non-PIE audit clients) and concluded that the audit opinions issued were appropriate.

The clarity of view is affected by the fact that, in the joint inspections that the AFM carried out along with the US PCAOB, the different supervisory bodies deemed the same file to be both inadequate and adequate based on the same underlying facts.

The AFM also reported this year on its on its inspection into the management of the risk of external auditors becoming involved in corruption, either in the Netherlands or abroad, by or at statutory audit clients. The results of this inspection have been reflected in our updated Fraud Panel consultation procedures (see also KPI 6.7).

The ADR (the Central Government Audit Service) reviewed fourteen audit files this year, looking particularly at the reporting included in SiSa annexes (Single Information Single Audit) and the WMT information (the WMT being the law regarding standardisation of top level incomes).

All fourteen files reviewed by the ADR were deemed to be compliant, though one of these with review matters. The three files reviewed by the NZa (the Dutch Healthcare Authority) were all deemed to be compliant. Of the nine non-statutory audit files reviewed by the Inspectorate of Education, one file was deemed to be inadequate. As part of the remediation work the audit report issued was deemed by PwC to be not appropriate.

Reviewed by	Number of engagements reviewed		Number of engagements with reported findings	
	FY17	FY16	FY17	FY16
AFM	8	-	4	-
PCAOB	-	3	-	0
ADR (Central Government Audit Service)	14	12	0	0
Inspectorate of Education	9	13	1	0
NZa (Dutch Healthcare Authority)	3	4	0	0
NOREA (Dutch professional association for IT-auditors)	-	2	-	0
Other bodies	2	7	0	0
Total	**36**	**41**	**5**	**0**

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External monitoring

The structure of engagement reviews by the AFM and other supervisory and regulatory authorities keep us focused on improving quality. The reviews also help us to meet our own objectives in this area. If shortcomings are reported by any of them, the engagement is generally subjected to an internal review to determine whether the auditor's report issued is correct. This helps to ensure consistency of ratings and evaluation for the purposes of any financial sanction on the external auditor involved. We also determine what remedial action can and should be taken and we analyse what went wrong.

AFM reviews

In our quarterly meetings with the Netherlands Authority for the Financial Markets (the AFM), we update the supervisor as to current developments and respond to any questions they may have. Where the AFM submits questions regarding our statutory audits based on publicly available information, we carry out further investigation as necessary and to the extent that we had not already started the process at our own initiative. The AFM also carries out theme-focussed investigations in addition to its regular periodic reviews of our audit engagements and quality management framework.

Other external reviews

In addition to the AFM, other external bodies also conduct investigations regularly. The Central Government Audit Service (ADR), for instance, carries out reviews of our files of audits in the local government sector and reported information regarding the Standards for Remuneration Act (WNT). The Inspectorate of Education carries out reviews at educational institutes, for instance into the funding and financial statement audits of the individual institutes. The Dutch Healthcare Authority (NZa - Nederlandse Zorgautoriteit) monitors health insurance companies' application of the Health Insurance Law (ZVW) and the Law on Exceptional Medical Expenses (AWBZ), and sometimes makes use of its right to review the auditor's audit files. Furthermore, ad hoc reviews can be commissioned by or on behalf of government, primarily ADR investigations into the audit of subsidy claims.

Root cause analyses

PwC carries out an annual cycle to prepare root couse analysis. This process is largely carried out according to a methodology and guidelines determined by the global PwC network, so-called the Global Root Cause Analysis methodology. We have extended this methodology with (functional) group-/sounding sessions lead by behavioural scientists.

The root cause analyses are carried out under the direction of our Root Cause Analysis Steering Group. The steering group is chaired by a member of the Assurance Board. Among others, the Chief Auditor, Risk & Quality Leader, members of the RTR team and a Business Unit Leader are part of this steering group. The most important tasks of the steering group are to manage and monitor the (quality of the) execution of the root cause analysis and to analyse the results. Input for the overall root cause analysis includes the results of the ECRs and external reviews. Both compliant and non-compliant files are subject to the analysis.

In the root cause analysis process, analyses take place at various levels and layers within PwC. Both at the level of the external auditor and our employees, as well as at the level of the audit firm.

7.3 **No correction of material errors indicated by the AFM**

There were no material errors noted and indicated by the AFM that required correction to financial statements that we had audited.

	FY17	FY16
Number of material errors corrected on the basis of notifications from the AFM	0	0

7.4 **Appealed lodged against a fine levied by the AFM**

On 16 March 2016, on the basis of its 2013-2014 review of a number of 2011-2012 audit files, the AFM levied an administrative fine on PwC, in the amount of €845,000, for failing to meet the duty of care required by Article 14 of the Wta (the Audit Firms Supervision Act). PwC has lodged an appeal with the district court in Rotterdam (see *page 9-10*).

	FY17	FY16
Number of fines levied by external supervisory bodies	0	1
Monetary amount of the fines levied by external supervisory bodies (€)	0	845,000

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Also the current state of the quality-driven culture within PwC is taken into account, as well as transparency about quality and the learning capacity vis-à-vis the legally required quality level. In particular, the sounding sessions with the practice and the conversations with engagement leaders and engagement managers contribute to the elaboration of the underlying causes.

The following steps are taken in the root cause analysis process:

1. *Audit standards analyses*
   Analysing all review results to audit standards, identifying if causes possibly do concentrate around certain standards and identifying potential causes.

2. *Audit engagement analyses*HIdentifying potential causes through discussions with team members and other professionals with non-compliant files. In these interviews we jointly analyse what has happened, under what conditions and what the possible causes are. Using the '5 x why' method in these sessions, we continue to question why until the underlying cause is identified. We also ask which learning points there are for the engagement leader and which learning points there are for the entire practice. The root causes are classified according to, among other things: technical knowledge, supervision, review of the audit procedures performed and professional scepticism. We do not only go deeper into compliance with audit standards, but also organisation-wide themes and bottlenecks are discussed and investigated. We also have discussions with team members with compliant files. We identify potential drivers for quality on these files and consider whether the absence of these drivers on non-compliant files is the possible cause for the non-compliant judgment.

3. *Analysis of case-specific data*
   Analysing objective data such as hours per job level, years of experience of the team members and QRP involvement. It is checked whether it concerns a continuous audit engagement or a first-year audit, what the nature and scope of the engagement is and whether it concerns a particular industry. All to determine whether there is a possible correlation between the selected objective data and the quality of the engagement.

4. *Sounding sessions*
   The bottlenecks and common findings from previous analyses are input for the (functional) group-/sounding sessions. Under supervision of behavioral experts (lean six sigma black belts and culture and behavioral experts) various themes are analysed with various job levels through the 5 x why method. The themes are discussed along various axes, including our people, methodology and IT systems.

The outcomes of the root cause analyses are recorded in a report and discussed with and adopted by the Assurance Board. The Chief Auditor identifies, based on this report, the improvement measures that are integrally included in the quality improvement plan.

The outcomes of the root cause analysis of 2016-2017 are included in the Assurance Board report, *see page 9*.

