

# *Transparency Report* 2014-2015

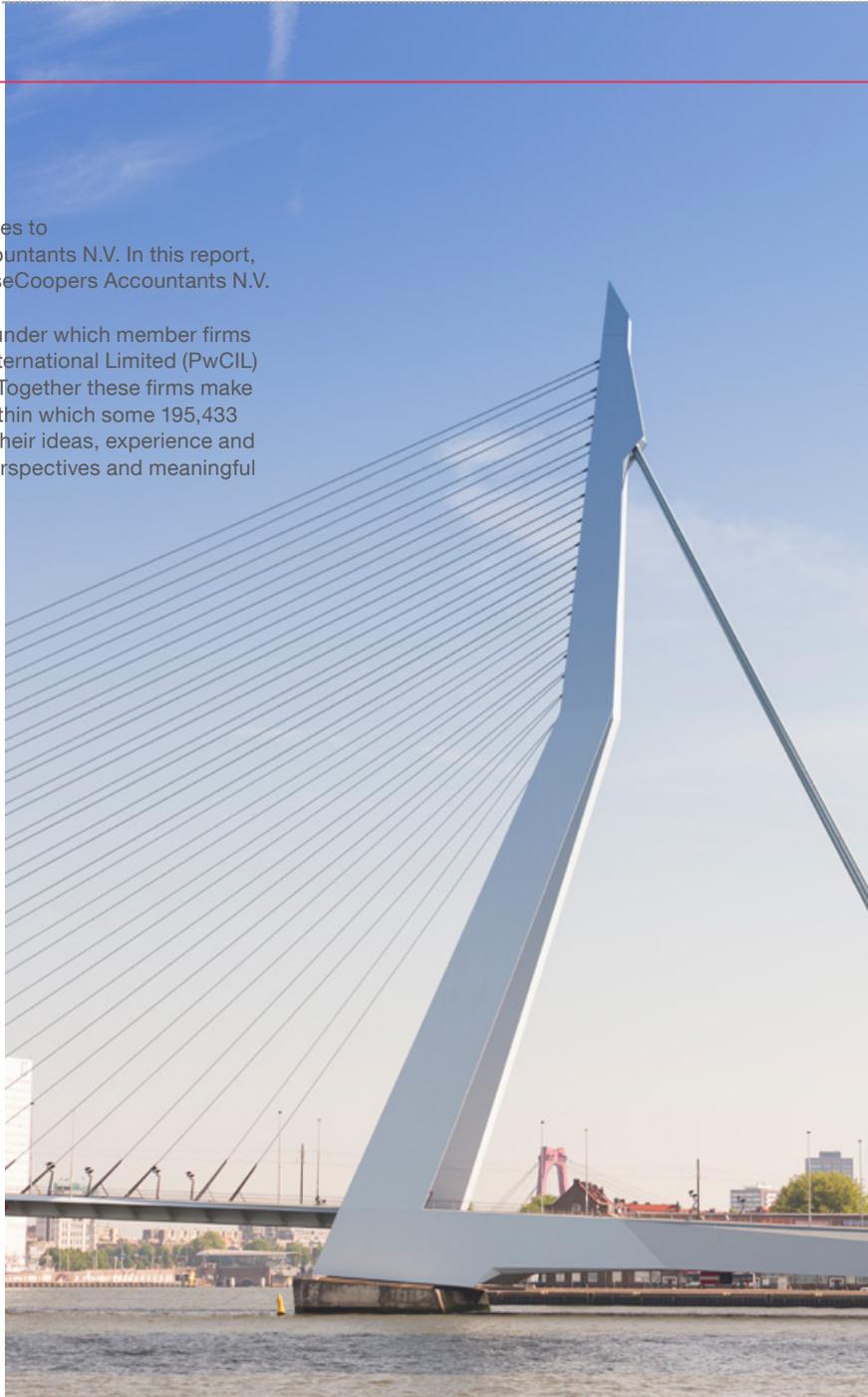
*PricewaterhouseCoopers  
Accountants N.V.*



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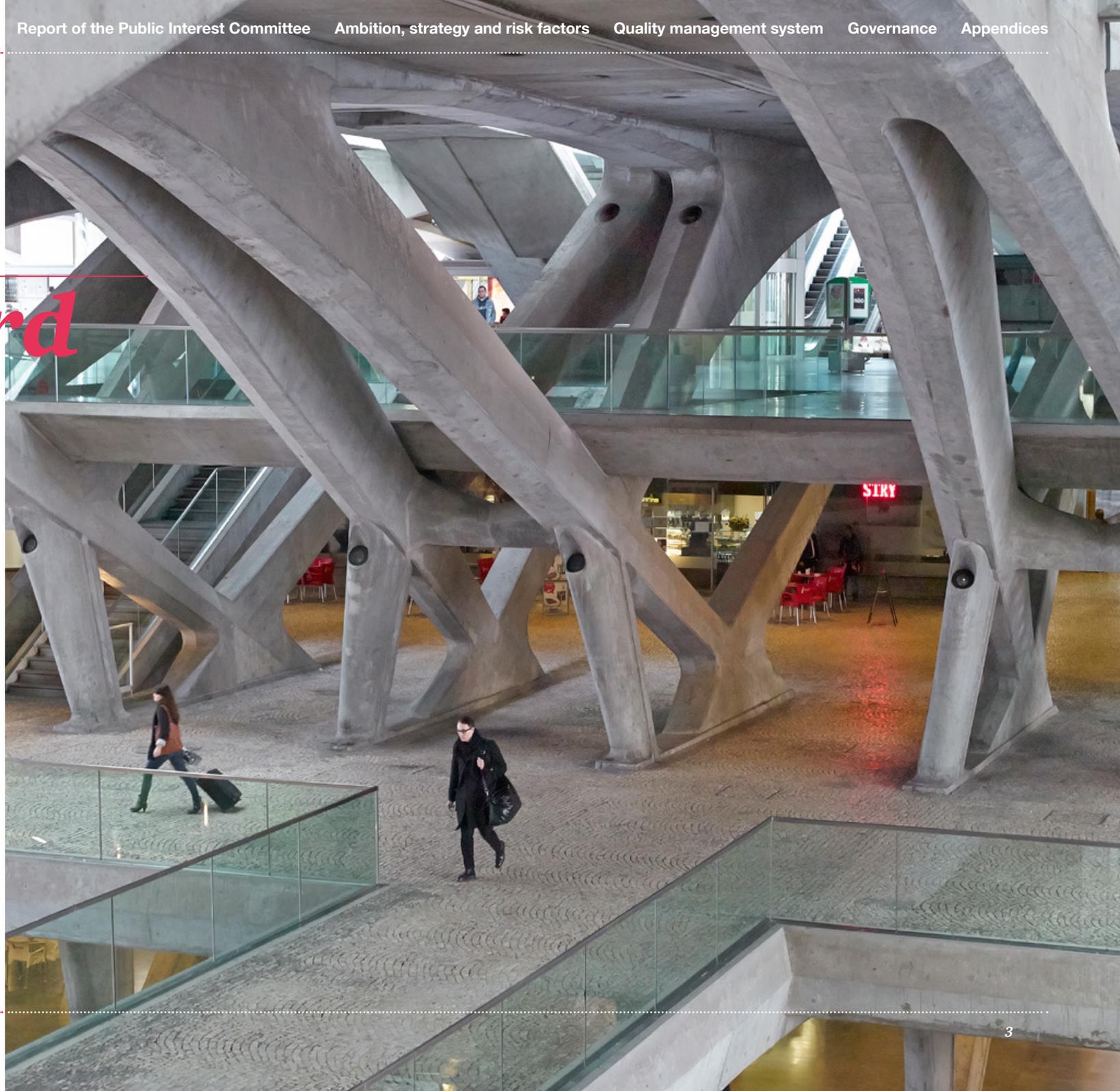
This Transparency Report relates to PricewaterhouseCoopers Accountants N.V. In this report, 'PwC' refers to PricewaterhouseCoopers Accountants N.V.

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# Foreword



## Attuned and responsive in a changing world

*In today's world, trust is a fundamental attribute, a sound base from which to make the wide range of decisions that we need to make. We are very conscious of the fact that the public interest must be right at the heart of what we do, and that everything we do must contribute to this. Whether it be investors, banks, pension plan participants or consumers, there must be no doubt in their minds as to the value and objectivity of our audit opinion. On this underlying premise and within the context of our improved governance framework, we are continuing to improve the level of our quality and to adapt our culture to achieve this.*

During the summer of 2014, together with our colleague audit firms, we carried out an in-depth analysis of what was going wrong and what we could improve on or do differently. This root cause analysis resulted in 53 measures for improvement that will contribute to better audits. Society has the right to expect this. We have embraced these proposals and we have incorporated them into our quality improvement programme, 'Alert!'. This involves significant additional investment, now and in the coming three years, in extra people, training programmes, audit quality, innovation and monitoring. Culture and behaviour are the leading focus in this ambitious programme. As an organisation, we are committed to learning better from the mistakes we make.

### *Learning embedded at the core of our organisation*

'Learning' is not only a cognitive process or something you do on your own. It is also a social process, a mind-set. It's not for nothing that our motto for many years has been 'the worst mistake you can make is the one you make on your own'. As we move ahead, it is an 'open culture' that guides us, not 'zero tolerance', a culture in which a critical word is not immediately taken as criticism, a culture in which all of us, young and old, are proactive in what we do and in which we can all recognise mistakes and potential issues on a timely basis. And all this, of course, fully supported by and from within the organisation. This requires us to be open in our attitudes and behaviour and prepared to be receptive of feedback.

In rolling out our quality improvement programme, we are placing learning, openness and receptiveness to feedback at the heart of our organisation.

By launching the special Real Time Review team that reviews audits while they are in progress and provides support and coaching to the professionals in the field. By having partners and directors invest more time in their audits and in on-the-job coaching. And by installing a wholly external supervisory board to fine-tune our social antennae, and thereby also our ability to learn.

In our root cause analyses, we are drilling down further into the factors that underlie and influence quality, both negatively and positively, and we are pushing the resulting findings more robustly into our training programmes. Understanding more about things that go wrong, rather than simply dealing with the symptoms, contributes significantly to engendering a culture that encourages learning from mistakes. Introducing the High Performing Teams and Cycles of Experience initiatives facilitates a greater level of interaction between individual opinion, culture, expertise and experience, and it helps inspire the professional and personal development and wellbeing of our people. We have fine-tuned our remuneration and promotion policies and practices to give greater weight to quality in performance evaluation, not only negatively but also positively. The fact that mistakes are made can also be a sign that our people need a greater level of support from us, and this is also a key element of quality and a learning-driven culture. The cultural change movement, 'Moments that Matter', in which our people proactively share stories about moments that really matter, has provided us with valuable lessons about certain aspects of our behaviour. Learning also involves the ability to be self-critical. In this Transparency Report, we address the things that did not go well, what we learned from them and how we plan to avoid them in the future.

In this process, coaching, additional training and a balanced mix of hard and softer measures all play an important role.

#### *Embedding change in the Assurance Board*

Many elements of change had already been implemented or intensified, and we are now bringing all of them together in one comprehensive programme for change. This comprises four individual change projects that are essential if we are to embed, for now and for the future, the quality, renewal and culture needed to meet our ambition, which is to ‘inspire a movement of trust that creates lasting confidence in business and beyond’. One of the elements of this programme has been to incorporate change more robustly into our management structures by appointing a new member to our Assurance Board tasked specifically with leading this change. We see this as a strategic investment in the future.

#### *Appreciation of our people*

I am proud of what we have achieved together as an Assurance practice during this past financial year. We have come a long way, and none of it happened of its own accord. It was a hectic year. The implementation of measures for improvement came right at the time that mandatory audit firm rotation was generating a significant number of proposals and a temporary mismatch between in-coming and out-going audits, creating significant challenges for our planning. On top of this, a great deal of additional time was also invested in first year audits.

Despite the enormous pressure this combination of events has put on our people, the team spirit is stronger than ever before, as was confirmed by the outcome of our recent staff satisfaction survey. Our people are motivated and inspired to achieve the ambition we have set. That provides confidence for the future, and we greatly appreciate their high levels of commitment.

#### *Transparency about measures for improvement and performance*

The results of the AFM report on the quality of the 2012 statutory audits of annual financial statements hit us hard in September 2014, particularly because messages like these had not come out of earlier reviews by external supervisory bodies. The AFM has informed us that it intends to impose a fine as a result of this report.

A large portion of the Report of the Assurance Board (see pages 7-13) is dedicated to the status of our implementation of the measures for improvement in audit quality. Since this year, the Assurance Board is now receiving reports every quarter on the most important of the quality indicators (KPIs) referred to in the sector report ‘In the Public Interest’. We report these quality indicators in this Transparency Report and to our Supervisory Board.

#### *Broad-based debate warranted for the expectation gap*

Despite all the efforts of the audit profession, we are still seeing an expectation gap between society (the users of the financial statements), auditors and the reporting entities. The financial crisis, a number of major incidents and the poor AFM rating of audit firms are contributing factors here. It is in the overall public interest that this gap be reduced, not only through a higher level of audit quality but also through a greater level of audit effectiveness. And this requires a broad debate as to how society’s trust in corporations’ and institutions’ financial reporting can be enhanced. Consequently, in the comments we submitted on the draft ‘Law on supplementary measures for audit firms’, we have requested the Minister to include a reporting requirement for accountability regarding fraud and going concern, either in the directors’ report or through extended disclosure in the financial statements. This would mean that the companies themselves report on these aspects, and the auditor can then review them and report on them.

#### *Staying the course*

However much the world around us is changing, what ultimately matters is the view that our stakeholders have as to the value and objectivity of our signature. Anchoring a culture based on quality and learning is a long road, particularly as the expectations of stakeholders continue to evolve. We are happy with how far we have come, but there is still much to do. We recognise that, as Assurance Board, we have a crucial role to play by setting the boundaries, having the right tone resonate throughout the organisation, and leading by example. The way we are going about doing this is set out in this Transparency Report.

Amsterdam, 30 September 2015

On behalf of the Assurance Board,  
Michael de Ridder (Chair)

# *Overview 2014-2015*



# Report of the Assurance Board

*Delivering high quality audits, and in doing so providing assurance on the information reported, is at the very core of what we do, and we are therefore putting significant emphasis on implementing our programme for change and the recommendations in the sector report, 'In the Public Interest', issued by the Future Accountancy Profession Working Group in September 2014. The 'dot on the horizon' is not some inert concept, but our transformation into a learning organisation with sufficient capability to adapt continuously and quickly to its stakeholders' expectations.*

## *Boosting our learning capacity as an organisation*

To achieve quality, we need to learn from our mistakes, and this means we must be able to translate above and below average instances of audit quality into clear measures for improvement. As from this year, real time reviews (RTRs) play an important role in this process. These are in-depth reviews that take place before the auditor's report is issued. The RTR team coaches the audit teams to achieve higher levels of quality in areas that we have identified for improvement.

## *Learning from our stakeholders*

Our stakeholders play a clear and valuable feedback role for us as we strive to maintain and increase our relevance to society, to our clients and to our people. We are in regular dialogue with a wide group of stakeholders. They drive our strategic agenda and they determine what should be included in our Transparency Report. Specific messages we have received this year for our Assurance practice are the following: (1) Concentrate on the quality of the service offerings and delivery; (2) Be clear about what you do; (3) Play an active role in the public debate; (4) Do not lose sight of your social impact; and (5) Self-remediation capacity remains essential for the sector. We take these messages very much to heart, and our Annual Report 2014-2015 provides further details of the results of our stakeholder dialogue.

## *Embedding change in the Assurance Board*

To help achieve our aim of embedding our programmes for change in the areas of quality and innovation (and their interdependence) more deeply into our management structure, we have appointed a new member to our Assurance Board as from 1 May 2015 tasked specifically with leading this change. He is responsible, in particular, for leading the transformation process within our audit practice and for the implementation of measures for improvement and innovation.

The 'Alert!', Innovation & Outsourcing and Data Enabled Audit & Methods programmes, together with the roadmap Assurance in the twenties, make up the four pillars of this programme for change. The Assurance Change team also includes three younger partners, and is supported by a programme manager and communication and change specialists.