Quality improvement plan

We translate lessons learnt and areas for improvement coming from the internal and external review processes into action plans. National Office monitors progress on the implementation of these action plans and reports to the Assurance Board via its Quality Improvement Plan. This status update is addressed by the Assurance Board and supplementary action is taken as needed.

Audit partner improvement plan

External auditors who receive a non-compliant conclusion in an Engagement Compliance Review (ECR) or on other reviews of their engagements are required to prepare an improvement plan. The external auditor reviews the improvement plan with the business unit's Quality Assurance Partner and with the National Office Business Unit Leader, after which the plan is submitted to the Assurance Board for approval. The effectiveness of this process is monitored by the Compliance Office.

This improvement plan sets out a statement of the facts, a root cause analysis and the measures for improvement, based on critical self-assessment by the partner during the plan's preparation and discussion. A proper self-reflection by the external auditor, and the desire to improve, are paramount. As recommended in the 'In the Public Interest' report, we monitor progress in the improvement plan during the year in which it was set up and during the two subsequent years. The partner or director gets more intensive coaching by a CRP and/or the RTR team.

An engagement that is assessed in an ECR as 'compliant with review matters' (CWRM) meets all the requirements that apply, while indicating that there were areas where the audit work could have been performed better. A CWRM conclusion leads to a robust discussion as to quality during the annual performance evaluation meeting (BMG&D) with the auditor. He/she may call upon additional support in the form of some intensive coaching by a CRP and/or greater involvement by an RTR team. ■

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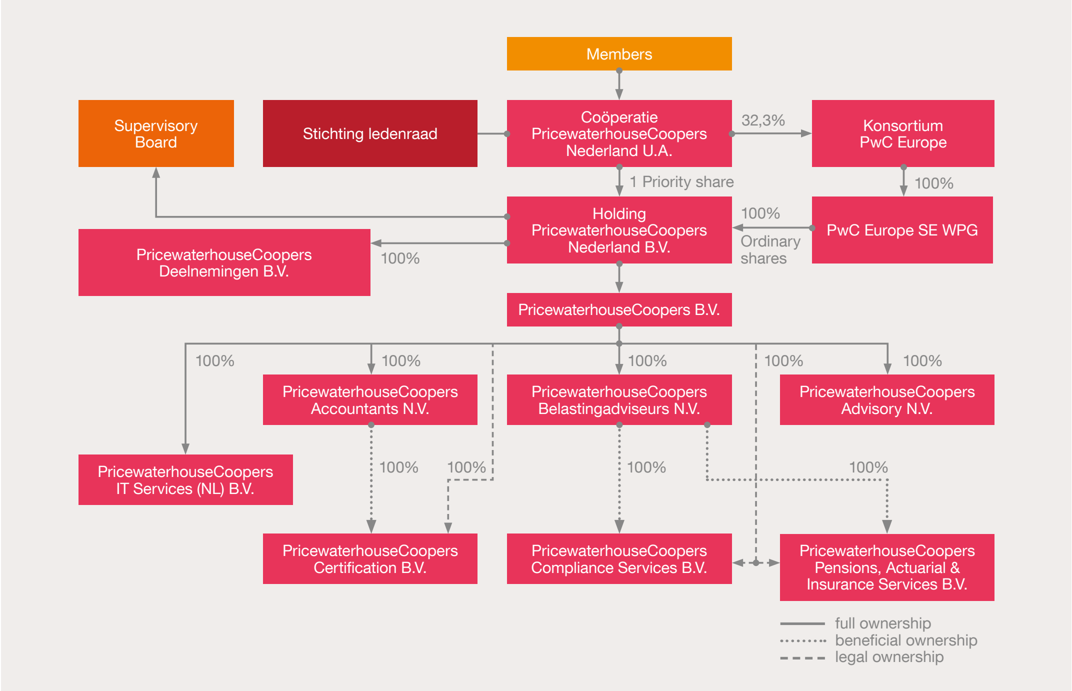
PricewaterhouseCoopers Accountants N.V. is the audit firm of PwC and the holder of the licence under Article 5 of the Audit Firms Supervision Act (Wta). PricewaterhouseCoopers Accountants N.V. ('Assurance') is a wholly owned subsidiary of PricewaterhouseCoopers B.V., which is a wholly owned subsidiary of Holding PricewaterhouseCoopers Nederland B.V. Holding PricewaterhouseCoopers Nederland B.V. is a wholly owned subsidiary of PwC Europe SE Wirtschaftsprüfungsgesellschaft, Germany, and Coöperatie PricewaterhouseCoopers Nederland U.A. holds one (the only) priority share of Holding PricewaterhouseCoopers Nederland B.V. This share provides rights to exercise control.

Coöperatie PricewaterhouseCoopers Nederland U.A. ('Coöperatie') and Holding PricewaterhouseCoopers Nederland B.V. have concluded association agreements with each of the private limited liability companies owned by the professional practitioners ('partner BVs'). Under these agreements, the professional practitioners are made available by the partner BVs to practise one of the professions within our Lines of Service (LoS) in exchange for a management fee.

As of 30 June 2017, Coöperatie PricewaterhouseCoopers Nederland U.A. had 280 associated members, of which 114 were made available to PricewaterhouseCoopers Accountants N.V. The majority of the professional practitioners (being partners/members) made available to the audit firm have been registered with the AFM as external auditor. This registration takes place after a quality assessment has been made. The external auditors are appointed by the Assurance Board.

PricewaterhouseCoopers Accountants N.V. has offices in:
Alkmaar, Amsterdam, Arnhem, Breda, The Hague, Eindhoven, Enschede, Groningen, Maastricht, Rotterdam, Utrecht and Zwolle.
PricewaterhouseCoopers B.V. also has the following wholly owned subsidiaries:
- PricewaterhouseCoopers Belastingadviseurs N.V. ('Tax')
- PricewaterhouseCoopers Advisory N.V. ('Advisory')
- PricewaterhouseCoopers Compliance Services B.V.
- PricewaterhouseCoopers Certification B.V.
- PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V.
- PricewaterhouseCoopers IT Services (NL) B.V.

Our legal structure



PricewaterhouseCoopers Compliance Services B.V. ('CoS') focuses on the issue of compilation reports.

PricewaterhouseCoopers Certification B.V. handles assignments that fall under mandatory accreditation, such as assurance on CO_2 and NOx emissions and ISO certification of information security management systems (ISMS).
PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (PAIS) provides advice and intermediation in the areas of pensions and insurance products, since 2012 under a Wft licence from the AFM.

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PricewaterhouseCoopers IT Services (NL) B.V. provides IT services to PwC network entities, particularly the entities that are part of the four country European collaborative association (as further described below).

PwC Europe collaboration

PwC Netherlands cooperates closely with a number of other PwC member firms. This initiative is called PwC Europe. With the exception of its one single priority share, Coöperatie PricewaterhouseCoopers Nederland U.A. has transferred all the shares it held in Holding PricewaterhouseCoopers Nederland B.V. to PwC Europe SE Wirtschaftsprüfungsgesellschaft ('PwC Europe'). Similar transfers were made by the top local holding entities of the PwC member firms in Germany, Austria and Belgium, and the PwC firms in these four territories are now largely indirectly owned collectively by the partners in these four territories. The partners of the participating firms voted to extend the collaborative association to include PwC Turkey; the legal aspects of this be completed soon.

The entire share capital of the collaborative association is held by Konsortium PwC Europe, a legal entity under German law that is transparent for regulatory purposes. On 30 June 2017 its members had the following interests in Konsortium PwC Europe: Coöperatie PricewaterhouseCoopers Nederland U.A. from The Netherlands 32.3%, Konsortium PwC Deutschland from Germany 64.9%, PwC Beteiligungsgesellschaft mbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft from Austria 0.4% and PwC Belgium Maatschap from Belgium 2.4%.

The members of the Board of Management of PwC Europe SE Wirtschaftsprüfungsgesellschaft have been designated as co-policymakers.

Our global network

The PwC network is a global network of separate and independent member firms operating locally in countries throughout the world. At the end of June 2016, the network consisted of 743 offices in 157 countries, with a workforce of 223,468 people of whom 10,830 were partners. In financial year 2015-2016, PwC's global revenues amounted to USD 35.9 billion. Coöperatie PricewaterhouseCoopers Nederland U.A., Holding PricewaterhouseCoopers Nederland B.V., PricewaterhouseCoopers B.V. and their subsidiaries are all part of this network.

The member firms that comprise the global PwC network are members of PricewaterhouseCoopers International Limited (PwCIL), a United Kingdom-based private company limited by guarantee. The PwC network, therefore, is not an international partnership and the member firms do not constitute any form of legal partnership or group of companies, except in a very limited number of cases that have been agreed for specific purposes.

PwCIL has a coordinating role, including for example setting standards in the areas of risk and quality management. PwCIL does not provide services to clients, but focuses solely on reinforcing and supporting the network in the areas of strategy, knowledge development and the expertise of the professional practitioners, and protection of the PwC brand. PwCIL does not own any of the member firms and the member firms do not own any of the other member firms, except in a number of very specific cases.

PwCIL has the following governance:
- **Global Board** – supervises the Network Leadership Team and the approves PwC Network Standards. The Global Board does not have an external role. The members are elected every four years by the partners of all PwC member firms.
- **Network Leadership Team** – responsible for the overall strategy of the network of PwC member firms and the standards to which the separate and independent member firms confirm themselves.
- **Strategy Council** (consisting of the chairs of the larger PwC member firms within the network, including the Chair of the PwC member firm The Netherlands) – gives direction to the network's strategy and facilitates a consistent implementation therof within the network of PwC member firms.
- **Network Executive Team** – coordinates the functional areas (such as risk and quality, methodology, human capital, operations, brand and communications) across the network, reporting to the Network Leadership Team.

All services are delivered by the individual member firms for their own account and risk. PwCIL is not responsible or liable for any actions or omissions of any of its member firms, it cannot exercise control over their professional opinions and it cannot bind them in any way. Member firms, in turn, may not act as agent for or representative of PwCIL or any other member firm, and they are responsible solely for their own actions or omissions.

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Member firms may participate in regional affiliations designed to encourage collaboration and the application of common strategies and risk and quality standards.

Each member firm has its own policies and procedures, based on the standards of the PwC network, and each member firm has access to the common methodologies, techniques and support materials for many of the services developed to help member firms operate consistently and in accordance with PwC practice.

Each member firm is responsible for monitoring the effective operation of its quality management system, including both a self-assessment and an independent review thereof. Additionally, PwCIL monitors the extent to which the member firm is in compliance with network standards, including reviewing not only the way in which the member firm carries out objective quality controls of all its services but also the processes that the member firm uses to identify and manage risk.

For assurance work, the global PwC network has a review programme directed specifically at quality, based on the professional standards that apply (such as ISQC-1 and, where applicable, the quality control standards of the US Public Company Accounting Oversight Board). The objective of this particular programme is to assess whether:

- the quality and risk management systems have been appropriately designed and are operating effectively in accordance with the network's standards and policies;
- the engagements selected for review have been conducted in compliance with the professional standards that apply and with the requirements of the PwC Audit; and
- significant risks have been appropriately identified and managed.

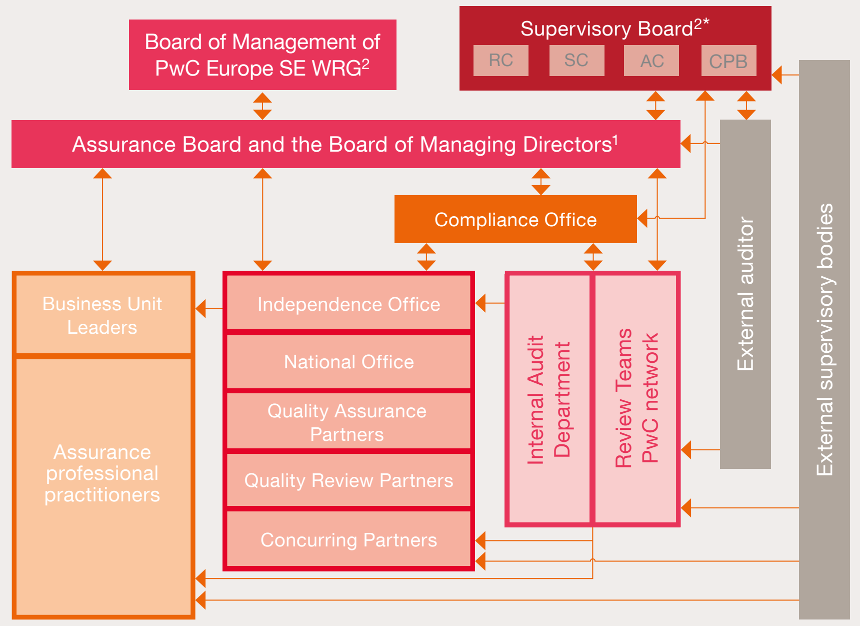
The global PwC network is organised into two large geographical areas: Asia, Pacific, Americas (APA) and Europe, Middle East, Africa (EMEA). This is not a management or reporting structure but is intended to achieve an optimum level of coordination within integrating markets and client needs. Coöperatie PricewaterhouseCoopers Nederland U.A., Holding PricewaterhouseCoopers Nederland B.V. and PricewaterhouseCoopers B.V. and their subsidiaries are part of EMEA.

Our organisational structure

Assurance Board

The members of the Board of PricewaterhouseCoopers Accountants N.V. (also referred to as the Assurance Board), together with the members of the Board of Management of Holding PricewaterhouseCoopers Nederland B.V., are designated as the policymakers of PricewaterhouseCoopers Accountants N.V. The Assurance Board is responsible for the design and operating effectiveness of the quality and risk management systems. The Chair of the Assurance Board is the single statutory director of PricewaterhouseCoopers Accountants N.V. During 2016-2017, the Assurance Board consisted of Ad van Gils (Chair), Agnes Koops-Aukes, Michel Adriaansens and Wytse van der Molen. As of 1 October 2016, Ad van Gils was appointed as Chair and Michael de Ridder left the Assurance Board.