## *Investing in technology and standardisation*

We are rapidly implementing new technologies throughout the audit practice by increasing the use of data analysis in the audit approach, which means our audit work can drill down more deeply. We are using a tool that maps an organisation's transaction flows and one that monitors the quality and progress of the audit, on a real time basis, continuously throughout the entire practice and on every device. Using our innovative client portals, our teams can call up documents from, and exchange documents with, the entity being audited in a secure environment and they can very easily monitor the status of these information requests.

We are also continuing to standardise our audit work. Working in a consistent fashion reduces the likelihood of error in our audit work. Standardisation also allows us to transfer work to specialist delivery centres, thereby increasing the consistency and quality of this work. In this past financial year, some 4% of our audit work was performed by delivery centre staff. The efficiency savings this can generate allows more time for the more complex issues and for professional judgement in the audit, neither of which can be standardised but require experience, reflection, coaching and consultation. Furthermore, freeing up more time to invest in the training and supervision of our people improves the quality of our professional judgement.

### *Quality investments affecting profitability*

This past year, we have invested €5 million in strengthening our audits, primarily in the deployment of more people, audit innovation and greater levels of monitoring and supervision. The Assurance practice was strengthened as of 1 July 2015 by the appointment of eleven new partners and fifteen new directors, and the practice has 91 more staff (FTEs) than a year ago, not only new starters but also experienced staff. We also have more people in our professional practice support functions (National Office, Independence Office and Compliance Office) and we have brought more auditors in from across our global network and increased the so-called 'flexible workforce' supporting our audit practice during the peak period.

In aggregate, we have invested 164,881 (10%) more hours on audit engagements this year, most of which were not recoverable. Despite a modest (2%) increase in revenue from assurance services, profitability was down. We will continue to invest significantly in quality improvement in the coming two years, while also regularly evaluating whether we are investing enough and increasing the investment levels as need be.

### *Saying 'No' more regularly*

The focus on quality and the increase in the time spent on engagements means that we need to be more selective in the choices we make. In a number of cases, we have chosen not to participate in tenders because we did not have the necessary capacity at hand, and we do not compromise on quality. We have also resigned from a number of audit clients, small and large, within the context of our quality aspirations. In all, some 75,000 hours were freed up.

### *An encouraging outcome to the People Survey*

Our people are critical to the quality of our work. A measurement of how successful we are as an attractive employer is the People Survey. The overall rating on staff satisfaction, as quantified in the People Engagement Index, was significantly higher this year in Assurance, up from 73% in 2014 to 79% in 2015, a historical high. These results confirm our strong belief that we are on the right track with our programme for change. At the same time, we also recognise that, if we are to maintain this position, we need to continue to work on our capacity as a learning organisation. The outcome of the People Survey has resulted in specific follow-up action at both national and business unit levels.

### *Quality as more than just rules and regulations*

During the summer of 2014, an independent survey that we commissioned into the culture within our organisation confirmed that we have a highly motivated team

of people who believe that quality is a top priority for PwC. At the same time, they also have concerns about the reputation of their profession, and they are feeling the pressure from the increased expectations regarding audit performance and the documentation thereof in the files. Procedures, rules and regulations, check-the-box approaches and internal monitoring have all been gradually on the increase, and this can restrict professional discretion. We are very conscious of this dilemma. On the one hand, a rules based approach is necessary and consistent with the nature of the auditor's work. On the other hand, we need to make more time available for professional critical judgement, innovation, vision and renewal. The results of the culture survey have been incorporated into our 'Alert!' quality improvement programme and into our PwC-wide 'Moments that Matter' cultural change movement.

### *Encouraging internal review results*

An important internal benchmark moment for us is the Engagement Compliance Review (ECR) process. This is carried out by partners, directors and managers independent of the engagement being reviewed, quite a number of whom are from the global network. The objective of these ECRs is to review engagement quality and compliance with the various procedures and policies and to identify areas for improvement. All 37 engagements selected for the recent ECR were compliant. Furthermore, we were attributed a good rating for our quality management system after a robust review by our global organisation (see page 56). The results of both of these review processes are encouraging.

### *External review findings*

In our Transparency Report 2013-2014, we indicated that the results of the regular AFM investigation into ten of our 2012 audit engagements were inconsistent with the results from other internal and external reviews and were at odds with what we were striving to achieve, particularly in the application of auditing standards. The AFM has informed us that it intends to impose a fine as a result of this report. These findings led us to carry out a root cause analysis and implement a wide range of profound measures for future improvement, in combination with the additional investments in quality. This Transparency Report provides details of the root causes and the measures implemented.

On 1 May 2015, we submitted to the AFM an extensive written response to its informatory enquiry into implementation of the measures for future improvement. We have also provided further explanation, both verbally and in writing. It is expected that the AFM will publish a report mid-October into the progress being made by PIE audit firms on the measures for change and improvement. And we have moved things further forward since 1 May 2015.

We have also worked this past year with the AFM in an exploratory investigation it carried out into the use of our delivery centres in our audits and with an exploratory investigation into the work done by the audit firm in the area of bribery and corruption. The investigation into the use of delivery centres did not result in any reported findings. The other investigation is still ongoing.

Our 2013-2014 Transparency Report referred to special investigations into two of our client audit engagements, focusing on the extent to which the external auditor had adequately complied with auditing standards. A similar investigation was also being carried out by the PCAOB into one of these two clients. The AFM has now completed one of these investigations (relating to a 2007 audit) and this has resulted in an enforcement measure in the form of a so-called 'instructive conversation on compliance with standards' (a formal meeting the AFM is entitled to call to communicate on the breach of a standard); this meeting was held on 2 March 2015. The other AFM investigation has not yet been completed. In addition, the AFM has also carried out and completed a special investigation into a third engagement, this one from 2013, with no resulting enforcement measures. The results of investigations by other external supervisory bodies, such as the ADR (the Central Government Audit Service), the Inspectorate of Education and the NZa (the Dutch Healthcare Authority) during the past year were all satisfactory. More information on internal and external reviews is provided on page 52.

#### *Lessons learnt and areas for improvement*

We have analysed the root causes underlying the results of the external supervisory bodies' reviews, our own internal reviews (engagement reviews, quality management system review and internal audits), the People Survey and ongoing legal cases. From this, we have identified certain lessons to be learnt and areas for improvement and we have started a number of improvement initiatives. Some of these initiatives relate to increasing our focus on coaching, review of documentation and far-reaching collaboration with IT specialists in the audit, and project management. We also need to improve in how we go about learning on a more timely basis, and we have started a number of initiatives in this area, for instance the implementation of the Real Time Review programme, increasing the number of partner and director hours on audit engagements, increasing the number of professional staff overall and extending our root cause analysis programme. We have also focused our training programme more intensively on professional technical skills and behaviour, including workshops specifically for partners and directors. And, finally, we have launched our 'Moments that Matter' cultural change movement that focuses on our aspiration to be an open and learning organisation, on encouraging our people to be receptive to feedback and on building trust.

#### *Participating in the debate*

In response to the call from the Second Chamber of Parliament for the sector to come up with tangible proposals for reform, we have played an active role in the Future Accountancy Profession Working Group. We have also played an active role in resolving the issues surrounding revenue recognition in the healthcare sector and we continue to be at the forefront of the debate about fraud and going concern, though the key role here does not lie with the auditor; it is very much in the public interest that companies also be more transparent on these matters. In terms of developing tangible solutions, we are pleased to see more support on this front from politicians, external supervisory bodies and stakeholders. Our partners and Board Members participate in seminars and conferences, such as in the NBA Young Profs' debate on work-study-life balance and the NBA's formal debates on the role of the auditor in the general meeting of shareholders (AGM), the audit report new style and learning capacity within the sector including cultural measurement and change.

#### *Progress on implementing measures for improvement*

On 25 September 2014, the Future Accountancy Profession Working Group published its report, 'In the Public Interest', recommending 53 very diverse measures. The primary responsibility for a number of the measures lies with the professional body, the NBA (for instance, the professional oath), or with the legislator (for instance, reporting obligations). But, for most of the measures, the responsibility lies where it belongs, and that is with the audit firms. PwC has heeded the call from the Working Group and has been able to fully implement the measures relating to structure, governance and remuneration during the year and to make significant progress in the areas of quality assessment and improvement. In May 2015, we provided the AFM with an extensive status report as to the changes implemented and, in the second section of this Report of the Assurance Board, we provide an overview of the progress we have made in that implementation.

#### *Continuing with the journey*

Implementation of measures is one thing, but restoration of trust is a long road. Our ambition, our five related strategic goals and our programmes for change, focusing on transition to the auditor of the future, all have a long-term horizon. The high motivation levels of our people, the recent report ratings from our global organisation for our engagement quality and our quality management system all provide stimulus for us to continue on the journey.

# Progress on the implementation of improvements for the future

*On 25 September 2014, the Future Accountancy Profession Working Group published its report, 'In the Public Interest', with 53 diverse measures to improve the quality and independence of the audit. We embrace the analysis and recommendations presented, we are moving forward robustly with their implementation, and this Transparency Report provides an overview of the progress we have made.*

## **A culture in which quality improvement is second nature**

### *Assessing culture*

In 2014, to gain better insight into the attitudes and drivers of our people, we commissioned an independent survey into the culture within our organisation. The external agency involved held orientation meetings with thirteen partners and 25 groups of employees (about 150 people in all) and carried a so-called RealControls assessment survey among 21 groups (1,231 respondents in all). We also carry out annually our anonymous survey among our people into the areas of culture, behaviour, leadership and employee satisfaction (the People Survey).

### *'Moments that Matter'*

From the analysis and evaluation coming from the culture survey and from the People Survey emerged the 'Moments that Matter' culture change movement. This movement has taught us to stop and think both more regularly and more consciously about our behaviour. We have also started a process of identifying the specific behavioural patterns and cultural aspects that are of particular importance for the auditor, as a basis for further study into behavioural patterns and, thereafter, for further tailoring of our Moments that Matter cultural change movement.

### *The right profile in our recruitment market*

At the end of 2014, we launched a recruitment campaign focused on the core values of the auditor, and this boosted our recruitment success particularly of experienced auditors for our Real Time Review team.

The campaign focuses on attracting auditors for whom the quality bar can never be too high, and it will be continued into this coming year.

## **A governance framework that ensures the right safeguards**

### *Installation of Supervisory Board*

As of 1 May 2015, PwC has amended its organisational structure by installing a Supervisory Board (SB) of external members at the level of the Dutch network member firm. The SB comprises: Jan Maarten de Jong (Chair), Nout Wellink (Vice-chair), Naomi Ellemers, Annemarie Jorritsma (as from 1 September 2015), Frits Oldenburg, Cees van Rijn and Yvonne van Rooy.

### *Appointment and allocation of responsibilities*

The SB has an Audit Committee, a Remuneration Committee, a Selection and Appointment Committee and a Public Interest Committee (PIC). In line with the relevant provisions of the Dutch Corporate Governance Code and the measures set out in the sector report, the SB is responsible for the appointment of the members of the Board of Management (BoM) and for the formulation of guidelines for the time that board members spend on their various roles and responsibilities. The SB's Charter will be updated as needed when the requirements of the publicised draft legislation and regulation are passed into law. The SB has an important role in our governance framework and is responsible for overseeing the activities of the BoM (at the level of the top holding company).

The detailed responsibilities of the SB are described in this Transparency Report.

*Public Interest Committee*

Following the installation of the SB, the roles and responsibilities of the PIC have been taken up in a discrete core committee of the SB. This Transparency Report includes the Report of the Public Interest Committee (see pages 15-16).

**Recognition of quality and a remuneration model that includes appropriate incentivisation**

*Remuneration arrangements focused on quality*

As from the financial year 2015-2016, our remuneration policies and arrangements are fully in line with the requirements included in the sector report, including a clawback scheme for audit partners. As from 1 July 2015, we are deferring payment of one sixth of the individual partner's remuneration each year so that, after a six year period, a full year's remuneration is deferred. The first year's deferral is released after six years, provided that no incorrect auditor's report has been issued that has caused societal damage and for which the auditor is culpable. After the first six year period, there must always be one full year's average income per partner deferred.

As from 2015-2016, the SB's decision-making procedure regarding the remuneration of the Board of Management of PwC Netherlands is in line with the principles of the sector report, and has been incorporated into the SB's Charter. In 2014, the BoM fine-tuned the policy regarding collective investing by partners and, in 2015, all the

various policy documents for our partners and staff have been combined into one comprehensive document.

*Promotion based on quality*

Promotion to partner in the audit practice requires the partner candidate to have been evaluated as satisfactory in a demonstrably experienced role focused on quality or professional development (unless he/she falls within the temporary transitional arrangements under which such experience must be demonstrated within five years). In addition, he/she needs to have at least three engagement reviews with a positive rating during the five years immediately prior to partner appointment. Director candidates are required to successfully undergo testing on professional standards, and professional expertise, professional scepticism and quality of work all play a key role in our promotion policies for staff.

This Transparency Report sets out our promotion policies and practices, for both partners and staff, and the methodology for sanctions for, and remuneration of, quality.

**The right client, a clear engagement and lucid reporting**

*Issuing the more informative auditor's report new style and involvement in the AGM*

In line with the Working Group's recommended measure and the applicable NBA standard, we have adopted the new, more informative form of auditor's report on all of our PIE clients for the reporting year 2014. For all of our PIE clients, we have also attended the shareholders'

meeting in early 2015 and, in virtually all cases, provided proactive commentary on the audit work performed and on the auditor's report issued.

**Continuous quality assessment and improvement**

*Reporting on the basis of quality indicators*

As from this year, the Assurance Board is receiving quarterly reporting on most of the KPIs listed in the 'In the Public Interest' report. PwC Netherlands is also involved in a project running within our global network to develop a set of quality indicators that we expect to be able to use in the future to identify potential audit quality risks.

*Reporting on the audit approach*

We are reporting actual audit hours for 2014 audits, together with the expected and actual audit hours for 2015 audits, to the supervisory boards of the entities we audit, on the basis of which we discuss with the boards how these hours can best be deployed along with the audit methodology we propose in order to achieve a high level of audit quality.

*More and deeper internal quality reviews*

In 2014-2015, our partners and directors invested an additional 18,126 audit hours on audit engagements. This 14% increase was matched by a similar increase in the hours spent by senior managers and managers. The underlying goal of these investments is to sharpen focus on the involvement of, and coaching by, the more senior management members of the team and on a fresh and critical look at priorities.

In addition, we have begun to concentrate the role of the engagement quality review partner (QRP) into a smaller number of partners, with a view to increasing the quality and effectiveness of the role.

At the same time, as indicated earlier, we have set up the Real Time Review team (RTR team). The team came into being in January 2015 and currently comprises fifteen people. They are involved in the entire audit cycle, from planning to completion. The RTR team supports the audit teams in maintaining quality in their audits.

The RTRs primary role is to encourage dialogue within the audit team regarding audit quality and learning capacity. The RTR team does not just highlight what needs improving but also what is going well, shares the lessons learnt with the audit practice, and thereby improves the ability of the organisation to change. About fifty RTRs were carried out during the 2014 annual audits. Our aim is to have every external auditor (partners and directors) covered at least once by a Real Time Review during the period from the start of the programme to the end of the financial year 2015-2016, and we are aiming to expand the team to 20-25 members (from manager to partner). We identify areas for improvement from the findings of the RTRs, the engagement compliance reviews (ECRs) and other similar exercises.

#### *Sharpening the remediation policy for individual partners*

As in prior years, partners who received a negative evaluation of their audit file in the current years' review process prepare an improvement plan and this plan is discussed in their evaluation meetings. These partners

are reviewed again the following year. As from 1 July 2015, in line with the sector report, we are increasing the RTRs for the partners and directors who were rated unsatisfactory on quality in their annual evaluation.

#### *Active contribution to education*

Top quality service begins with top quality education. We have several partners and staff who are also involved as professor, post-graduate researcher or lecturer at universities and colleges. One of our people is a member of the Committee for Learning Attainment in Accountancy Education, four are involved in working groups that are redefining the attainment criteria, and one is involved as external expert in the accreditation of college (HBO) education. Three PwC staff are involved in post-graduate research and two partners have completed doctorate studies, one of whom is also a professor of auditing. A number of partners and staff are involved in the accountancy education programmes as member of the curatorium, professor or lecturer.

#### *Setting up an independent research institute*

PwC is also contributing to education by making people, resources and information available in an independent research institute it is initiating. We are working with the NBA and scientific researchers in setting up this institute up and making sure it is in a position to work well. Independent scientific research is much needed in our quest to continuously increase the quality and relevance of what the auditor does.

#### *Deeper root cause analysis*

We follow up the results of engagement reviews, such as our own ECRs and the AFM's 2014 reviews, with in-depth analyses of the root causes of the findings reported. To increase the breadth and depth of these reviews, PwC Netherlands is participating in an initiative being run by our global network to generate a more structured form of root cause analysis into the findings coming from our ECRs. In addition, we have started a process of our own in March 2015 to pull together information from a wide variety of sources to help us drill down deeper in our root cause analyses. This has included the findings from the ECR reviews, the AFM review of our 2012 engagements, the RTR findings and file mentoring exercises. We are also organising so-called sounding sessions with partners, directors, senior managers and managers and senior associates and associates in which we dig deeper into the underlying reasons for individual findings. We incorporate the outcome of all of these initiatives into our quality improvement programme, 'Alert!', and into our training and other quality improvement initiatives.

We have adapted our quality management system to be in line with the 'In the Public Interest' report. The table below provides an overview of the status, as of today, of the implementation of the various measures for which the audit firms are responsible. A comprehensive collective overview, including progress on measures for which other parties are responsible (the NBA, AFM, legislator etc.), can be found at [toekomst.nba.nl](http://toekomst.nba.nl).

Measure*	Status of implementation	Status
<b>Appropriate profile in the recruitment market</b> (1.3)	In its recruitment market profiling, PwC stresses the values, norms and qualities on which an auditor must focus in order to achieve the right culture.	  
<b>Cultural assessment</b> (1.4)	PwC carries out assessments of partner and staff mind-sets and drivers and reflects the results in its decision-making processes.	  
<b>Installation of a supervisory board</b> (2.1 - 2.6)	PwC has installed its Supervisory Board as of 1 May 2015, with external members, at the level of its Dutch network firm.	  
<b>Appointment of, and allocation of responsibilities within, the Board of Management</b> (2.7 & 2.8)	PwC has implemented the recommendations of the Future Accountancy Working Group into its governance structures.	  
<b>Remuneration policies and practices focused on quality</b> (3.1)	PwC already had remuneration policies and practices in place that focused remuneration on quality and has brought these further into line with the Working Group's recommendations.	  
<b>Promotion policies and practices focused on quality</b> (3.2)	We make clear internally that quality is a key requirement for promotion within the firm.	  
<b>Remuneration of members of the Board of Management</b> (3.3)	The remuneration methodology for members of the Board of Management, focused on quality, is in line with the requirements of the report as from 1 July 2015.	  
<b>Remuneration of partners</b> (3.4)	The remuneration methodology for partners, focused on quality, is in line with the requirements of the report as from 1 July 2015.	  
<b>Implementation of a clawback scheme</b> (3.5)	PwC has integrated a clawback scheme into its remuneration methodology as from 1 July 2015.	  
<b>Personal investment policies</b> (3.6)	PwC has fine-tuned its personal investment policies for partners during 2014 and brought them in line with the Working Group's recommendations.	  
<b>Phase out of goodwill</b> (3.7)	PwC does not have a goodwill scheme for partners.	  
<b>Use of the more informative auditor's report and active involvement at the AGM</b> (4.5)	PwC has adopted the auditor's report new style for all its PIE clients and is actively involved during the AGMs of listed PIEs.	  
<b>Reporting on the basis of quality indicators</b> (5.1)	The KPIs listed in the 'In the Public Interest' report are being reported on a quarterly basis as from 2015.	  
<b>Reporting to the client's SB on the audit approach</b> (5.2)	We have reported actual audit hours for 2014 audits and the expected and actual audit hours for 2015 audits to the supervisory boards of the entities we audit.	  
<b>Extension of the number and depth of internal quality reviews</b> (5.3)	We are concentrating the QRP (Quality Review Partner) role and we have set up a Real Time Review team to carry out in-depth reviews of selected audit engagements.	  
<b>Sharpening the remediation policy for individual partners</b> (5.5)	PwC already had an improvement plan process in place.	  
<b>Active contribution to education</b> (5.9)	PwC is contributing to educational quality by making experienced and leading professional practitioners available.	  

\* Numbering refers to numbering of measures in the report 'In the Public Interest'.

 Measure implemented  Measure partially implemented  Implementation not yet started

# *Report of the Public Interest Committee*



## Staying the course

*Restoration of society's trust in the audit profession is what the entire Dutch accountancy sector, including PwC, is striving for. PwC is well on the way to implementing the reforms set out in the sector-wide plan, 'In the Public Interest'. But winning back this trust requires more than simply implementing a set of reform measures - it also requires a change in culture and behaviour on the part of auditors. As a learning organisation, PwC has set out on the right road to achieve the cultural and behavioural changes needed, and this will take some years. Trust takes years to build but seconds to break.*

### *Supervision of the social compass*

The origins of the Public Interest Committee concept lie in the Code for Audit Firms. As Public Interest Committee (PIC), we oversee how PricewaterhouseCoopers Accountants N.V. safeguards the public interest in its auditor's reports, and we monitor how effectively PwC's social antennae are attuned, the adequacy of the dialogue with stakeholders and the extent to which PwC satisfactorily reflects the public interest in what it does. In short, the PIC monitors the organisation's moral and social compass.

### *A new structure*

Since 1 May 2015, the Public Interest Committee is a core committee of PwC's newly installed Supervisory Board (SB), and its composition has been changed to reflect this. Frits Oldenburg stepped down from the Committee

on that date with his place being taken by Naomi Ellemers, and the two non-independent members of the PIC, Ruud Dekkers and Hans Bod (both members of the Local Oversight Board), also stepped down. We thank Frits, Ruud and Hans for their proactive and valuable contributions to the Committee. This Report of the Public Interest Committee covers the entire year 2014-2015. The Report of the Supervisory Board is included in PwC's Annual Report 2014-2015.

### *Critical oversight*

The Committee met five times regarding the financial year 2014-2015, with an average attendance of 88%, one independent member being absent for one meeting and one non-independent member being absent for two meetings. These meetings have included open, critical, far-reaching and constructive dialogue with members of the Board of Management (the Chairs of both PwC and the audit firm), the Compliance Officer and his deputy and the Business Unit Leader of National Office. On specific issues, such as the internal quality reviews (ECRs), the Assurance cultural change movement and the 'Alert!' programme, we have also spoken with those directly responsible within the organisation. To get to know the PwC organisation and culture better, committee members have sat in as observers on a number of management and professional technical meetings. In addition to consultation during the regular committee meetings, there has also been ad hoc contact between the Chair of the PIC and members and the Chair of the Board of Management (BoM) and the audit firm on specific germane matters.

During this second year of operation, the Committee has looked, more so than previously, from the public interest viewpoint into whether the incentives that are in place are the right ones to assure audit quality, independence, ethical behaviour and societal focus, and we have looked into the extent to which change that has been implemented has been in line with the recommendations for sector-wide reform.

In our various meetings, we have paid particular attention to developments involving the audit profession, the changes to the quality management system, the strategic risk profile, market developments around mandatory audit firm rotation, the auditor's report new style, and stakeholder dialogue. Specific matters addressed included the composition of the Assurance Board, the Assurance programme for change, the implementation of 'Alert!', the time allocation for the members of the BoM and the Compliance Officer, the reporting of infringements, the Compliance Officer's quarterly reporting, the study we instigated into the operation of the Compliance Office, culture and behaviour, the evaluation and remuneration of partners and directors in terms of quality, the results of the staff satisfaction survey (the People Survey), PwC in the media, ongoing claims, internal communication, and the relationships with external supervisory bodies. We have also undertaken a self-assessment exercise.

### *Listening to society*

PwC has listened to the criticism levelled, both at the audit profession and at PwC, from society in general and from the supervisory body the AFM. In the previous Transparency Report and in press releases, the Assurance Board publicly acknowledged that its antennae was not well enough attuned to societal needs and expectations and that the results of the 2013 and 2014 AFM review into the quality of ten audit engagements relating to 2012 annual financial statements were very much at odds with our ambitions in the area of quality.

During the past financial year, PwC has taken structural and ambitious steps forward in the areas of governance, remuneration, business model, and culture and behaviour. The extent to which the measures for improvement implemented are in line with the 'In the Public Interest' report are set out in this Transparency Report. From our perspective, we can see that PwC's Assurance Board has genuinely embraced the measures for improvement through its Assurance Change programme and its resolute communication of the change message to partners, directors and staff. The Board has also kept its ear to the ground through its dialogue with stakeholders.

### *The ambition to embrace change*

We concur with the view presented in this Transparency Report regarding the implementation of the measures for improvement. These changes, the additional investments in quality, have been implemented in a very turbulent year during which the entire audit firm was coming under particular pressure from the mandatory rotation of audit firms and teams.

But the course has been set, the ambition and the will to change are clear, and significant and explicit steps have been made down the road of change. It is critical that PwC, indeed the audit profession as a whole, achieves its goals of meeting the expectations of stakeholders and restoring trust in society. That requires a good ear and a good message, and those are not easy things to achieve when stakeholder expectations continue to evolve. Vigilance, therefore, is the order of the day, and constructive stakeholder dialogue is the key tool to achieve it.

### *Staying the course*

Changing culture and increasing learning capacity is a lengthy process. So, for PwC, it will continue to be some years of serious challenge to maintain momentum and stay the course. Only then will sustainable cultural and behavioural change be achieved. In a learning organisation, you can make mistakes but you have to learn from them. While holding each other accountable for each other's behaviour is essential, so is a fair and balanced mix of management measures, of both the harder and the softer kind.

From what we have observed this year and to the extent that we can see from our vantage point, as committee members we believe that, provided it stays the course, PwC will achieve the cultural change it is striving for. Actually PwC has no other choice; this change is essential in restoring society's trust in PwC's auditors and in being in a position to provide assurance on information that is relevant to society. We will be following these changes meticulously and critically in the coming years.

### *Transparency*

We have discussed this Transparency Report 2014-2015, in draft form, with the PwC policymakers. We believe that the tone of the Report is consistent with what we have understood this past year of PricewaterhouseCoopers Accountants N.V.'s initiatives for ensuring that the public interest is safeguarded and of the status of its quality management system. We have provided the Supervisory Board with a written report of our findings.

The Public Interest Committee,  
Nout Wellink (Chair)  
Naomi Ellemers  
Cees van Rijn  
Yvonne van Rooy

# *Our ambition, strategy and principal risk factors*



# Our ambition and strategy

*Our raison d'être and overriding ambition is to deliver quality. As indicated in the Foreword, trust is a fundamental attribute in today's world, a sound base from which to make the wide range of decisions that we need to make. The public interest must be right at the heart of the audit profession, and everything we do must contribute to this.*

Within our global network, we have defined our purpose as follows:

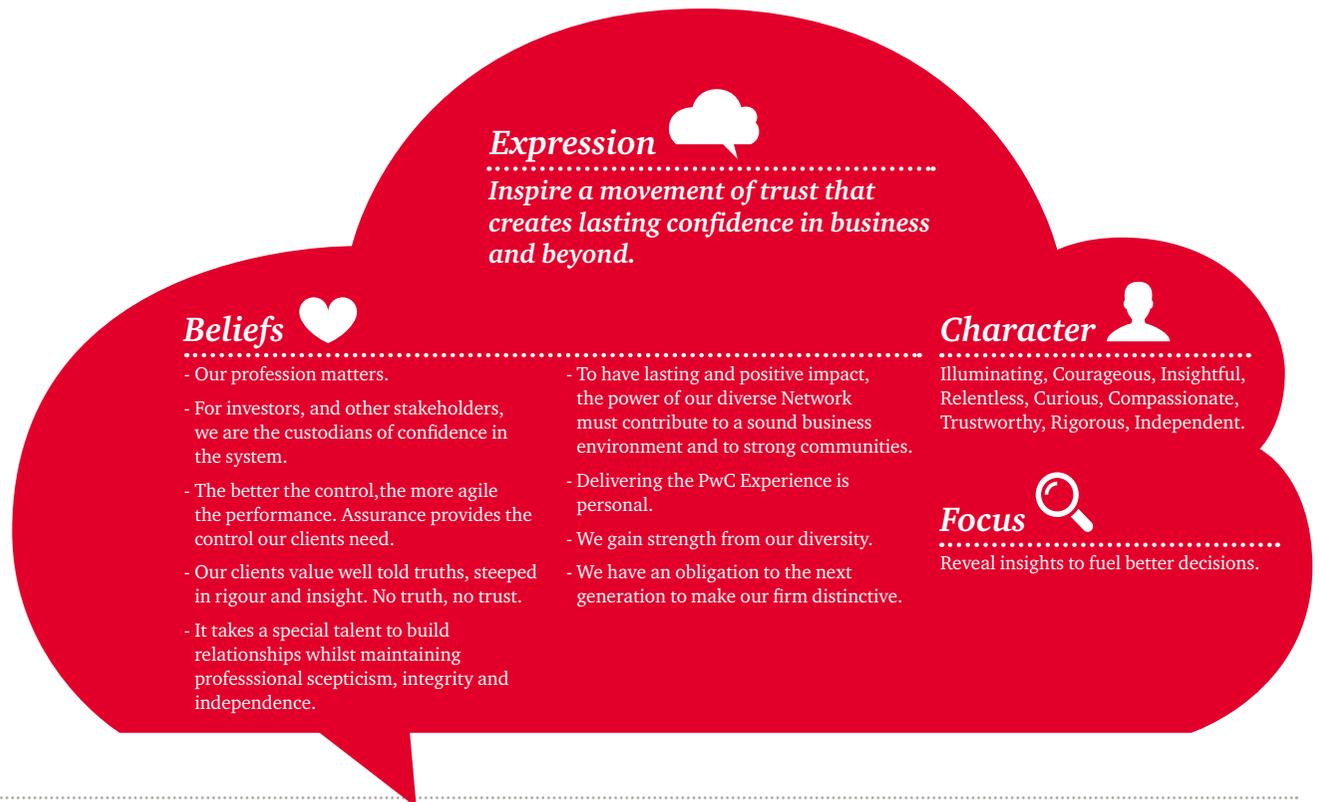
***'To build trust in society and solve important problems.'***

Our purpose defines who we are, what we do and who we do it for. More than 195,000 PwC people in 157 countries, including the Netherlands, reflect this purpose. Both the global and the Dutch leadership teams (the BoM and the Assurance Board) are constantly embodying this purpose in their behaviour and communication, making clear that quality is not an option but a fundamental requirement. We make no concession to quality because, without it and without it being firmly embedded, we believe we would not be able to meet and exceed the expectations of our

stakeholders (including investors, supervisory directors, society, external supervisors, clients and staff). We have translated this purpose into the following Assurance ambition:

***'Inspire a movement of trust that creates lasting confidence in business and beyond.'***

This ambition makes clear what we believe in and what attributes determine our behaviour. By conducting ourselves with this ambition in mind, we are contributing to better decision-making on the part of our stakeholders and, in doing so, we realise our Assurance ambition and our PwC purpose. The graphic below illustrates how we set about achieving our ambition and how we communicate about it internally.