Our organisation



1 Policymakers
2 Co-policymakers

* The Supervisory Board ....
RC = Remuneration Committee, SC = Selection and Appointments Committee, AC = Audit Committee, CPB = Public Interest Committee

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The Chair of the Assurance Board (who is also the sole statutory director of PricewaterhouseCoopers Accountants N.V.) is appointed by the General Meeting of PricewaterhouseCoopers Accountants N.V. The Chair appoints the other members of the Assurance Board as authorised executive directors. Both the Chair and the other members are appointed for a maximum period of two four-year terms.

Partner Council

The Partner Council represents the collective interests of the members and provides advice on germane issues that are presented to Coöperatie PricewaterhouseCoopers Nederland U.A.'s General Meeting for approval. The Partner Council may also provide advice, either on request or on its own initiative, and may act as advocate in the interests of the partner concerned in cases of internal dispute.

Business units

Given the structure and size of the audit firm, we have vested some of the Assurance Board's responsibilities in business units (BUs), each led by a Business Unit Leader with the following responsibilities:

- Implementation of the regulatory requirements that apply for quality, risk management and conduct and behaviour, the Business Unit Leader being supported in this by the BU Quality Assurance Partner who is responsible for quality aspects such as the acceptance, continuance and performance of engagements including the statutory audits
- Design and management of an effective infrastructure (adequate levels of people and resources, industry expertise, and business unit planning), the Business Unit Leader being supported in this by the BU Operations Partner
- Management of the team in terms of service quality and the monitoring and development of our people, their experience and their behaviour, the Business Unit Leader being supported in this by the BU Human Capital Partner
- Management of the BU's goals in the areas of revenue, productivity, profitability, Human Capital and quality, the Business Unit Leader being supported in this by the BU Operations Partner
- Implementation of the change programme, the Journey, the Business Unit Leader being supported in this by the Change Partner.

As of 30 June 2017, the Assurance practice has seven business units, covering twelve locations, consisting of four geographic Assurance business units and three nationally operating business units: Capital Markets Accounting & Advisory Services (CMAAS), Risk Assurance and National Office. On 1 July 2017, a nationally operating business unit was added: Financial Services (FS). The Business Unit Leaders coordinate with the Assurance Board through the Assurance Management Team, set up to facilitate consistency of operational management across the Assurance practice.

The Financial Services (FS) business unit focuses on services to (audit) clients in the financial sector such as banks, insurance companies, investment institutions and pension funds. CMAAS provides accounting advice primarily to non-audit clients, work on behalf of capital market transactions and provides support to our audit teams in specific accounting areas. Risk Assurance delivers and develops non-financial assurance services in addition to its IT role in the audit teams.

Business units (as of 30 June 2017)	
Amsterdam	Alkmaar and Amsterdam
South Holland	The Hague and Rotterdam
North-Central	Arnhem, Enschede, Groningen, Utrecht and Zwolle
South	Breda, Eindhoven and Maastricht
Financial Services	Operating nationally
CMAAS	Operating nationally
Risk Assurance	Operating nationally
National Office	Operating nationally

Industry groups

In addition to being allocated to business units, all our professionals (as from a certain grade) are also part of an industry group. This is essential in maintaining a good understanding of market trends, regulatory environments and other relevant developments. The exchange of information within the groups, across Lines of Service, help maintain quality in our service delivery.

We have seven industry groups:

- *Industrial Products*
- *Technology, Media and Telecom*
- *Retail & Consumer*
- *Transport & Logistics*
- *Financial Services*
- *Public Sector*
- *Energy, Utilities & Mining*

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Board of Supervisory Directors

The internal supervisory role at PwC is discharged by the independent Supervisory Board (SB). The SB was set up on 1 May 2015 and comprised of seven members. The members of the SB are appointed by the General Meeting of Holding PricewaterhouseCoopers Nederland B.V , after approval of (the General Meeting of) Coöperatie PricewaterhouseCoopers Nederland U.A. on the basis of a binding proposal submitted by the SB. The members of the SB qualify as co-policymakers of both PricewaterhouseCoopers Accountants N.V. and Coöperatie PricewaterhouseCoopers Nederland U.A. within the context of the Audit Firms Supervision Act (‘Wta’). Members of the SB are appointed for a term of four years and may be reappointed for a maximum of one further term of four years.

Following Principle III.1 of the Dutch Corporate Governance Code, the role of the SB is to oversee the activities of the Board of Management and the overall business affairs of Holding PricewaterhouseCoopers Nederland B.V. and its affiliated group enterprises, as well as to provide advice to the Board of Management. Amongst other things, the SB is also tasked with approving the appointment of the Compliance Officer. The Chair of the SB is also Chair of the General Meeting of Coöperatie PricewaterhouseCoopers Nederland U.A.

The SB comprised Jan Maarten de Jong, Nout Wellink, Naomi Ellemers, Annemarie Jorritsma, Frits Oldenburg, Yvonne van Rooy and Cees van Rijn. The Report of the Supervisory Board is included in the Annual Report 2016-2017.

The SB has the following committees:

Audit Committee
The role of this committee is to assist the SB in its decision-making processes in the area of financial matters. These include the annual financial statements and co-signing thereof and the annual report (both of which include PricewaterhouseCoopers Accountants N.V.’s financial statements), the financial reporting process, including the preparation and determination of Holding PricewaterhouseCoopers Nederland B.V.’s annual plans and budgets, major capital investments and the design and operating effectiveness of the internal risk management and control systems. The Committee also advises the SB on the selection of the external auditor and on the preparation of the proposal to the General Meeting regarding the auditor’s appointment and fee. The Committee comprises Cees van Rijn (Chair), Frits Oldenburg and Annemarie Jorritsma.

Remuneration Committee
The role of this committee is to assist the SB in its decision-making processes in the area of remuneration policies and practices. These include the approval of policies for the remuneration of the Board of Managing Directors, partners and staff and the SB’s supervision of their proper implementation. The Committee comprises Annemarie Jorritsma (Chair), Jan Maarten de Jong, Yvonne van Rooy and Nout Wellink.

Selection and Appointments Committee
The role of this committee is to assist the SB in its decision-making processes in the area of appointment policies and practices. These include approval of the appointment policies to be implemented, selection and submission processes for the appointment of members of the SB (on the advice of the Selection and Appointment Committee), approval of the appointment of the Compliance Officer and selection and preparation of a binding submission to the General Meeting for the appointment of the Board of Managing Directors. The Committee consists of Jan Maarten de Jong (Chair), Naomi Ellemers and Frits Oldenburg.