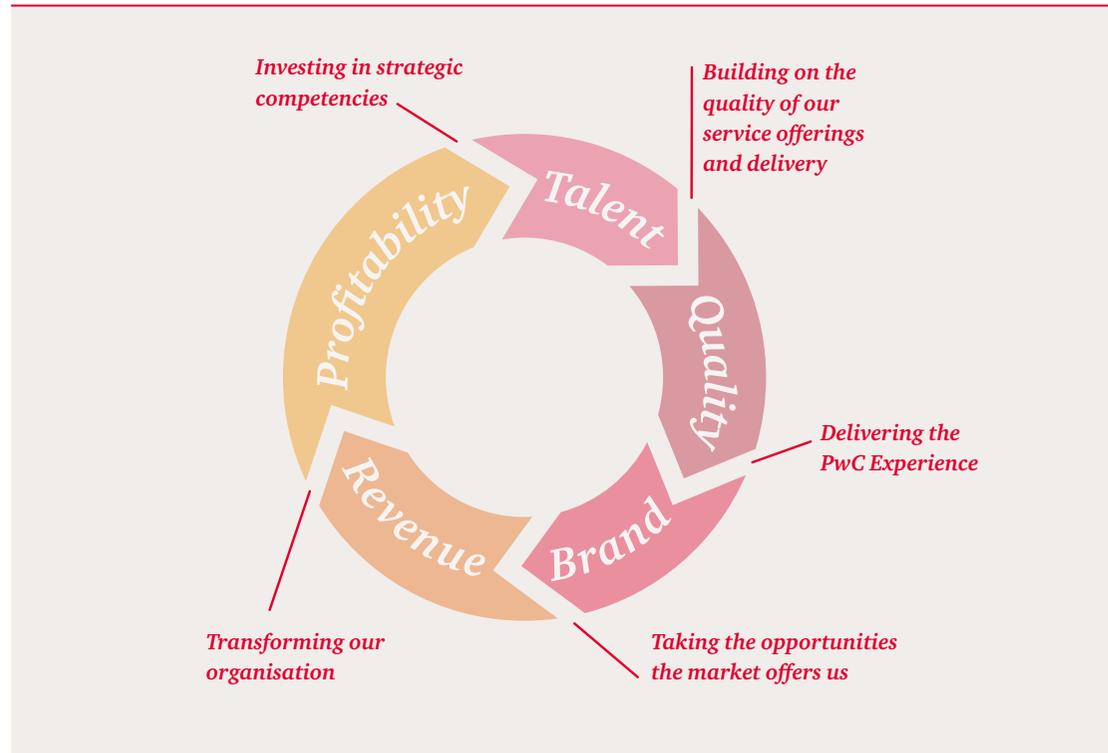
To achieve our ambition, we are focussing on five strategic objectives:

- Building on the quality of our service offerings and delivery
- Delivering the PwC Experience
- Taking the opportunities the market offers us
- Transforming our organisation
- Investing in strategic competencies.

Achieving this strategy begins with us continuing to be able to attract and retain **talent**. Our people are our most important asset. They are the key to distinctive and high-quality service delivery. We believe that committed people mean committed clients. By both attracting and retaining the best talent and by providing them with plenty of opportunity to develop, we are laying a solid base for continuous improvement in the quality of our service delivery and for contributing to trust in society.

This means that we never compromise on delivering **quality** in anything we do and that we remain keenly aware of the needs and expectations of society, our clients and other stakeholders. Our focus on quality means that our people, clients and other stakeholders feel more committed, thereby bringing the PwC Experience (see page 28) to life and it allows us to make an impact – by giving our people the opportunity for further development and to feel valued and by providing our stakeholders with better insight as a basis for better decision-making. This is what distinguishes the PwC **brand** that is so critical to our reputation. The quality of what we do and the integrity of our organisation and people are the two most important pillars supporting our brand.

**Our strategic objectives**



Being known as the firm that builds strong sustainable relationships, delivers distinctive quality and creates value enables us to benefit from the growth opportunities the market offers us, and that translates into increased **revenue**.

By transforming our business model, we create a sustainable and future-proof organisation (**profitability**). A healthy organisation generates the resources we need to invest in quality and innovation, both in our audits and in other services,

and to attract and retain the talent we need to build trust in society and develop solutions to the important problems our clients are facing. This, in turn, creates value for society, for our clients and for our people - and it means that we achieve our strategy, which closes the circle.

## Principal risk factors

*In determining and implementing our strategy, we naturally take into account the risks that affect us. We regularly assess what they mean for us and, where necessary, we change our approach.*

We adopt the following basic principles in addressing risk:

- Delivery of a high level of quality is paramount, and we make no compromises on this.
- The societal role we have determines the mind-set of our auditors and how they go about their work.
- We comply with all laws and regulations that apply and with our own internal requirements.
- The worst mistake you can make is the mistake you make on your own. Teamwork and collaboration are at the heart of what we do.
- We stand by our views.
- We are eager and willing to innovate, both in our financial statement audits and in new assurance services.

During the regular planning and audit cycles this past year, we have monitored both the developments in our risk profile and how we manage these principle risks, and we have taken action where necessary. We have also discussed the risk profile with the BoM's Risk Council and with the Public Interest Committee.

The following table summarises the primary risks, and links these to our five strategic goals, indicating which risks have remained unchanged and which have been revised (higher + or lower -) compared to prior year.

Strategic goal	Risk	Impact	Trend	Mitigation
Building on the quality of our service offerings and delivery	Inadequate response to the concerns surrounding the audit profession	<ul style="list-style-type: none"> <li>Loss of social relevance and raison d'être through lack of trust in society</li> <li>Further regulation</li> </ul>	=	<ul style="list-style-type: none"> <li>Implementation of the measures included in the 'In the Public Interest' report and our 'Alert!' quality improvement programme</li> <li>Involvement of the Public Interest Committee and Supervisory Board</li> <li>Stakeholder dialogue</li> </ul>
	Not delivering quality, including professional technical quality	<ul style="list-style-type: none"> <li>Loss of social relevance and our raison d'être</li> <li>Reputational damage</li> <li>Financial damage from claims and from fines imposed by external supervisory bodies</li> <li>Disciplinary procedures</li> <li>Loss of clients</li> </ul>	=	<ul style="list-style-type: none"> <li>Focus on continuous improvement (and investment) in the quality of our audit and other services</li> <li>Our quality management system, including internal engagement reviews</li> <li>Real Time Review programme</li> <li>Ongoing root cause analysis programme, including programmes for improvement</li> <li>Partner/director involvement in engagements</li> <li>Deployment of specialists in the areas of IT, pensions, taxation, treasury, sustainability and governance</li> <li>Involvement of the Public Interest Committee and Supervisory Board</li> <li>Sharper client selectivity</li> <li>Mandatory training tailored to the professional and personal skills of our people</li> <li>Quality (including a professional scepticism) at the heart of performance evaluation and remuneration for staff, partners and directors</li> <li>Mandatory consultation with the Fraud Panel where there is fraud, or suspicion thereof, at clients</li> <li>Independence requirements and procedures</li> </ul>
	Reduced ability to recruit and retain talented people	<ul style="list-style-type: none"> <li>Inability to carry out high quality (complex) audits and make the societal impact we are aiming for</li> </ul>	=	<ul style="list-style-type: none"> <li>Human-capital policies, including broadly-based training programmes and career paths</li> <li>Talent management focused on investing in people development</li> <li>Focus on increasing diversity and mobility</li> </ul>
	Exposure to cyber-crime	<ul style="list-style-type: none"> <li>Reputational damage and inefficiencies in our service delivery</li> </ul>	↑	<ul style="list-style-type: none"> <li>IT policies and practices, including business continuity</li> </ul>
Strategic goal	Risk	Impact	Trend	Mitigation
Delivering the PwC Experience	Not achieving real cultural and behavioural change	<ul style="list-style-type: none"> <li>Loss of social relevance</li> <li>Inability to deliver quality and professional excellence</li> <li>Insufficient innovative capacity</li> <li>Reduced ability to be distinctive</li> </ul>	=	<ul style="list-style-type: none"> <li>Roll out of the Assurance Change programme focusing on boosting ourselves as a learning organisation and on focusing our culture on quality</li> <li>Cultural change movement, 'Moments that Matter'</li> <li>Involvement of the Public Interest Committee and Supervisory Board</li> <li>Behaviour at the centre of our training programme</li> </ul>
	Undesirable or unethical behaviour by partners, directors or other staff	<ul style="list-style-type: none"> <li>Reputational damage</li> <li>Loss of audit licence</li> </ul>	=	<ul style="list-style-type: none"> <li>Ethical and professional behaviour at the centre of our staff development programmes, evaluation and remuneration systems and sanctions policy</li> <li>Regular communication about the importance of holding each other to account for ethical behaviour both with the client and with each other</li> </ul>

Risk assessment compared to prior year: = Unchanged ↑ Higher ↓ Lower

Strategic goal	Risk	Impact	Trend	Mitigation
Taking the opportunities the market offers us	Insufficient international orientation and mobility	<ul style="list-style-type: none"> <li>• Weakened international competitiveness</li> <li>• Reduced attractiveness as an employer</li> </ul>	=	<ul style="list-style-type: none"> <li>• Strengthened collaboration within our global PwC network</li> <li>• Roll out of the Cycles of Experience approach, focusing on increasing the mobility of our people between offices, industry groups and business units and within the PwC network</li> </ul>
	Insufficient innovative capacity	<ul style="list-style-type: none"> <li>• Insufficient speed and agility to react to technological trends and disruption</li> <li>• Reduced attractiveness as an employer</li> <li>• Weakened international competitiveness</li> </ul>	↑	<ul style="list-style-type: none"> <li>• Investing, on an international basis, in audit innovation and audit tools</li> <li>• Constant attention to new and ongoing issues and the needs of clients, their stakeholders and society in general</li> <li>• Participation in PwC network initiatives in the areas of product and service innovation, such as sustainability, IT security, integrated reporting and new accounting and auditing standards</li> <li>• Exploring opportunities for partnering and acquisition, also on an international basis</li> </ul>
Strategic goal	Risk	Impact	Trend	Mitigation
Transforming our organisation	Inability to manage the volume of new clients following mandatory rotation	<ul style="list-style-type: none"> <li>• Inability to deliver the desired level of quality</li> <li>• Loss of market share in the PIE segment</li> </ul>	=	<ul style="list-style-type: none"> <li>• Increased organisational flexibility and increased workforce</li> <li>• Increased mobility, including at international level</li> <li>• Account management</li> <li>• Greater selectivity in client and engagement acceptance and stringent acceptance procedures</li> </ul>
	Lack of flexibility and agility	<ul style="list-style-type: none"> <li>• Reduced operating efficiency and effectiveness</li> <li>• Reduced attractiveness as an employer</li> </ul>	=	<ul style="list-style-type: none"> <li>• Deployment of our flexible work force during the 'busy season'</li> <li>• Proactive participation in PwC network initiatives to optimise and further improve our service delivery infrastructure (including the use of delivery centres) and to increase international mobility</li> <li>• Roll out of the Cycles of Experience approach, focusing on increasing the mobility of our people between offices, industry groups and business units and within the PwC network</li> </ul>
Strategic goal	Risk	Impact	Trend	Mitigation
Investing in strategic competencies	Introduction of radical legislative and regulatory change	<ul style="list-style-type: none"> <li>• Loss of the auditor's societal relevance in areas outside the financial statements, such as processes, systems and sustainability</li> <li>• Reduced attractiveness as an employer (both for the audit profession and for PwC)</li> </ul>	=	<ul style="list-style-type: none"> <li>• Greater organisational agility and flexibility</li> <li>• Use of scenario analyses</li> <li>• Stakeholder dialogue</li> </ul>
	Greater dependence on technology as a result of digital transformation	<ul style="list-style-type: none"> <li>• Need for accelerated innovation</li> </ul>	↑	<ul style="list-style-type: none"> <li>• Investing on an international basis in new technologies and development of new tools</li> <li>• Recruitment of specialists in the areas of IT and data analysis</li> </ul>

Risk assessment compared to prior year: = Unchanged    ↑ Higher    ↓ Lower

# *Our quality management system*



# Our quality management system

*The PwC purpose, the Assurance ambition, our core values and the PwC Experience together represent the foundation on which our quality-focused culture is built. Quality is the basis from which we are restoring trust in society. To us, distinctive quality means, first and foremost, that the auditor's reports issued by our external auditors provide users with a reasonable degree of assurance as to the fair presentation of the audited financial information and that these reports comply with all the legislative and regulatory requirements that apply. For us, quality goes beyond rules and regulations, it is also a question of how we contribute to trust in society, deliver added value to our clients and facilitate the professional and personal development of our people.*

As a learning organisation, we are continuously improving our levels of quality. A key saying we use here is that 'the worst mistake you can make is the one you make on your own'. We learn from the mistakes we make and from audit quality review findings, and we translate the lessons learnt into measures for improvement. We implement these and then monitor to determine whether we are achieving the improvements we are aiming for.

## *Seven core elements*

Our Assurance quality management system (QMS) safeguards the consistent delivery of quality and improves the level of that quality. The system is built on the international framework ISQC1 (International Standards on Quality Control for firms that perform audits and reviews of historical financial information and other assurance and related services engagements).

The seven core elements of our quality management system (see the graphic on the next page) are as follows:

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

The following sections describe these seven inter-related elements in detail.

The members of the Board of Management of PricewaterhouseCoopers Accountants N.V. (also known as the Assurance Board) and of the Board of Management of Holding PricewaterhouseCoopers Nederland B.V. are the policy makers of the audit firm PricewaterhouseCoopers Accountants N.V. The Assurance Board is responsible for the design and operating effectiveness of our quality and risk management systems (hereafter: the quality management system). The Assurance Board assesses the adequacy of the design and the operating effectiveness of the quality management system on an annual basis. Where shortcomings are noted, a remediation process is set in motion to correct and update the practices and systems affected. The annual statement by the Assurance Board as to the adequacy of the design and the operating effectiveness of the system is included in this Transparency Report.

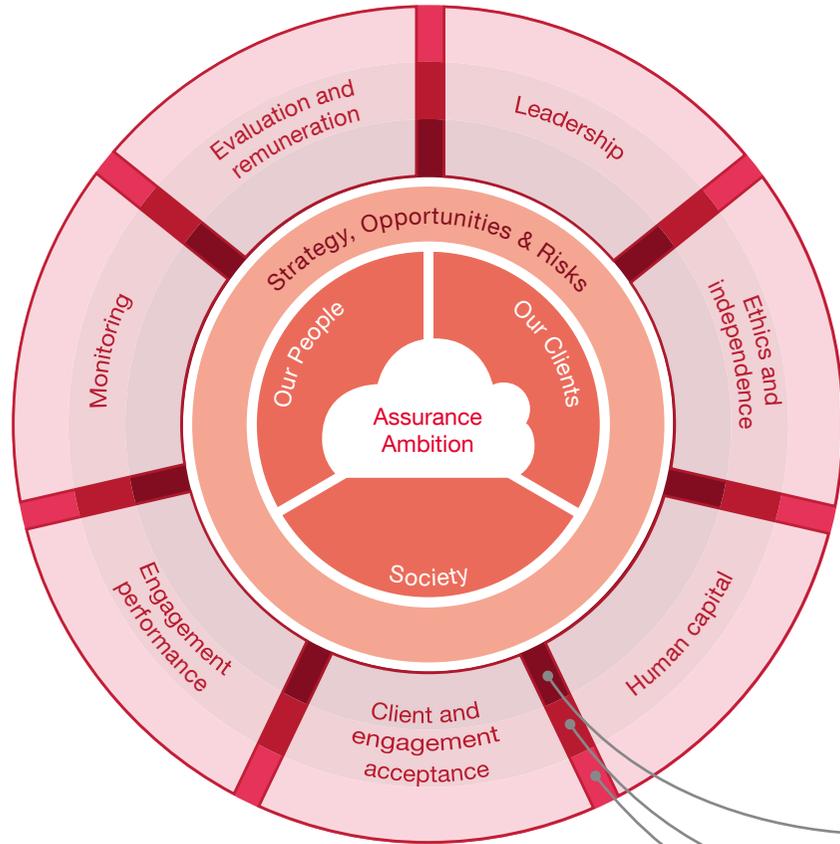
## *Lines of defence*

Our quality management system is anchored at various levels within our organisation in three lines of defence.