Public Interest Committee (PIC)
De CPB vloeit voort uit de Code voor Accountantsorganisaties. Het uitgangspunt daarvan is de borging van het publieke belang van de accountantsverklaringen. De Commissie Publiek Belang is een kerncommissie van de rvc en in die hoedanigheid richt zij zich op de wijze waarop PricewaterhouseCoopers Accountants N.V. en haar Nederlandse netwerk het publieke belang van de accountantsverklaringen waarborgt. De commissie bestond tot en met 30 juni 2017 uit Nout Wellink (voorzitter), Naomi Ellemers, Cees van Rijn en Yvonne van Rooy. Per 1 juli 2017 zijn ook Jan Maarten de Jong, Annemarie Jorritsma en Frits Oldenburg lid geworden van de CPB. Alle leden zijn gehouden aan specifiek overeengekomen onafhankelijkheidsvoorschriften en zijn conform deze voorschriften onafhankelijk van PwC.

Code for Audit Firms

PwC endorses the values and principles set out in ‘The Code for Audit Firms with a PIE licence’ of 2012. PricewaterhouseCoopers Accountants N.V. signed the Covenant of the Code for Audit Firms on 28 June 2012. This Code was issued by our professional body (the NBA) and sets out principles as to how PIE licence holders should handle matters such as dealing with governance and decision-making, quality and risk management, internal oversight, independence and remuneration. Our website contains a detailed description of the way in which PricewaterhouseCoopers Accountants N.V. lives up to the values and principles set out in the Code for Audit Firms.

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In line with the Code, PwC installed a Public Interest Committee on 1 July 2013. On 1 May 2015, this independent committee was succeeded by the Public Interest Committee of the SB. As of 1 July 2017, all members of the SB are part of the PIC. The PIC's role is to monitor the way in which the audit firm, PricewaterhouseCoopers Accountants N.V., ensures that the public interest is safeguarded in its auditor's reports. In its supervisory role, the Committee oversees the organisation's governance and decision-making processes, the quality and risk management systems, the remuneration policies and practices for external auditors (the partners and directors), the notification procedures, internal and external reviews, external reporting, stakeholder dialogue and reputational risk. The appointment process and the roles and responsibilities of the PIC are set out in a regulation published on our website. The regulation addresses, amongst other things, the right to information as set out in the Code and the way in which differences of opinion with the Board of Management and/or the internal supervisory body are to be handled.

Report of Findings

As required by the Code, the PIC has reported in writing to the SB regarding 2016-2017, and its report is included in this Transparency Report in the section 'Report of the Public Interest Committee'.

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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, 25 September 2017

Policymakers PricewaterhouseCoopers Accountants N.V.
Members of the Board of Management of Holding PricewaterhouseCoopers Nederland B.V.
Peter van Mierlo (Chair)
Ad van Gils (also Chair of the board of directors of PricewaterhouseCoopers Accountants N.V.)
Michael de Ridder
Frank van Engelen
Jolanda Lamse-Minderhoud
Marc Diepstraten
Members of the board of directors of PricewaterhouseCoopers Accountants N.V.
Michel Adriaansens
Agnes Koops-Aukes
Wytse van der Molen

Statement board of directors of 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, 25 September 2017

PricewaterhouseCoopers Accountants N.V.
Ad van Gils
Michel Adriaansens
Agnes Koops-Aukes
Wytse van der Molen

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Independent Assurance Report

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

Report on the information on the figures and percentages in the white marked tables Quality Performance Indicators 1.1 till 7.4 of the Transparency Report 2016-2017

Our opinion

We have examined the enclosed information in the white marked tables Quality Performance Indicators 1.1 till 7.4 of the Transparency Report 2016-2017 (further: the reported data) of PricewaterhouseCoopers Accountants N.V., based in Amsterdam.

The information about the reported data includes the Quality Performance Indicators 1.1 till 7.4 of the Transparency Report 2016-2017.

In our opinion, the information on the reported data is prepared, in all material respects, in accordance with the applicable criteria as included in Appendix D of the Transparency Report 2016-2017.

This opinion is based on the following matters:
Due to an inherent limitation of each internal control system and as a result of this for our examination too, there's an unavoidable risk that a material misstatement will not be detected even when our examination is planned and performed adequately.

Basis for our opinion

We conducted our examination in accordance with Dutch law, including the Dutch Standard 3000A, "Assurance engagements other than audits or reviews of historical financial information (attestation engagements)". This engagement is focused on obtaining reasonable assurance. Our responsibilities for this engagement are described in 'Our responsibilities for examining the information on the reported data section of our report.

We are independent of PricewaterhouseCoopers Accountants N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Purpose of the engagement and applicable criteria

Purpose of the engagement

This assurance report is prepared to report about our examination whether the Quality Performance Indicators (the reported data) in the Transparency Report 2016-2017 are in accordance with the applicable criteria.

Applicable criteria

The applicable criteria for or this engagement are included in Appendix D of the Transparency Report 2016-2017.

Our procedures and analyses of the reported data

Our procedures

In order to obtain sufficient and appropriate assurance information we have carried out the following procedures:
- Evaluating the appropriateness of accounting policies used;
- Obtaining an understanding of internal control relevant to the audit in order to design audit 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;
- Checking samples of internal and external documentation to determine whether the reported data is adequately supported by this documentation;
- Interviewing of employees responsible for analyzing and reporting of the reported data.

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Description of responsibilities

Responsibilities of management and the evaluator

Management is responsible for the preparation of the information on the reported data in accordance with the applicable criteria. Furthermore, management is responsible for such internal control as it determines necessary to enable the preparation of the information on the reported data free from material misstatement, whether due to errors or fraud. The criteria are compiled by management (the evaluator). The evaluator is responsible for determining the applicable criteria.

Our responsibilities for examining the information on the reported data

Our responsibility is to plan and perform our examination to obtain sufficient and appropriate assurance information for our opinion. Our examination has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud. An assurance engagement includes examining appropriate evidence on a test basis.

We apply the "Nadere voorschriften kwaliteitssystemen (NVKS)" (regulations on 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.

Utrecht, 25 September 2017

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

R.W.A. Eradus RA

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Appendix A - Legislative and regulatory framework (EU directive)

In this table is set out how and where our reporting complies with the requirements of Article 13 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014

		Chapter
lid 2		
a	a description of the legal structure and ownership of the audit firm;	Our governance
b	where the statutory auditor or the audit firm is a member of a network: (i) a description of the network and the legal and structural arrangements in the network; (ii) the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network; (iii) the countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business; (iv) the total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements;	i Our governance ii and iii Appendix B iv Client and engagement acceptance
c	a description of the governance structure of the audit firm;	Our governance
d	a description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning;	Monitoring quality Statements
e	an indication of when the last quality assurance review referred to in Article 26 was carried out;	Monitoring
f	a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year;	Appendix C
g	a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted;	Statements
h	a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC;	Statements
i	information concerning the basis for the partners' remuneration in audit firms;	Human capital
j	a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7);	Independence
k	where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories: (i) revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity; (ii) revenues from the statutory audit of annual and consolidated financial statements of other entities; (iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and (iv) revenues from non-audit services to other entities.	Client and engagement acceptance

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Appendix B - List of EU/EEA audit firms that belong to the PwC network of member firms

With this list we fulfill the requirements of Article 13, paragraph 2, sun. b (ii and iii) of EU Regulation 537/2014.