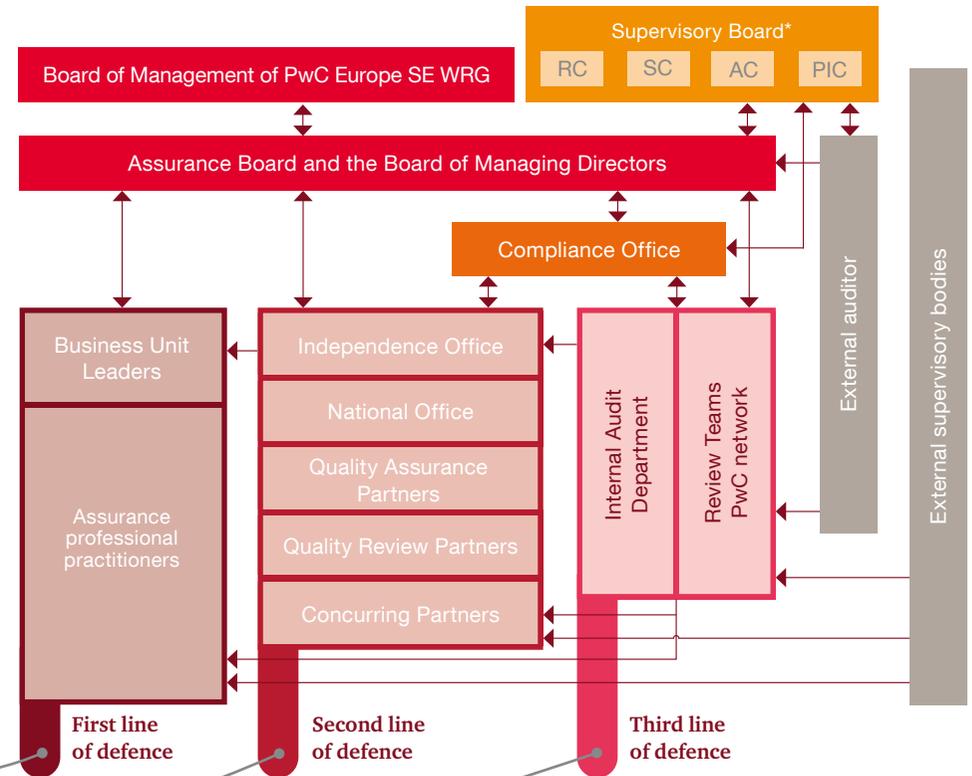
### *First line of defence*

Our partners and directors are responsible for quality within each of the engagement teams they are involved in. While there is very clearly sufficient scope for professional judgement, there are also very clear frameworks and boundaries within which they must operate. These are set out in our audit methodology (the PwC Audit) and the audit software (Aura and other specific tools) that we use, and in the consultation policies and procedures, independence requirements and acceptance and continuance processes that we apply. Together with the Business Unit Leaders, our partners and directors form the first line of defence in our quality management system. The Business Unit Leaders and their management teams are responsible for the implementation of the policies for quality within their respective units, and they acknowledge this by annually confirming their commitment to and implementation of all of PwC's quality requirements.

## Our quality management system



## Our organisation



\* SB committees: :  
 RC = Remuneration Committee SC = Selection and Appointments Committee  
 AC = Audit Committee PIC = Public Interest Committee

*The second line of defence*

The quality and risk management infrastructure out in the field is also provided with support from a central infrastructure that monitors compliance with the requirements that apply. The Independence Office and National Office, along with the Quality Assurance Partners in the business units and the Quality Review Partners and, where applicable, the Concurring Partners in individual engagements, all collectively comprise the second line of defence.

National Office also provides support to the practice and to external auditors and staff in their professional development. It plays a major role 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. It 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). 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 when needed. Since last year, National Office also provides support to the practice through the Real Time Review programme (see page 47).

*The third line of defence*

The third line of defence comprises the periodic PwC Global Quality & Risk review process and the audit work performed by our Internal Audit Department (IAD). In addition to its practice support role, the Compliance Office also has a monitoring role in this third line of defence. Acting on behalf of the policymakers and supported by the Compliance Office, the Compliance Officer monitors internal compliance with PwC's policies for quality. The Compliance Office also monitors PwC's internal compliance with the Wta (Audit Firms Supervision Act) and related legislation and regulation and with other legislation such as the Wwft (Money Laundering and Prevention of Terrorism Financing Act). Furthermore, the Compliance Office is responsible for conflict testing for independence and general monitoring purposes. The Office reports its findings to the policymakers and co-policymakers three times a year. It also shares and discusses these findings with the PIC and, as from 1 May 2015, with the Supervisory Board. It reports any deficiencies arising in the internal quality management system, submits recommendations and monitors follow-up. The Compliance Office operates firm-wide, i.e. it also covers Tax & HRS and Advisory. It is also responsible for the mandatory notifications to the AFM regarding registration and deregistration of external auditors and/or of members of Coöperatie PricewaterhouseCoopers Nederland U.A., the notification of early termination of statutory audit assignments and the notification of incidents and

disciplinary proceedings. We have requested an independent external auditor to test the quality indicators included in this Transparency Report and provide assurance thereon.

*Governance and monitoring*

In the context of our implementation of the Code for Audit Firms with a PIE licence, PwC has had a Public Interest Committee, at the level of the audit firm, since 1 July 2013. This committee monitors the safeguarding of the public interest in the auditor's reports issued by PricewaterhouseCoopers Accountants N.V., the audit firm that holds the licence from the AFM permitting it to perform statutory audits of public interest entities (PIEs). In their supervisory role, the committee members oversee the organisation's decision-making processes, its quality management system, risk management, the notification procedures, internal and external reviews, external reporting, stakeholder dialogue and the avoidance of actual and potential reputational risks. The roles and responsibilities of the PIC are set out in a Charter that forms part of the SB Charter published on our website. As of 1 May 2015, an SB of external members has been installed at the level of Holding PricewaterhouseCoopers Nederland B.V. The jurisdiction of the SB is in line with the 'In the Public Interest' report, as further detailed in the SB's Charter on our website. Since 1 May 2015, the PIC has become a core committee of the SB and comprises solely of external membership.

The SB fills a key role in our organisation. It is responsible for the supervision of the BoM (of the Dutch top holding company) and, more importantly, (together with the PIC) it provides clear feedback as to how society perceives us and what it expects from us, and it monitors that we reflect this feedback properly within our organisation. More information is provided in the section 'Governance'.

# Leadership

- Tone from the top
- Collaboration and robust dialogue
- Management setting the right example
- Professional and personal development of partners and directors
- Core values
- The PwC Experience
- Culture and behaviour
- Change programme
- The Public debate
- International network
- Enterprise risk management

# 1

***Our tone from the top must reflect precisely what we have set as our mission (purpose), ambition, strategy and core 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 on the public interest. The Assurance Board embraces this wholeheartedly.***

The Assurance Board (the Board) consistently reiterates, in its regular communications to partners, directors and staff, the importance that we place on the PwC purpose and on the ambition and strategy of our Assurance practice (see the section ‘Ambition, strategy and risks’). It resonates loud and clear throughout this purpose and ambition that quality and trustworthiness are the foundations of our value to society. The Assurance Board’s communication takes several forms, including digital newsletters, a dedicated intranet page, video messages, Assurance-wide conference calls with updates from the Board, specific Assurance-wide events, and the regular monthly Lessons Learnt email with current findings from the Real Time Reviews. We also communicate through public appearances and opinion papers, office breakfast sessions with Board Members and staff, and through this Transparency Report. Our ‘Alert!’ quality review programme also allows us to keep the elements of audit quality firmly at the forefront of our people’s minds. 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.

### *Collaboration and structured and robust dialogue*

To help ensure we reach well-balanced conclusions, we encourage interaction among colleagues and consultation with National Office and others. We achieve a healthy level of collaboration and candid dialogue, as follows:

- Encouragement of proactive involvement of senior team members on the engagements (see below)
- Encouragement of the involvement of financial reporting, valuation, pension and taxation experts
- Consultation procedures with low-barrier and informal formats (enquiries) as well as the more formal forms of concurrence (Consultations take place with National Office specialists and, for US listed entities, with the US GAAS Desk. Every year National Office also reviews a number of financial statements in advance of the audit report being issued.)
- Mandatory consultation before any issue of a auditor’s report new style, which involves National Office addressing with the team the most important risk areas in the financial statements (the key audit matters) and the reader-friendliness and clarity of the content of the audit opinion and other areas of the report (for instance the description of materiality and scope)
- Appointment of an engagement-focused Quality Review Partner on PIE engagements and other engagements assessed as higher risk

- Performance of Real Time Reviews (RTRs) on selected engagements by specially dedicated teams who are involved during the entire audit process through to issue of the auditor’s report and who provide the team with coaching on audit approach and file documentation (see also page 47).

In addition, we also have regular dialogue with stakeholders, and the Public Interest Committee keeps us focused on how well we are attuned to societal perceptions (see the section ‘Report of the Public Interest Committee’).

### *Management 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. They set the tone for their team members, and we have been encouraging intensive involvement by partners, directors, senior managers and managers on their audit engagements and setting them specific goals as regards the time to be allocated to this. In doing this, we aim to improve not only the involvement of and coaching by partners and directors but also to help them prioritise on their team members and their engagements. These are the areas in which we can achieve our goals for distinctive quality.

*Professional and personal development of partners and directors*

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. At the front end of the process, each partner/director sets his or her objectives for the coming year. At the end of the year, we determine the extent to which the partner/director has achieved these objectives. Reviewing performance for the past year and setting objectives for the coming year takes place during the BMG&D (Evaluation, Mapping, Goal setting & Development) meeting on the basis of a self-evaluation prepared in advance by the partner/director (the partner/director report) that includes the results of the so-called 360 degree feedback programme, a programme in which staff can provide (either on request or voluntarily) feedback on colleagues and superiors. In these BMG&D meetings, the Assurance Board and/or Business Unit Leaders assess with the partner/director his or her contribution to quality and people development. This is explained in greater detail in the section ‘Evaluation and remuneration’.

We have 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. The CAD has a sub-committee for each LoS and an independent chair. 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 three-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 have set for PwC partners and directors. The LoS Board appoints new directors only after concurring advice has been received from the CAD and these appointments are then ratified by the BoM. Decisions to proceed with new partner appointments are presented by the BoM to the GM, along with the conclusions of the Partner Council (based on concurring advice received from the Board) and the concurring advice received from the CAD. The selection of those who are to act as external auditor needs the approval of the SB, as does any decision by the BoM to terminate the association agreement with any partner who acts as external auditor.

*Core values*

Our Global Code of Conduct sets out how our staff and partners are expected to behave and conduct themselves in a wide variety of differing circumstances and situations. In practice, what this means is that we expect every PwC person to behave with respect, dignity, honesty and courtesy. The Code is based on our core values of Excellence, Teamwork and Leadership. More information is provided in the section ‘Ethics and independence’ and on our website at [www.pwc.nl/nl/onze-organisatie/gedragcode.html](http://www.pwc.nl/nl/onze-organisatie/gedragcode.html).

*The PwC Experience*

The PwC Experience guides us in how we should strive to interact with clients, colleagues and other stakeholders by

developing relationships based on trust and genuine interest. It represents a culture that is outward looking and in which people can be themselves while valuing the diversity that others bring and in which societal involvement is second nature.

The PwC Experience is a key pillar supporting our strategy and ambition, and is promoted by the BoM and the Assurance Board through video messages and training (amongst other things). We started the ‘Moments that Matter’ cultural change movement this year to keep the momentum of the PwC Experience going by sharing ‘stories that matter’, stories about when we did well, but also about when we could have done better.

*Culture and behaviour*

The People Survey is our annual survey into staff satisfaction. Amongst other things, it provides input as to how staff view aspects such as culture, behaviour and leadership within the organisation. The survey results are broken down per business unit and are followed up at that level. Each business unit organises sessions with differing groupings of staff to share the results and discuss actions that need to be taken. The results are also discussed in the BMG&D meetings with partners and directors. The feedback we request from clients also provides valuable input here.

‘Moments that Matter’ makes us stop and think both more regularly and more consciously about our behaviour, and we are focusing on those areas in which the People Survey and the culture survey indicated we could have the most impact on our individual environments. The

Assurance Board believes that moments that matter – the moments that really count – can make a difference to our behaviour. In fact, it is our behaviour at these crucial moments that largely defines our culture. We periodically select specific moments when we can make a difference, and those moments are given high profile for a period of time (as further explained in the PwC Annual Report). These moments are then linked through to the PwC Experience pyramid.

*A vision for change and an organisation that is changing*

The rapidly changing world of today means that we need to get our organisation fit and ready for the future, and our Assurance Change programme is preparing us for the transition to the auditor of the future. This programme comprises the following elements

- ‘Alert!’: Development and implementation of the measures recommended by the ‘In the Public Interest’ report and of certain other measures for improvement that we have identified, focusing primarily on the audit practice
- Our vision ‘Assurance in the twenties’, that defines the future of the PwC Assurance practice and the change that we need to go through to get to the future we are aiming for
- Innovation: Innovation in the audit process and standardisation of work that can be performed by so-called delivery and competence centres
- Data Enabled Audit, Aura & Methodology: The development and widespread application of our data analysis-based audit approach, including the related tools and methodologies.

The Assurance change programme is being led by a newly appointed member of the Assurance Board, and this team also includes three younger partners. Collectively, the team represents a broad cross-section of the Assurance organisation, and it is supported by a programme manager and communication and change specialists. The team, up and running since December 2014, is responsible for the entire management of the change programme, for overseeing the synergies between the various initiatives and for leading the implementation and anchoring of the new techniques and behaviour in a structured fashion. The team works closely with the ‘Moments that Matter’ team, so that the MtM team can quickly roll out the various culture aspects that the Assurance Change team identifies in its programme.

We see this change trajectory as a strategic investment in the future of the Assurance practice. A key objective of the programme is to define the framework and culture that will best enable us to achieve higher levels of quality, change and learning capacity – and thereby enable us, supported by technology, to continue to meet stakeholder expectations and serve the public interest. Our ‘dot on the horizon’ is not some inert concept of where the organisation needs to be in a few years’ time, it is our transformation into a learning organisation with sufficient capability to adapt continuously and quickly to circumstances and to the expectations of society - in other words, an agile organisation. We believe that learning capacity, technological innovation and an outward looking attitude will be critical elements of the audit firm of the future.

### *The public debate*

Members of the Assurance Board, partners and staff all participate proactively in the public debate on the role of the auditor. Some examples of this are the various opinion pieces that PwC people have published in *het Financieele Dagblad* (the Dutch equivalent of the Financial Times), on *Accountant.nl* and in the professional media, and the participation of PwC partners and Board Members in seminars and congresses. PwC people are not only participating in the debate, but we also place great value on the proactive contributions that PwC partners and staff are making 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 and at various universities. We also provide substantive comment on draft legislation as it is published.

### *Global network organisation*

The global PwC network is one of the key drivers of our quality. The network is critical to us being able to perform satisfactory audits of internationally operating entities. The PwC purpose and the Assurance ambition mentioned earlier are supported by all PwC network firms. The investments needed to ensure quality in our audits are to a large extent borne by the network as a whole. Initiatives such as ongoing development of electronic file systems, audit tools and data analysis technology are very expensive – as is development of the related methodology and training. This runs into hundreds of millions of Euros, and investments of this magnitude can

only be effectively achieved by making them collectively as a network.

Our global network also enables us to build expertise to a very high level of quality. We have access to highly specialised experts, for instance in the IFRS arena, and this enables us to reach the right financial reporting conclusions on complex problems and in complex regulatory environments.

In addition to this, the network supports us with a uniform audit approach (the Global PwC Audit Guide), consistent guidelines and requirements, and knowledge management and sharing. For guidelines and requirements, we look to the Network Risk Management Policies (Matrisk), the Global Independence Policy and our uniform methodology for maintaining independence from our audit clients. Knowledge sharing is promoted and facilitated through regular communications on developments and key issues in the area of maintaining audit quality. We regularly organise professional technical meetings and conference calls to share best practice.

To be able to continue the association with the network, we are required to meet strict quality criteria and to comply with all network standards, and this is regularly monitored by the network. Examples of this are the quality management requirements that we must build into our systems, the quality review programmes and the annual audit engagement reviews (Engagement Compliance Reviews).

The standards and procedures developed within PwC also comply with international

auditing standards (ISA). In the Netherlands, and we implement supplementary compliance requirements where the Dutch legislative and regulatory situation warrants it. An example of this are the supplementary procedures needed to ensure compliance with the ViO (the Regulation concerning the Independence of Auditors in Assurance Engagements), the Wwft (the Money Laundering and Prevention of Terrorism Financing Act), mandatory audit firm rotation and the separation of audit and advisory services at PIEs.

The PwC network aims for the very highest levels of quality, and it contributes positively to our ambitions in this area. Further integration within the network is therefore a logical step in the drive for high levels of quality in our service offerings and delivery, and this integration is currently underway (see the section ‘Governance’ and our Annual Report).

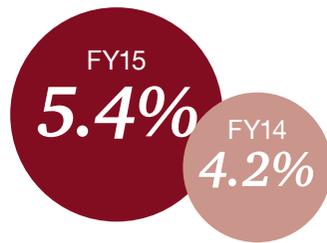
### *Enterprise risk management*

During the regular planning and audit cycles, we regularly take stock of the principal risks and difficulties 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 (ENORM), is part of our new 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 BoM's Risk Council and the Public Interest Committee, and we share the results within our global network. The primary risks relating to our strategic priorities are set out in the section 'Ambition, strategy and risk'.

Quality indicators for 'Leadership'

Involvement of financial reporting, valuation, pension and taxation specialists in audit engagements

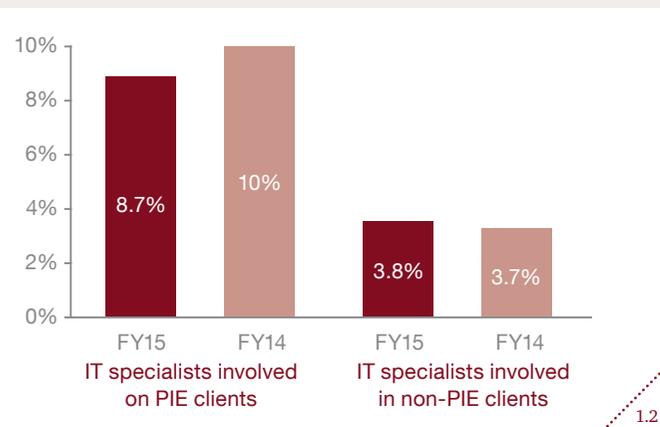


1.1

**Increasing involvement of specialists**

The involvement of specialists from across the broad spectrum of the PwC organisation, in areas such as financial reporting, valuation, taxation and pensions, is a contributor to audit quality, and we encourage this strongly amongst our staff. The level of involvement varies per client depending, amongst other things, on the extent to which they are involved in mergers, acquisitions, investments, disposals and reorganisations. We aim to increase this involvement further in the coming year.

The involvement of IT specialists on PIE clients fell slightly on prior year, as a result of this year's client mix and the significant number of large new audit clients needing a relatively higher level of substantive audit and other labour-intensive work in the first year. Given the importance of IT and digitalisation, we expect the involvement of IT specialists to increase in the coming years.

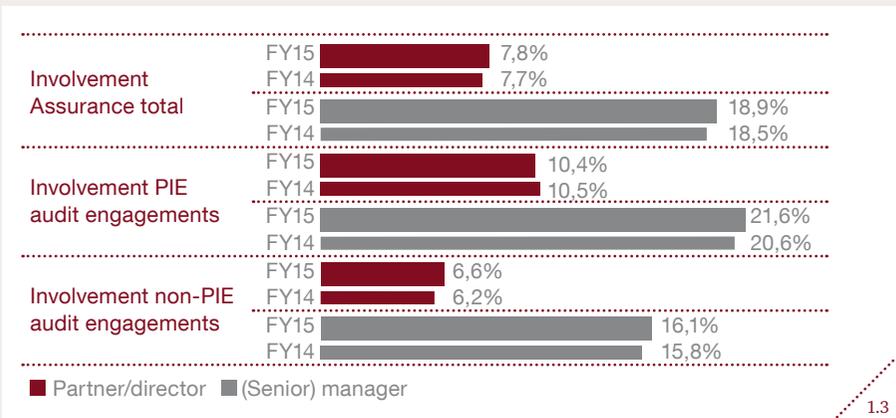


1.2

**Partners and directors are spending more time on their audit engagements**

We committed ourselves to a significant increase in the time invested by partners and directors on their audit engagements, and we have been successful in this. The total number of hours spent by partners and directors on PIE and non-PIE audit engagements was 14% higher than prior year at 143,268 hours (FY14: 125,142). The time spent by senior managers and managers was also higher.

The involvement of partners, directors, senior managers and managers as a percentage of the total number of audit hours increased slightly on prior year. This increase was limited because of the growth in the workforce mainly at other levels. For the coming year, we expect an increase in partner/director involvement following the appointment of eleven new partners and fifteen new directors.



1.3

The total number of hours spent on audit engagements (1,886,097)

was 10% higher than prior year, while the time spent on other engagements was 5% lower. In aggregate, the number of client related hours was 8% up on prior year, while net revenue remained at similar levels.

	PIE audit clients		Non-PIE audit clients		Other engagements		Other services		Total	
<b>FY15</b>										
Partner/director	46,754	13%	96,514	28%	24,239	7%	180,868	52%	348,375	100%
(Senior) manager	98,270	16%	233,933	39%	69,098	11%	204,624	34%	606,925	100%
Other staff	309,796	16%	1,100,830	56%	126,030	6%	434,297	22%	1,970,953	100%
<b>Total</b>	<b>454,820</b>	<b>16%</b>	<b>1,431,277</b>	<b>49%</b>	<b>219,367</b>	<b>7%</b>	<b>819,789</b>	<b>28%</b>	<b>2,925,253</b>	<b>100%</b>
<b>FY14</b>										
Partner/director	38,837	12%	86,305	25%	28,470	8%	187,741	55%	341,353	100%
(Senior) manager	75,835	14%	216,643	38%	72,610	13%	197,899	35%	562,987	100%
Other staff	249,640	13%	1,053,956	56%	128,877	7%	437,595	24%	1,870,068	100%
<b>Total</b>	<b>364,312</b>	<b>13%</b>	<b>1,356,904</b>	<b>49%</b>	<b>229,957</b>	<b>8%</b>	<b>823,235</b>	<b>30%</b>	<b>2,774,408</b>	<b>100%</b>

1.4

For the reporting criteria of the quality indicators 1.1 - 1.4, see Appendix C.

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# Ethics and independence

- Code of Conduct
- Complaints and notification procedures
- Independence requirements and procedures
- Reviews of personal independence
- Rotation of senior team members and audit firms
- Notification of potential unusual transactions
- Investment policy

# 2

**Ethical behaviour and attitude is what we expect from our partners and staff, and our reputation stands or falls on the basis of it. Our partners and directors are responsible for the quality of each and every one of their engagements, and they acknowledge this in their annual confirmation of compliance with the legislative and regulatory requirements that apply, both internal and external, including the Wta (the Audit Firms Supervision Act), independence requirements and the PwC Code of Conduct.**

### Code of Conduct

The Assurance ambition (as set out in the section ‘Ambition, strategy and risk’), PwC’s core values (as set out in the Code of Conduct), the PwC Experience and the PwC Professional collectively provide guidance to our partners and staff in their behaviour and attitudes. The Code (see [www.pwc.nl/nl/onze-organisatie/gedragscode.html](http://www.pwc.nl/nl/onze-organisatie/gedragscode.html)) is an integral part of the contract of association/employment signed by all partners, directors and other staff. 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 to be implemented across the entire PwC network in 2015-2016.

The Code of Conduct is a mandatory element of our training and development programmes. Every new staff member is given e-learning which specifically addresses the handling of dilemmas.

### Complaints and notification procedures

The Complaints and Notifications 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.

Those who have complaints 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 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.

### Independence requirements and procedures

Our client acceptance and engagement continuance framework includes mandatory procedures regarding personal independence and the independence of PwC as a whole. These procedures are based on our PwC network independence requirements and on the specific Dutch requirements. The Independence Office provides support to our staff and advice as to whether we can serve a particular client and whether the service proposed is permitted within the client relationship.



The auditor ultimately responsible for the engagement must pre-approve all services proposed for delivery to the client, irrespective of who is proposing to deliver the service. No work may start on an engagement and no time may be charged to an engagement until this approval is in place. This is coordinated through the so-called Authorization for Services process (AFS), mandated across the entire PwC network for services to listed audit clients and to audit clients with foreign operations.

In addition, we have a process for assessing and dealing with potential conflicts of interest. A potential conflict of interest can arise, for instance, where two or more PwC teams or firms are acting for different potential buyers and/or sellers in the same business acquisition/disposal. Where needed, we put so-called Chinese (or ethical) walls in place to prevent confidential information held by one team inadvertently becoming available to the other team. In such situations, the teams are kept physically separate and we put increased confidentiality requirements in place. In such situations, it is also possible that either we, or the client, resign from the engagement

#### *Personal independence testing*

Individual partner and director compliance with independence requirements is monitored by the Independence Office, with about one quarter of all partners and directors being covered each year. Newly appointed 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 tested the year thereafter. Furthermore, board member candidates are

tested by the Independence Office as part of their board appointment process. 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. The testing follows the policies adopted within the global PwC network.

#### *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) has been in force since 1 January 2014. The regulation 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 most senior partners or directors in an audit team have been involved on a client for seven years. This action may consist of an engagement-specific quality review. For PIEs, the requirement is that the partner responsible for the engagement (the key audit partner) must rotate after seven years.

Our internal rotation policy requires that partners, directors and senior team members who fulfil a senior engagement role must rotate after a maximum of seven years, irrespective of whether or not the audit client is a PIE.

The legal requirement is that, with effect from 1 January 2016, all PIEs must rotate audit firm after eight years. This will be increased to 10 years if currently proposed new legislation is passed into law. We have had to resign from some clients and have welcomed some new

ones (see also Appendix B). We have internal procedures in place to ensure that we comply with independence requirements for the new clients and that we maintain independence until the issue of the final auditor's report on the clients from which we resign.

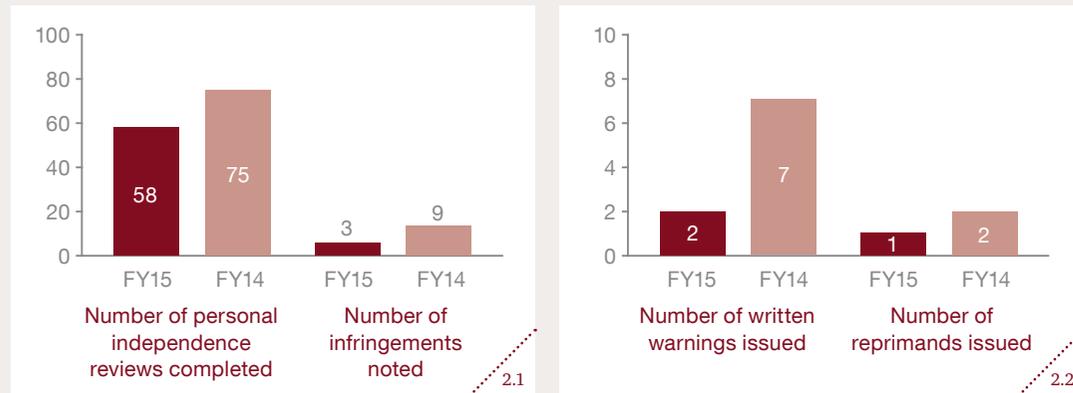
#### *Investment policy*

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

Quality indicators for 'Ethics and independence'

**Fewer infringements of personal independence**

We have brought our personal independence review process into line with the policies within PwC's global network organisation, and the comparative figures have been amended accordingly. Three sanctions were levied as a result of the review of partners, directors and director candidates. Two written warnings related to non-registration or late registration of purchases and/or sales of financial interests and one reprimand related to the holding of restricted financial interests not permitted by our own internal PwC requirements (though this did not constitute an infringement of external independence requirements). This reprimand did have an impact on the individual's evaluation but, given the nature of the reprimand, not on the remuneration.



**No notifications to the Complaints and Notification Committees**

No complaints were handled by the Complaints Committee during the past financial year, and the Business Conduct Committee (BCC) received no notifications relating to the Assurance practice. Given their importance, we do continue to bring these notification processes to the attention of our clients and people.

	FY15	FY14
Number of complaints handled by the Complaints Committee	0	0
Number of internal and external notifications to the Business Conduct Committee	0	0

For the reporting criteria of the quality indicators 2.1 - 2.3, see Appendix C.

# Human capital

- The PwC Professional
- Recruitment
- Staff development and promotion
- Evaluation and remuneration
- Building knowledge
- People Survey
- Diversity
- Mobility
- Wellbeing

# 3

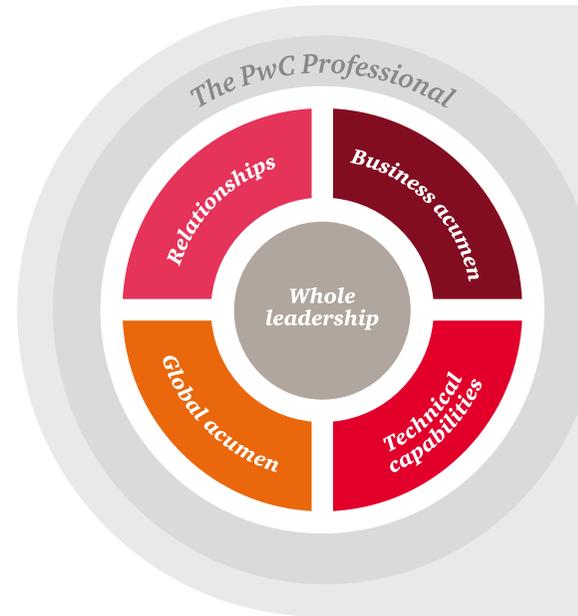
*The talent of our people and the passion they put into their work are critical cornerstones of our quality. We see ourselves as a learning organisation that offers its people good coaching and training and development programmes that prepare them for the flexibility in service delivery that they need 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 skills and quality that our people need if they are to make good on the Assurance ambition, to successfully implement our strategy, to respond to the changing world and, as professionals of the future, to develop more effectively, both personally and professionally.

The PwC Professional focuses on the behaviour, skills and competencies that our people must demonstrate to be in a position to live the PwC Experience. These are not just technical 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 an important cornerstone of the PwC Professional.

This leadership model sets out clearly what we expect of our people at all staff levels. We



- **Whole leadership**  
I lead myself and others to make a difference and deliver results in a responsible, authentic, resilient, inclusive and passionate manner.
- **Business acumen**  
I bring business knowledge, innovation, and insight to create distinctive value for clients and PwC.
- **Technical capabilities**  
I apply a range of technical capabilities to deliver quality and value for clients and PwC.
- **Global acumen**  
I operate and collaborate effectively with a mindset that transcends geographic and cultural boundaries.
- **Relationships**  
I build relationships of high value which are genuine and rooted in trust.

have rolled the PwC Professional leadership model out this year into our recruitment, training and evaluation programmes and systems. As an example, our people can self-assess themselves within the framework of the model and identify where their strengths and challenges lie. The PwC Professional is promoted throughout the organisation, for instance in staff meetings, staff newsletters (including special editions), posters in lifts 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 the starters is a multi-stage process 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.

*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 according to the PwC Experience as the starting points.

Most of the 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 competency passport, fine-tuning development plans accordingly. The Academy also 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.

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).

Promotion from senior manager to director follows a fixed two year process, for which candidates are proposed by their Business Unit Leader. During this nomination process, we look closely at aspects such as historical performance (including professional quality), the position of the senior manager as regards the job profile of a director, potential for further development within the firm, experience and contribution in terms of quality, and the extent to which experience has been gained in other business units or elsewhere within the network (i.e. mobility). As and when the Assurance Board approves the Business Unit Leaders' nominations, the candidates start on what we call development days.

Over a two-day period, they are given a number of team-based assignments and they undergo a number of individual interviews, to assess progress candidates have made, both on a personal level and on a professional level, the extent of their strategic intellectual capacity and their approach to quality. With the feedback provided, the candidates then put together their personal development plans, including personal development elements such as internal global leadership programmes (for instance My Way and Genesis Park) or internal and/or external coaching.

Quality and professional expertise are key factors in the nomination process for our directors and partners, including:

- A written and oral test, by National Office, in the areas of auditing and financial reporting, to be successfully completed before the candidate may be nominated
- What we call the director dialogues, in which the director candidate, as part of the nomination process, sets out his or her vision for his or 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 three quality reviews in the five years preceding nomination (applicable as from the 1 July 2015 nominations)
- At least 1,600 hours of demonstrable experience in a quality role or a clear plan as to how this is to be achieved within five years (applicable as from the 1 July 2015 nominations).

*Evaluation and remuneration*

From senior associate level upwards, in addition to assessing competency development we also look closely at individual performance. This is done through the annual evaluation cycle, what we call the Performance, Coaching & Development (PC&D) system. There are two key aspects of this process:

- In evaluating competency development, we look to quality and not quantity.
- For the overall performance rating, we look broadly at competencies, upward feedback, client feedback, progress in professional qualification, contribution to quality, internal groups and projects, and other activities such as recruitment, training, development and National Office roles.