Member state	Name of the firm
Austria	PwC Wirtschaftsprüfung GmbH, Wien
	PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz
	PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt
	PricewaterhouseCoopers Vorarlberg Wirtschaftsprüfungs GmbH, Dornbirn
	PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz
	PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg
	PwC Österreich GmbH, Wien
Belgium	PwC Bedrijfsrevisoren bcvba/Reviseurs d'enterprises sccrl
	PwC Audit Services SPRL
Bulgaria	PricewaterhouseCoopers Audit OOD
Croatia	PricewaterhouseCoopers d.o.o
Cyprus	PricewaterhouseCoopers Limited
Czech Republic	PricewaterhouseCoopers Audit s.r.o
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Estonia	AS PricewaterhouseCoopers
Finland	PricewaterhouseCoopers Oy
	PwC Julkistarkastus Oy
France	PricewaterhouseCoopers Audit SAS
	PricewaterhouseCoopers Entreprises SARL
	Diagnostic Révision Conseil SAS
	PricewaterhouseCoopers PME Commissariat aux comptes
	PricewaterhouseCoopers PME CAC
	PricewaterhouseCoopers France
	Ampersand Audit
	Ampersand Associés
	FNP Commissaires Associés
	Fiduciaire d'Expertises Comptables et d'Etudes Economiques – Fidorex
	Société Fiduciaire d'Expertise Comptable et de Révision – Sofecor
	M. Philippe Aerts
	M. Jean-François Bourrin
	M. Jean-Laurent Bracieux
	M. Didier Brun
	M. Didier Cavanie
	M. Hubert de Rocquigny

Member state	Name of the firm
France	M. François Miane
	M. Yves Moutou
	M. Claude Palméro
	M. Antoine Priollaud
Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
	Wibera WPG AG
	PwC FS Tax GmbH Wirtschaftsprüfungsgesellschaft
Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Könyvvizsgáló Kft.
Iceland	PricewaterhouseCoopers ehf
	PricewaterhouseCoopers
Italy	PricewaterhouseCoopers Spa
Latvia	PricewaterhouseCoopers SIA
Liechtenstein	PricewaterhouseCoopers GmbH, Vaduz
Lithuania	PricewaterhouseCoopers UAB
Luxembourg	PricewaterhouseCoopers, Société coopérative
Malta	PricewaterhouseCoopers
Netherlands	PricewaterhouseCoopers Accountants N.V.
	Coöperatie PricewaterhouseCoopers Nederland U.A
Norway	PricewaterhouseCoopers AS
Poland	PricewaterhouseCoopers Polska sp. z.o.o.
	PricewaterhouseCoopers sp. z.o.o.
Portugal	PricewaterhouseCoopers & Associados-Sociedade de Revisores Oficiais do Contas Lda
Romania	PricewaterhouseCoopers Audit S.R.L.
Slovak Republic	PricewaterhouseCoopers Slovensko s.r.o.
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.L.
Sweden	PricewaterhouseCoopers AB
	Ohrlings PricewaterhouseCoopers AB
UK	PricewaterhouseCoopers LLP
	PricewaterhouseCoopers AS LLP
	James Chalmers
	Richard Sexton

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This includes the PIEs* where a statutory audit was caried out in the financial year 2016-2017 (in alphabetical order):

A
Achmea B.V.
Achmea Bank N.V.
Achmea Pensioen- en Levensverzekeringen N.V.
Achmea Reinsurance Company N.V.
Achmea Schadeverzekeringen N.V.
Achmea Zorgverzekeringen N.V.
ad pepper media International N.V.
Adyen B.V.
Aegon Bank N.V.
AEGON Levensverzekering N.V.
AEGON N.V.
AEGON Schadeverzekering N.V.
AEGON Spaarkas N.V.
AKZO Nobel Assurantie N.V.
Akzo Nobel N.V.
Amsterdam Commodities N.V.
ARCADIS N.V.
Avantium N.V.
Avéro Achmea Zorgverzekeringen N.V.
AXA Belgium Finance (NL) B.V.

B
Bayer Capital Corporation B.V.
Beter Bed Holding N.V.
Blue Square Re N.V.
BNP Paribas Fund I N.V.
BNP Paribas Fund III N.V.
British Transco International Finance B.V.
Brunel International N.V.
Bumper 6 (NL) Finance B.V.

C
Coca-Cola HBC Finance B.V.
Constellium N.V.
Conti-Gummi Finance B.V.
Coöperatieve Rabobank U.A.
Curetis N.V.

D
De Friesland Particuliere Ziektekostenverzekeringen N.V.
De Friesland Zorgverzekeraar N.V.
De Lage Landen International B.V.
de Vereende N.V.
Deutsche Post Finance B.V.
Deutsche Telekom International Finance B.V.
DOCDATA N.V.

E
E.ON International Finance B.V.
E-MAC DE 2005-I B.V.
E-MAC DE 2006-I B.V.
E-MAC DE 2006-II B.V.
E-MAC DE 2007-I B.V.
E-MAC NL 2004-I B.V.
E-MAC NL 2004-II B.V.
E-MAC NL 2005-I B.V.
E-MAC NL 2005-III B.V.
E-MAC NL 2005-NHG II B.V.
E-MAC NL 2006-II B.V.
E-MAC NL 2006-NHG I B.V.
E-MAC Program B.V.
E-MAC Program II B.V.
E-MAC Program III B.V.
Enexis Holding N.V.
Eno Aanvullende Verzekeringen N.V.
Eno Zorgverzekeraar N.V.
Euronext N.V.
European Assets Trust N.V.
Evonik Finance B.V.

F
F. van Lanschot Bankiers N.V.
FBN Finance Company B.V.
FBTO Zorgverzekeringen N.V.
FGH Bank N.V.

G
Gas Natural Fenosa Finance B.V.
Globaldrive Auto Receivables 2013-A B.V.
Globaldrive Auto Receivables 2014-A B.V.
Globaldrive Auto Receivables 2014-B B.V.
Globaldrive Auto Receivables 2015-A B.V.
Globaldrive Auto Receivables 2016-A B.V.
GrandVision N.V.
GREEN STORM 2016 B.V.

H
Hof Hoorneman Bankiers N.V.
Holland Colours N.V.

I
innogy Finance B.V.
innogy Finance II B.V.
Insinger de Beaufort Umbrella Fund N.V.
Interpolis Zorgverzekeringen N.V.

J
J.P. Morgan Structured Products B.V.

* Companies established in the Netherlands listed on an EU regulated market, credit institutions and (re)insurance companies, as defined in Article 1, first paragraph, under l of the Law on the Supervision of Audit Firms.