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 performance feedback and draw an overall objective and consensus view on each individual staff member's performance and competence 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 performance and competence ratings in the context of the national coverage and the mix we are aiming to achieve.

Staff remuneration is based primarily on role and responsibility, as set out in the staff level profiles. 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 six months' salary for senior managers. The input for the variable element comes from the performance coaches, who identify and summarise above and below average aspects of individual staff performance, in particular in the areas of quality (results of engagement reviews and performance in any specific roles they may have), human capital, learning and development and the contribution in terms of hours worked.

There is a separate evaluation and remuneration system for partners and directors (see 'Evaluation and remuneration').

#### *Building knowledge*

All 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 (following the 70/20/10 principle).

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 RTR team and the QRPs play a key role in the professional skills coaching of our people.

PwC has an extensive training programme (Learning & Development) 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. 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 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 pre-determined 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 (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. We also have knowledge exchange programmes with a number of universities and research institutes. People with research talents and promising ideas are given the time to follow post-graduate

education. Our aim is to increase substantially the number of our people in post-graduate study and to support and finance further scientific research through the research institute we are in the process of setting up.

#### *Mobility*

Mobility is a key element in our flexibility and versatility as an organisation, and this applies to all types of mobility – between offices, business units and industry sectors and within our global network. It also contributes to the breadth of experience that our professionals get. Through what we call Cycles of Experience, we impress on our professionals the importance of mobility and experience outside their regular comfort zones, with the aim of making them well aware, early in their careers, of the opportunities here and of the importance that broad-based experience has in terms of becoming a well-rounded PwC professional. We introduce career-coaching meetings to staff from the level of senior associate 4 (those who are expected to make promotion to manager). These meetings address the individual's aims and ambitions and the new experiences that will add value both to the individual and to 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 secondment within the global PwC network.

#### *People Survey*

Each year, we carry out a staff satisfaction survey amongst our partners, directors and staff (the People Survey), in which they can tell us what they like about PwC and where they see room for improvement. We translate the results of the People Survey into focused plans of action both at national level and within the business units.

#### *Diversity*

We are striving for an inclusive culture in which everyone, irrespective of sex, cultural background and sexual orientation, can feel comfortable and valued. Diversity is important to us because we believe strongly that the quality of what we do is enhanced when issues are addressed by people from differing perspectives, that it better attunes us to the outside world, and that it is critical to our recruitment and retention of talent.

Our aim is to have at least 30% of our organisation female, and we keep diversity in the areas of culture and sexual orientation under regular review. Furthermore, the need to value diversity is addressed in a number of specific training sessions. By looking at things from different perspectives, these sessions aim to encourage people to develop greater understanding and appreciation of each other. We started the 'Multicultural professionalism' training last year and this has now been incorporated into our regular programme. Our aim is that all PwC people will have followed it at some stage. In addition, we have a variety of campaigns and communications through which we promote diversity among our people.

We are also working to help people who are struggling in the labour market find permanent positions. PwC is working very closely with a number of recruitment agencies that specialise in this sector.

*Physical and mental wellbeing*

Our work is very demanding, and we have launched a wellness programme (Fit for Future) designed to help our people stay physically and mentally healthy. An element of this programme is a digital tool with which staff, independently and anonymously, can monitor their well-being and health. They can also call on a digital coach to assist with behavioural change in the areas of sleep, exercise, diet, smoking and drinking.

In addition, all our people receive an invitation for a check-up every four years. The check-up includes a discussion with a lifestyle adviser. And our development programme includes focus on physical and mental health, with a number of modules incorporating the ‘corporate athlete’ workshop that provides participants with insight into improving energy management and performance capacity.

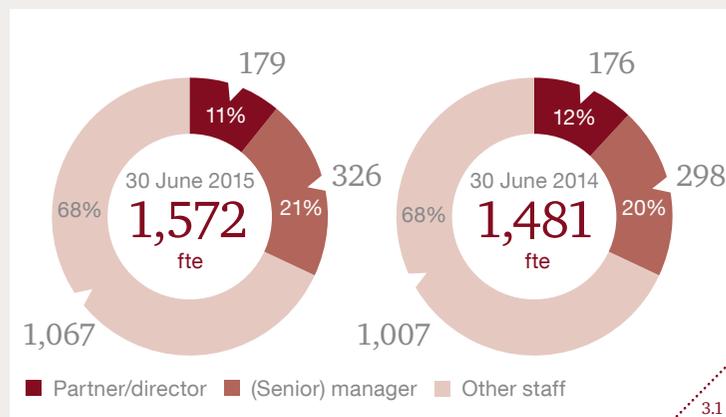
Quality indicators for 'Human capital'

**6% growth in the workforce**

Following the increased investments we have made in quality, our workforce grew 6% (91 FTEs) to 1,572 FTEs as of 30 June 2015. The workforce averaged 1,563 FTEs during the year (2013-2014: 1,532 FTEs), while net revenue remained virtually unchanged. We are expecting that the size of the workforce will stabilise during this current year.

The difficult recruitment market, the temporary mismatch caused by the timing of incoming and outgoing clients following the rotation legislation, and the increased level of audit hours all played their part in our decision to increase the size of our workforce last year. We recruited an additional more than one hundred people in 2014-2015, mainly at the senior associate level, both from within our global network and from a number of temporary placement agencies. This temporary and flexible expansion of our workforce provided support for our staff on a number of audits. To assure the necessary level of quality, these temporary PwC people were carefully screened as to expertise and experience and they were given one week of induction training before being deployed.

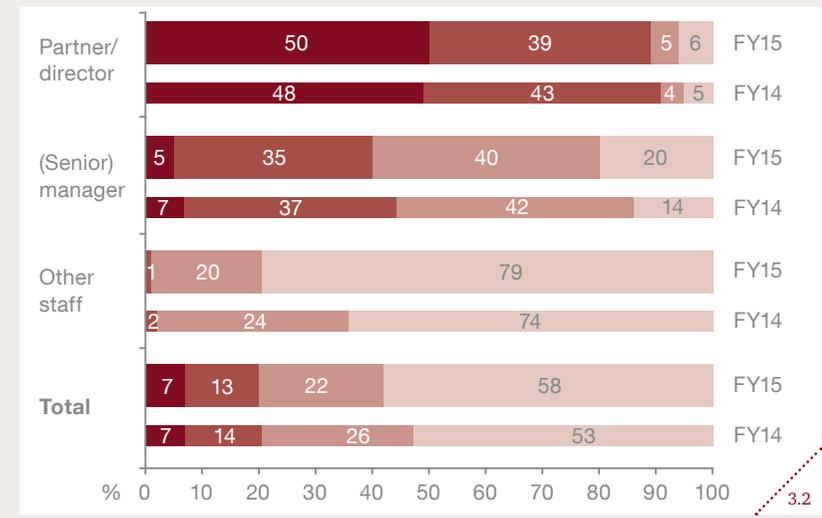
We aim to attract and retain the best people, and this is a continuous process. At the end of 2014, we launched a recruitment campaign focused on the core values of the auditor, and this boosted our recruitment success particularly of experienced auditors for our Real Time Review team. The campaign focuses on attracting auditors for whom the quality bar can never be too high, and it will be continued into this coming year. We are also continuing our successful 'Introduce a friend' programme that encourages our colleagues to bring in new experienced people.



**Expansion means rejuvenation**

As the expansion of our workforce was mainly in people with less than five years' experience, the workforce has been somewhat rejuvenated, and we expect this trend to stabilise in the coming year.

- 20+ years' experience with PwC
- 10-20 years' experience with PwC
- 5-10 years' experience with PwC
- < 5 years' experience with PwC



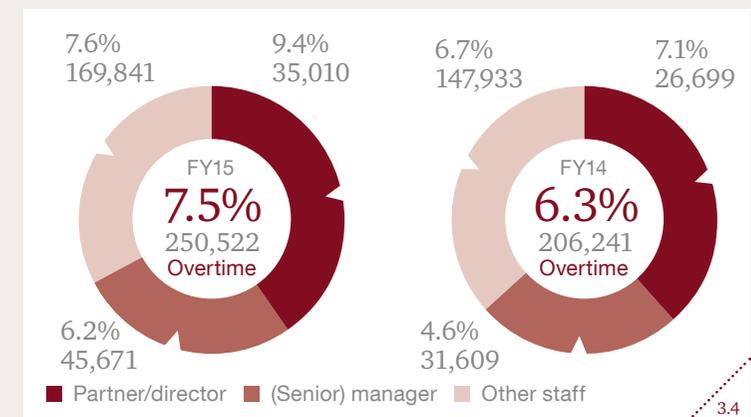
**Our contribution to the profession**

We believe that it is important for us to contribute to the ongoing development of the profession. We encourage our people to contribute, for instance, through education or by taking on a relevant role within the professional organisation (the NBA), the Committee for Learning Attainment in Accountancy Education (CEA), the Dutch Accounting Standards Board, or other bodies focused on the development of the profession, and we provide support for them in this. During 2014-2015, experienced partners and staff spent 5,805 hours on such activities, and we aim to make an equivalently substantial contribution in the current year.



**Increase in overtime**

It is inherent in the seasonal character of our business that our staff work overtime at certain times of the year. For some staff levels, these hours are compensated by time off in lieu. Despite the increase in the work force, the number of overtime hours is higher mainly as a result of first year audits and the implementation of the quality improvement measures.



For the reporting criteria of the quality indicators 3.1 - 3.4, see Appendix C.

Quality indicators for 'Human capital'

**Diversity still not where we want it to be**

Staff turnover breaks down equally between male and female and between western and non-western. We aim to avoid staff turnover increasing in the coming year. The turnover of top talent is, in our view, too high and we are aiming to bring this down this year.

We are aiming for more women within our partner and director group. We see the percentage of women falling far too much the higher we look in the organisation. As from 1 July 2015, we are aiming for a quarter of all new partner appointments to be women. Of the eleven partners appointed as of 1 July 2015, two are women and, of the fifteen directors, five are women.



Turnover (Years of experience)	FY15			FY14		
	0-3	3-6	6+	0-3	3-6	6+
(Senior) manager	20.8%	37.0%	25.9%	12.9%	37.2%	24.0%
Other staff	8.6%	14.4%	23.3%	6.9%	17.1%	22.2%

Turnover (Total)	FY15	FY14
(Senior) manager	26.1%	24.0%
Other staff	12.9%	13.2%
Turnover (Talent)	FY15	FY14
(Senior) manager	22.4%	18.5%
Other staff	8.6%	16.4%
Turnover (Male/female)	FY15	FY14
Male	15.7%	15.6%
Female	16.2%	17.1%
Turnover (Cultural background)	FY15	FY14
Western	16.0%	14.9%
Non-western	15.7%	14.4%

3.5

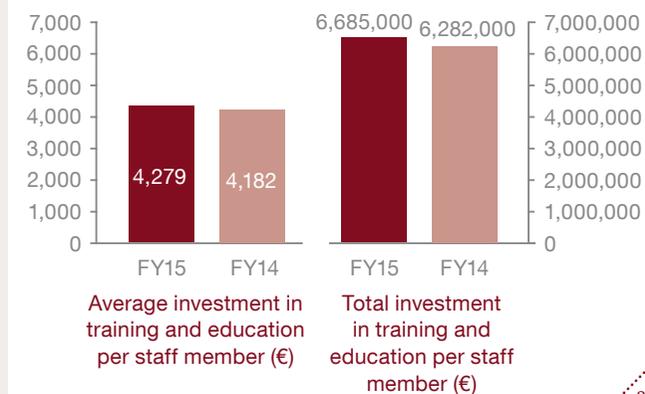
**Continued investment in education**

We invest in the development of our staff through on-the-job training and through internal and external education. The average time invested by staff in education and training remained consistent with prior year at 176 hours (22 working days) per person. We are expecting to maintain at least this level for the coming year. All qualified accountants in our core audit practice have not only followed the Summer School this year but have also participated in and successfully passed the NBA's knowledge test.

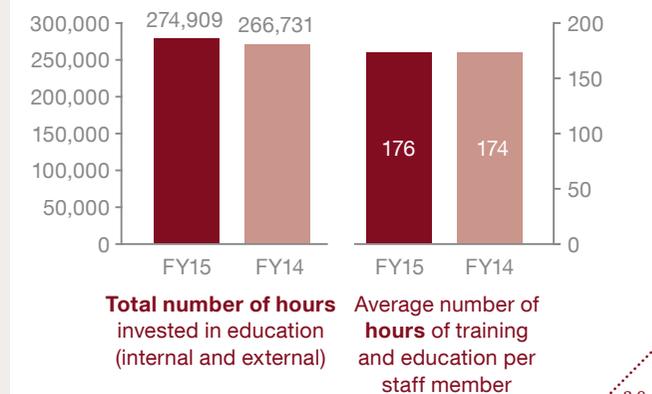
The average amount invested in education per FTE increased 2% on prior year.

	FY15	FY14
Number of hours invested in the development and presentation of training	16,122	16,293

3.6



3.7



3.8

For the reporting criteria of the quality indicators 3.5 - 3.8, see Appendix C.

Quality indicators for 'Human capital'

**Increased international mobility**

An aggregate 79 foreign colleagues joined us in the Netherlands (both short-term and long-term), of which 39 were for less than one year. This represents a substantial increase on prior year. They were mainly from South Africa and at the level of senior associate, and those who came for a longer period were mainly experienced colleagues from the United States. We expect that the number of foreign colleagues coming in to strengthen our practice will increase further this coming year.

During 2014-2015, 23 of our people (of which 4 for a period shorter than one year) went on secondment abroad, mainly under the framework of the Cycles of Experience programme. We expect that the number of out-bound secondments will remain at similar levels in the coming year.

From abroad to the Netherlands	FY15	FY14
Shorter than one year	39	5
Longer than one year	40	26

3.9

From the Netherlands to abroad	FY15	FY14
Shorter than one year	4	5
Longer than one year	19	16

3.10

**Recruitment doubled**

Our workforce grew substantially in FTEs this past financial year. We recruited twice as many people than in prior year while revenue remained virtually unchanged.



**Joiners**  
FY15 314  
FY14 157

3.11



**Leavers**  
FY15 217  
FY14 211

3.12

**High level of satisfaction among staff**

75% of our Assurance people took part in our staff satisfaction survey (the People Survey) this past year. Their conclusions were that the colleagues they work with behave with integrity, that they are proud to be with PwC and that working in teams and sharing knowledge are major contributors to the resolution of challenging issues and the delivery of high levels of quality. They also commented that more attention needs to be paid to gaining international experience, that we need to do more to retain our top talent, that there needs to be more dialogue regarding the substance of the PwC purpose and the effect it should be having on their day-to-day work, and that coaching and feedback during the engagement need more attention.

The aggregate score in the staff satisfaction survey, as expressed in People Engagement Index, has shown significant improvement this year, from 73% in 2014 to 79% in 2015, a historical high and among the very best within the PwC network. These results confirm our strong belief that we are on the right track with our programme for change. At the same time, we also recognise that, if we are to maintain this position, we need to continue to work on our capacity as a learning organisation.

	FY15	FY14
The <i>People Engagement Index</i> , that measures staff satisfaction with PwC as an employer.	79%	73%
<i>Questions concerning coaching and supervision</i>		
The people I work with are willing to help each other, even if it means doing something outside their usual activities.	82%	79%
The learning and development I have received at PwC has prepared me for the work I do.	87%	87%
The people I work with support me through regular on the job feedback and coaching.	65%	76%
<i>Questions concerning integrity and our purpose</i>		
The people I work for operate with integrity.	90%	88%
At PwC, I feel comfortable discussing or reporting ethical issues and concerns without fear of negative consequences.	73%	73%
The people I work with actively build trust in society and help solve important problems through the work they do at PwC.	57%	-
It is safe to voice my opinions at PwC.	79%	74%
<i>Questions concerning quality</i>		
The leaders I work with are committed to providing high quality services to external clients.	83%	81%
The leaders I work with lead by example.	67%	62%

3.13

For the reporting criteria of the quality indicators 3.9 - 3.13, see Appendix C.