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K
Kardan N.V.
KAS BANK N.V.
Kempen European High Dividend Fund N.V.
Kempen European Property Fund N.V.
Kempen Global High Dividend Fund N.V.
Kempen Global Sustainable Equity Fund N.V.
Kempen Orange Fund N.V.
Kempen Oranje Participaties N.V.
Kempen Profielfondsen N.V.
Kigoi 2013 B.V.
Koninklijke Ahold Delhaize N.V.
Koninklijke Brill N.V.

L
Laurelin II B.V.

M
Madrileña Red de Gas Finance B.V.
Merrill Lynch B.V.
Monuta Verzekeringen N.V.

N
N.V. Bank Nederlandse Gemeenten
N.V. Hagelunie
N.V. Nederlandsche Apparatenfabriek “Nedap”
N.V. Nederlandse Gasunie
N.V. Noordhollandsche van 1816, Levensverzekeringsmaatschappij
N.V. Noordhollandsche van 1816, Schadeverzekeringsmaatschappij
N.V. Univé Her
N.V. Univé Schade
National Academic Verzekeringsmaatschappij N.V.
NE Property Coöperatief U.A.
NSI N.V.

O
Optas Pensioenen N.V.
Oranjewoud N.V.
OZF Zorgverzekeringen N.V.

P
PDM CLO I B.V.
Pharming Group N.V.
PURPLE STORM 2016 B.V.

R
Rabo Groen Bank B.V.
Rabo Herverzekeringsmaatschappij N.V.
Rabohypotheekbank N.V.
Reis- en Rechtshulp N.V.

S
SBM Offshore N.V.
Schlumberger Finance B.V.
Staalbankiers N.V.
STORM 2011-I B.V.
STORM 2012-I B.V.
STORM 2012-II B.V.
STORM 2012-III B.V.
STORM 2012-IV B.V.
STORM 2012-V B.V.
STORM 2013-I B.V.
STORM 2013-II B.V.
STORM 2013-III B.V.
STORM 2013-IV B.V.
STORM 2014-I B.V.
STORM 2014-II B.V.
STORM 2014-III B.V.
STORM 2015-I B.V.
STORM 2015-II B.V.

T
Triodos Bank N.V.
Triodos Cultuurfonds N.V.
Triodos Groenfonds N.V.
Triodos Impact Strategies N.V.
Triodos Vastgoedfonds N.V.

U
Univé Stad en Land Brandverzekeraar N.V.
UVM Verzekeringsmaatschappij N.V.

V
Van Lanschot Kempen N.V.
Veritas Petroleum Services B.V.
VimpelCom Holdings B.V.
Vonovia Finance B.V.

W
Woningborg N.V.

Z
Zilveren Kruis Ziektekostenverzekeringen N.V.
Zilveren Kruis Zorgverzekeringen N.V.

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Appendix D - Reporting criteria of the quality indicators

Nr.	Reporting criterion	NBA Practice Note	Page
1.1	The average number of hours spent during the financial year per FTE by partners/directors, senior managers/managers and other team members (excluding contracted-in staff, the temporary workforce and short-term secondments)	○	24
1.2	Number of hours spent during the financial year by partners/directors, senior managers/managers and other team members (including contracted-in staff, the flexible workforce and short-term secondments) on PIE and non-PIE PwC audit engagements, as a percentage of the total number of hours spent by all professional staff on all PwC's audit engagements.	○	24
2.1	Number of approaches to the Assurance confidential counsellors. Number of complaints handled by the Complaints Committee during the financial year relating to the Assurance practice of PwC. Number of internal and external notifications to the Business Conduct Committee during the financial year under the complaints and notifications procedures relating to the Assurance practice of PwC.		27
3.1	Number of PwC partners, directors/director candidates (headcount) subject to personal independence testing during the financial year and the number of independence infringements identified therein by the Independence Office. The number of sanctions levied by the Independence Sanctions Committee during the financial year as a result of the Personal Independence Compliance Testing of PwC partners and directors/director candidates, differentiating between written warnings and reprimands.	○	28
4.1	Analysis of the Dutch PwC member firm's revenue by type of service as set out in the NV COS standards. The revenue from statutory audits is determined as defined in Article 1, para 1 sub p of the Law on the Supervision of Audit Firms. Accounting policies are the same as those for the Holding PricewaterhouseCoopers Nederland B.V. annual financial statements.		31
5.1	Ratio of the numbers of partners/directors, senior managers/managers, senior associates and associates in permanent employment at 30 June 2017 (excluding trainees, support staff, contracted-in staff, the flexible workforce and short-term secondments).		33
5.2	Average number of hours per FTE during the financial year, calculated as the total hours spent by professional staff (FTEs) (excluding trainees, support staff, contracted-in staff, the flexible workforce and short-term secondments) on internal and external training and education divided by the average total number of professional staff (excluding trainees, support staff, contracted-in staff, the flexible workforce and short-term secondments) (FTEs).	○	34
5.3	Number of leavers during the financial year with a permanent contract in the staff levels up to and including senior manager, per 1 and 2 PC&D rating, years' experience, male/female and migrant/non-migrant background (as specified by staff in the personnel administration), as a percentage of the average workforce in these categories.	○	35
5.4	Number of overseas professional staff (headcount) working for the Assurance practice during the financial year for a period shorter than one year (short-term) and for longer than one year (long-term). Number of professional staff (headcount) working outside the Netherlands during the financial year for a period shorter than one year (short-term) and for longer than one year (long-term).		35
5.5	Percentage of positive responses from the People Survey during the financial year to questions related to coaching and audit quality and the results of the People Engagement Index that measures staff satisfaction with PwC as an employer.	○	36
5.6	Number, per evaluation element, of remuneration adjustments that have been or will be levied on partners and directors during the financial year by the Remuneration Committee of the SB under the evaluation and remuneration policies.		39
6.1	Number of hours spent during the financial year by financial data, reporting, valuation, pension and taxation specialists on support to audit engagements, as a percentage of the total number of hours charged to PwC's audit engagements (statutory and voluntary).	○	42

○ The quality indicator is taken from the NBA Practice Note 1135 Disclosure of Audit Quality Factors. PwC reports in the Transparency Report 2016-2017 on all quality indicotors stated in the Practice Note.

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Nr.	Reporting criterion	NBA Practice Note	Page
6.2	Number of hours spent during the financial year by IT specialists from our Risk Assurance business unit on audit engagements, as a percentage of the total number of hours charged to PwC's audit engagements (statutory and voluntary), differentiating between PIE and non-PIE.	○	42
6.3	Percentage of audit hours outsourced by audit teams to delivery centres during the financial year.		42
6.4	Total hours spent by National Office on the development and provision of professional technical support during the financial year.	○	43
6.5	Number of formal consultations submitted to National Office during the financial year regarding financial reporting and audit matters.	○	43
6.6	Number of formal reviews of financial statements carried out during the financial year by National Office specialists prior to issuance of the auditor's report.	○	43
6.7	Number of consultations submitted during the financial year to the Fraud Panel.		43
6.8	Number of notifications of unusual transactions submitted during the financial year to the Financial Intelligence Unit.		44
6.9	Total number of statutory auditor's reports issued during the financial year, as included in the engagement registration system, and those relating to PIE auditor's reports.		44
6.10	Number of Real Time Reviews initiated and completed during the financial year by the RTR team including those in support of the QRP and CRP.		45
6.11	Number of engagement-specific quality reviews (EQR) carried out by QRPs during the financial year. Number of engagement-specific quality reviews carried out by QRPs during the financial year, as a percentage of the total number of statutory audits. Average number of hours spent during the financial year by all QRPs on engagement-specific quality reviews, as a percentage of the total number of hours spent on all audit engagements to which a mandatory QRP was appointed.	○	45
6.12	Millions of euros invested in the development of new technology relating directly to audit during the financial year, consisting solely of cash-out, including the Dutch Assurance practice's share of investments in the development of new technology within the network and excluding internally generated time and related expenses.	○	46
6.13	Number of errors under Article 362 para 6 of the Dutch Civil Code (Dutch GAAP) or material errors (under IFRS) noted during the financial year at entities where PwC was also the statutory external auditor in the prior year, as registered with National Office. Number of errors under Article 362 para 6 of the Dutch Civil Code (Dutch GAAP) or material errors (under IFRS) noted during the financial year, as a percentage of the total number of statutory audit reports issued.	○	47
6.14	Number of legal cases pending and resolved relating to professional practice during the financial year, differentiating between civil and disciplinary cases.		48
6.15	Number of incidents notified to the external supervisory body (AFM) using the digital tool during the financial year.		49
7.1	Number of engagements reviewed during the financial year under the global ECR process, differentiating between audit engagements and non-audit Assurance engagements. Results of the ECRs, differentiating between compliant and non-compliant engagements (compliant including compliant with review matters).	○	50
7.2	Number of engagements reviewed during the financial year by external supervisory bodies and the number with reported findings.	○	52
7.3	Number of material errors noted during the financial year at PwC-audited entities on the basis of notifications from the AFM. Number of material errors noted during the financial year at PwC-audited entities on the basis of notifications from the AFM, as a percentage of the total number of statutory audits.		53
7.4	Number and amount (in Euros) of fines levied during the financial year on PwC by external supervisory bodies.		53

○ The quality indicator is taken from the NBA Practice Note 1135 Disclosure of Audit Quality Factors. PwC reports in the Transparency Report 2016-2017 on all quality indicotors stated in the Practice Note.

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AFM	Netherlands Authority for the Financial Markets, the external independent body responsible for the supervision of financial enterprises and of audit firms with a PIE licence
Assurance Board	Board of directors of PricewaterhouseCoopers Accountants N.V.
BCC	Business Conduct Committee, to which staff refer if they note instances or suspicions of professional misconduct
BMG&D	'Beoordeling, Mapping Goalsetting en Development' (Evaluation, Mapping, Goal setting & Development), the PwC process surrounding the evaluation and remuneration of partners and directors
Bta	'Besluit toezicht accountantsoragnisaties', the Decree on the Supervision of Audit Firms
BU	Business unit, the sub-units of the Assurance practice, determined on the basis of geography and/or professional specialism
CAD	Country Admissions Committee, the body that advises the BoM on the appointment of new partners and directors
CMAAS	The business unit Capital Markets and Accounting Advisory Services
Compliance	Compliance with the legal, regulatory and other requirements and standards that apply
Compliance Officer	Officer responsible for overseeing compliance with the legal, regulatory and other requirements and standards that apply
Compliance Office	Office responsible for overseeing compliance with the legal, regulatory and other requirements and standards that apply
Cycles of experience	Programme to encourage mobility among our professionals
ECR	Engagement Compliance Review, internal reviews carried out by the global network into the quality of client engagements
EQR	Engagement-specific quality review ('OKB'). A process established to provide, on or prior to the date of the auditor's report, an objective evaluation of the significant judgments by the engagement team and the conclusions drawn when formulating the auditor's report. The EQR is performed by a QRP or CRP, whether or not supported by the RTR team.
FAR	Foundation for Auditing Research. Foundation founded in October 2015 that aims sustainable improvement of audit quality. It focusses on academic research on factors that determine the quality of the audit. The creation of FAR is in line with recommendation 5.10 of the report 'In the public interest'.
General meeting (GM)	Meeting of the PwC partners who, via their partner BVs, are the members of Coöperatie PricewaterhouseCoopers Nederland U.A.
GIP	Global Independence Policy. All processes, minimum procedures and activities to which every PwC network firm must comply are prescribed in the PwC GIP. This policy includes specific processes that must be followed to ensure the independence of our clients if the nature of the service gives rise to it.
HC	Human Capital, the term used for the department or persons responsible for PwC's staffing policies and the implementation thereof
Independence Office	Support function that provides support to PwC professionals in maintaining their personal independence and the independence of PwC
ISA	International Standards on Auditing
KPI	Key performance indicator or quality indicator
LoS	Line of Service, the three professional service units through which PwC offers and delivers its services: Assurance, Tax & HRS and Advisory
National Office	Practice support function that underpins and provides support to the professional quality of external auditors and other staff
NBA	Netherlands Institute of Chartered Accountants
NV COS-standaarden	Regulations for audit and other standards issued by the NBA (Netherlands Institute of Chartered Accountants)
Partner Council	Body that represents the collective interests of the members of Coöperatie PricewaterhouseCoopers Nederland U.A. (the partner BVs) and provides advice, either on request or on its own initiative, to the BoM on issues to be submitted to the GM
PCAOB	Public Company Accounting Oversight Board, the US external supervisory Body
People Survey	Global People Survey (GPS). Our worldwide annual staff satisfaction survey about the employee's experience of culture, policy and employment conditions.
PIE	Public Interest Entity, organisations that, because of their scope or role in society, impact a wide range of stakeholder groups (for instance, listed companies, insurers and financial enterprises) and for the statutory audit of which audit firms are required to have a licence from the AFM
PwC Europe	The PwC Europe collaboration of the member firms in Germany, the Netherlands, Austria, Belgium and Turkey
QMS	Quality Management System is the framework that PwC has developed to manage quality
QRP	Quality Review Partner is a partner assigned to carry out engagement-specific quality reviews (EQRs)
Risk Council	Body, chaired by a member of the BoM, which provides support to the BoM and the LoS boards in the area of enterprise risk management
RTR	Real Time Review is an in-depth review of audit engagements carried out by a team independent of the audit team before the auditor's report is issued
Wab	'Wet op het accountantsberoep', Auditors Profession Act
Wta	'Wet toezicht accountantsorganisaties' (the Law on the Supervision of Audit Firms), which regulates the external supervision (by the AFM) of audit firms
Wwft	'Wet ter voorkoming van witwassen en financieren van terrorisme', Anti-Money Laundering and Anti-Terrorist Financing Act

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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 223,000 people in 157 countries share their ideas, experience and solutions in developing new perspectives and meaningful advice.

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