# Client and engagement acceptance

- Client acceptance and independence
- Engagement acceptance
- Acceptance and risk panels
- Selectivity

# 4

***Our acceptance procedures are designed to ensure that we only accept clients that act with integrity and that fit within our norms and values, and 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.***

### *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, and this helps us ensure that we accept only those clients that we believe fit within our acceptance criteria. At the same time, as auditors we are obliged to comply with the fundamental principles of objectivity, integrity, professional behaviour and independence (see also the section ‘Ethics and independence’). The global independence standards and systems applied by our teams ensure that we are, and remain, independent of our audit clients. We confirm this independence to clients in the annual Board Report.

Procedures for the acceptance of new clients and of new engagements at existing clients 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 legislative and regulatory requirements that apply. For example, Dutch law prescribes that the provision of advisory services to public interest entities (PIEs) conflicts with performance of the statutory audit.

### *Acceptance and risk panels*

As part of our acceptance procedures, we assess the risk profile of the client and of the engagement, including an assessment of integrity, management and supervisory board attitudes towards the auditor, sector-specific risks, the quality of the systems of internal control 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 and, if need be, we assign a Quality Control Partner or a Concurring Partner to the engagement. Last year, seven per cent of our clients were assessed with such a higher risk profile. 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. In addition to these mandatory situations, the engagement team itself may take the initiative to put acceptance before a panel.

In addition to the partners directly involved in the potential engagement, the Risk Panel also comprises the Assurance Risk Management Partner, the Business Unit, Industry or Specialist Leader and/or other partners with particularly relevant experience. In many cases, the Independence Office is also involved and, where necessary, also a member of the Assurance Board or the BoM. The risk panel may decide to impose additional requirements to address the risks identified, for instance a requirement to have an additional level of involvement, by appointing a second partner to the engagement or by adding a specialist to the engagement team.

### *Selectivity*

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. 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.

Composition of turnover PwC

**Composition of turnover PwC Netherlands  
2014-2015 (€ millions) <sup>1</sup>**

**Nature of the engagements**

Clients	Statutory annual financial statement audits	Other annual financial statement audits	Other reports and assurance reporting	Assurance-related services	Total Assurance Services <sup>2</sup>	Advisory, Tax & HRS and other audit services	Total	% of total
	Statutory annual financial statement audits (PIE clients)	33	1	4	1	39	2 <sup>3</sup>	41
Statutory annual financial statement audits (non-PIE clients)	159	20	11	10	200	85	285	41%
Other annual financial statement audits		27	6	1	34	10	44	6%
Other reports and assurance reporting			5	1	6	4	10	1%
Assurance-related services				50	50	78	128	18%
Other					-	189	189	28%
<b>Total</b>	<b>192</b>	<b>48</b>	<b>26</b>	<b>63</b>	<b>329</b>	<b>368</b>	<b>697</b>	<b>100%</b>

**Composition of turnover PwC Netherlands  
2013-2014 (€ millions) <sup>1</sup>**

**Nature of the engagements**

Clients	Statutory annual financial statement audits	Other annual financial statement audits	Other reports and assurance reporting	Assurance-related services	Total Assurance Services <sup>2</sup>	Advisory, Tax & HRS and other audit services	Total	% of total
	Statutory annual financial statement audits (PIE clients)	30	1	3	2	36	5 <sup>3</sup>	41
Statutory annual financial statement audits (non-PIE clients)	145	25	14	11	195	61	256	38%
Other annual financial statement audits		31	3	5	39	16	55	8%
Other reports and assurance reporting			6	5	11	19	30	5%
Assurance-related services				40	40	63	103	15%
Other					-	187	187	28%
<b>Total</b>	<b>175</b>	<b>57</b>	<b>26</b>	<b>63</b>	<b>321</b>	<b>351</b>	<b>672</b>	<b>100%</b>

1 Turnover represents the amounts charged for engagements by PwC Netherlands. Amounts charged directly by other international PwC member firms to our multinational clients, including audit clients, are not included in this table. 2 This represents the turnover from assurance services, including audit and other support services provided by other Lines of Service.

2 This represents the turnover from assurance services, including audit and other support services provided by other Lines of Service.

3 The non-assurance services for PIE clients where we are the statutory auditor amounted to € 2 million (2013-2014: € 5 million). This revenue is generated entirely from services permitted under Article 24b of the legislative framework (Wta), effective 1 January 2013, including the transitional provisions thereof, the vast majority of it comprising revenue that falls under the transitional arrangements relating to two specific engagements. In the interests of the clients involved, these engagements were completed during the transitional period (Art 86a of the Wta). The exceptional circumstances surrounding these engagements have been discussed with and approved by the AFM.

The consolidated revenue reported in the annual financial statements of PricewaterhouseCoopers Accountants N.V. for 2014-2015 amounted to € 293 million (2013-2014: € 308 million), of which € 183 million (2013-2014: € 166 million) related to statutory audit work and € 110 million related to other services (2013-2014: € 142).

4.1

For the reporting criterion of the quality indicator 4.1, see Appendix C.

# Engagement performance

- The PwC Audit
- Team roles and responsibilities
- Delivery centres
- Consultation with National Office
- Professional technical information
- Engagement-specific quality evaluations
- Real Time Reviews
- Improvement plan
- Auditor's report new style and the AGM
- Communication with the audit client
- Confidentiality and protection of information
- Legal and disciplinary proceedings
- Reporting of incidents

# 5

***Our systems and procedures are designed to ensure that the auditor's reports issued by our external auditors provide a reasonable degree of assurance to the users regarding the reliability of the audited financial information and that they comply with all the legislative and regulatory requirements that apply. Our various new forms of communication are a response to the current expectations of our stakeholders.***

### *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. In addition, we use an electronic state-of-the-art audit file system (Aura) and industry-specific audit programmes. Our well trained and experienced people are at the heart of 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 section. 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 information we provide to our clients is timely and relevant.

#### *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 the relevant risks are identified and 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 (which was used on about one thousand engagements this past year).

### PwC Audit

**1. Client acceptance & independence**

**2. Deep business understanding**

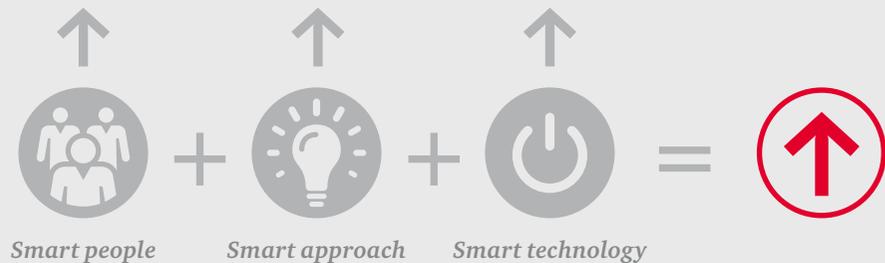
**3. Relevante risks**

**4. Intelligent scoping**

**5. Robust testing**

**6. Meaningful conclusions**

*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.*



This portal allows both the client and us to monitor real-time the status, timeliness and completeness of the information to be provided and of 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 analysis and new technologies is set to really take off 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 sound. We report to our clients' senior managements through the Management Letter, to the Supervisory Boards through the Board Report, to shareholders through the AGMs at listed companies and to the broader stakeholder groups of our PIE clients through the auditor's reports new style.

**Three technologies that power the audit**



**Connect**

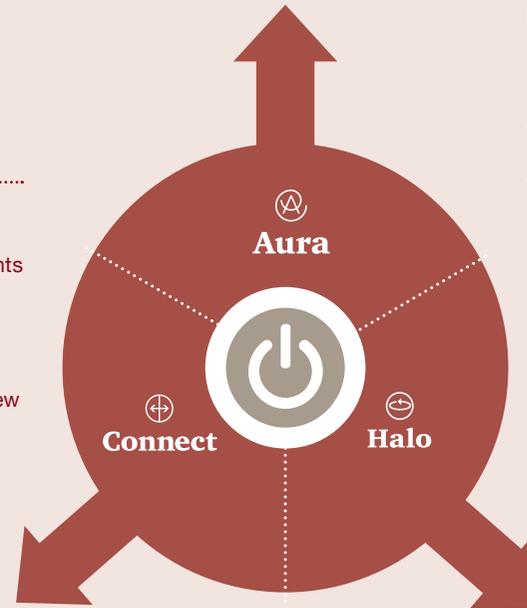
- Access wherever you are. Connect is available worldwide, meaning PwC and clients can access and view information relevant to their location.
- A secure web-based tool. With Connect, teams can request, access and exchange audit documents and deliverables, and review the status of information requests securely.
- Consolidated dashboard. Connect consolidates audit-related issues, what is being done to resolve them and progress tracking in real time.
- Connect provides access to our thought leadership publications and business news.



**Aura**

- Single instance global software with embedded industry IP enabling consistency, synergy and scale
- A systematic risk-based approach, meaning we focus on the things that matter
- Workflow technology that allocates audit procedures and individual tasks on personalized dashboards, enabling the timely performance and review of work

- A work share feature designed for shared service centres and multi-location audits, allowing us to work collaboratively, eliminating duplication
- Real time monitoring of engagement quality and progress – anytime, anywhere, on any device



**Halo**

- Acquisition of data: Acquires necessary data from client or other source digitally and automatically.
- Transformation of data: Converts data into common data model.
- Assurance applications: Tests data using algorithms against expectations and criteria and delivers results digitally. All transactions can be interrogated, tested and analysed. Designed to work on any information from any system, testing can now be performed off-site and throughout the year. In-built algorithms, visualization and benchmarking help our teams better understand our clients' business and provide meaningful insights.



*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 audit software, Aura, is designed 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 leader and, where relevant, the Quality Review Partner, and that all matters arising have been appropriately addressed.

The engagement leader is expected to:

- lead the performance of the audit and its documentation by being proactively and sufficiently involved throughout the audit, including being satisfied that the risks have been assessed and dealt with appropriately
- drive a cultural mind-set that strives for continuous quality improvement, challenges engagement team members to think, analyse, question and be rigorous in their approach
- foster an integrated coaching culture and demonstrate a willingness to learn and to coach others
- be responsible for the engagement team undertaking appropriate consultation on difficult or contentious matters, initiating those consultations where necessary
- have an ongoing involvement in assessing the progress of the audit and in making key judgement calls
- be satisfied that the review, supervision and

quality management procedures in place are adequate and effective; and

- take overall responsibility for reviewing and assessing the quality of the work done, its proper and timely documentation and the validity of the conclusions reached.

The engagement manager supports the engagement leader by:

- setting an example in the performance of the audit and its documentation by being involved throughout the audit, including identifying the risks and being satisfied that they are dealt with appropriately
- striving for continuous quality improvement, challenging engagement team members and applying rigour to the audit process
- fostering an integrated coaching culture and demonstrating a willingness to learn and to coach others
- together with the engagement leader, setting up arrangements for timely reviews of audit work and documentation
- taking into account the nature, extent and level of reviews already performed by other members of the team, satisfying himself or herself that the work performed and documentation are consistent with the nature of the engagement; and
- reviewing the work done, including an evaluation of the quality, documentation and conclusions.

In addition to reviews by the engagement leader and engagement manager, all staff are expected to critically self-review their own work to make sure that it meets the relevant requirements.

*Delivery centres*

A key element of the audit approach is the reallocation to service delivery centres of certain administrative and common audit procedures, thereby generating enhanced quality, improved efficiency and speed through scale, improved flexibility in delivery and controlled cost of audit delivery.

We use PwC delivery centres in the Netherlands, Germany, Poland and India, all of which fall under strict quality requirements set by the global PwC network. The quality management systems in the delivery centres are reviewed periodically by a team from the global PwC network.

*Consultation with National Office*

There are a number of pre-determined situations in which the engagement leader is required to consult with National Office, for instance if the external auditor is considering issuing an adverse or qualified auditor's report, a disclaimer of opinion or any other form of non-standard report.

The consultation process begins with the audit team submitting a memorandum setting out, in a pre-determined format, 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 issues its advice based on this memorandum, where necessary after further consultation within the global PwC network. The consultation is carried out in close

liaison with the audit team and by designated National Office experts. In the case of listed companies and higher risk clients, a minimum of two National Office staff members must be involved, including at least one National Office partner or director. National Office inputs the outcome of the consultation into the consultation database, and the engagement leader must 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 referred to the Assurance Board for final decision and action.

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.

*Professional technical information*

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, the US GAAS Desk, PCAOB updates and the Audit and Accounting Alerts. The findings of our Real Time Review programme are also shared periodically with the entire Assurance practice. Information is also shared regularly by means of (mandatory and non-mandatory) e-learning and webcasts. National Office is also responsible for maintaining Inform, a portal available to all PwC staff and to financial

professionals at clients and other business 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 the curriculum of our Learning & Development Programme.

#### *Quality handbook*

The PwC-wide handbook, Distinctive Quality, and our handbook on quality specific for the Assurance practice, Distinctive Quality in PwC Assurance - Our Way of Working, provide our people with guidance in their day-to-day work, the latter including the Assurance Risk Management database (Matrisk) that sets out our internal requirements in the area of risk management. The handbook and Matrisk are accessible to all our professionals through Inform, our centralised professional information database.

#### *Engagement-specific reviews*

The engagement-specific reviews are carried out by the Quality Review Partners (QRPs), appointed by National Office, who are responsible for reviewing information provided by the audit team and the information in the audit file. Where Real Time Reviews are carried out, the RTR team provides support to the audit team and the QRP. The QRPs are given guidance and training to support them in their role.

#### *Real Time Review team*

The Real Time Review team (RTR team) carries out in-depth reviews of 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 team does not just highlight areas for improvement, but also areas that are going well. The RTR team shares these lessons across the audit practice, which in turn contributes to our organisation's capacity for change.

The RTR team provides support to engagements in excess of 2,000 audit hours to which a QRP has been assigned and at smaller clients which have been selected for an RTR review for risk profile reasons. The team identifies the key audit matters in consultation with the QRP and supplements the work of the QRP in those areas. The RTR team also coaches the QRP in improving the performance of his/her role.

As time goes by, we will be reducing the absolute number of QRPs so that, by allowing this smaller group of QRPs to focus more on developing its role and competencies, we can increase the quality and effectiveness of the role.

#### *Audit partner improvement plan*

External auditors who receive a non-compliant conclusion in an Engagement Compliance Review (ECR) on their engagements (see the section 'Monitoring') are required to put together an improvement plan. An ECR can also be commissioned for other specific reasons, such as in follow up to a review by an external supervisory body or the withdrawal of an audit opinion. 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 and thereafter 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. The external auditor is expected to address not only the conduct and behaviour causing the error, but also to be open to feedback, to communicate transparently and to demonstrate a willingness to learn and improve. 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.

An engagement that is assessed in an ECR as 'compliant with review matters' (CWRM) meets all the requirements that apply, while indicating areas where the audit work could have been better performed. A CWRM conclusion leads to a robust discussion as to quality during the annual performance evaluation meeting (BMG&D) with the auditor. The external auditor involved is expected to discuss the causes and lessons learnt with the audit team, and he or she may call upon additional support in the form of some intensive coaching by a QRP and/or greater involvement by an RTR team. As recommended in the 'In the Public Interest' report, we decided earlier this year to mandate such additional support for all partners and directors who received a 'non-compliant' conclusion.

#### *Auditor's report new style and involvement at AGMs*

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 auditor's report new style that we have been issuing on annual financial statements since financial year 2014 at all our PIE audit clients and large institutions. This new form of auditor reporting 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.

It is our policy that our auditors are not only in attendance at the general meetings of shareholders (AGMs), but that they also proactively provide insight into the work done and into the auditor's report.

#### *Informing 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.

*Providing insight into the Management Letter*

We welcome audited entities providing publicly available insight into the Management Letter and the Board Report, and we have specifically informed our PIE external auditors that they must permit the client to provide stakeholders with insight into their management letters. It is then up to the Chair of the SB 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 welcome the SB 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.

*Reporting hours spent*

As from the audit year 2014, our auditors are reporting to the SB (or equivalent) of their audit clients the actual audit hours for the 2014 audits and the expected and actual audit hours for the 2015 audits, on the basis of which they proactively discuss with the Board how these hours can best be deployed along with the proposed audit methodology to achieve a high quality audit.

*Notification of potential unusual transactions*

In March 2014, the NBA issued guidelines for the interpretation of the Wwft (Money Laundering and Prevention Terrorism Financing Act), and we have implemented these by tightening up 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 are submitted in the first instance to our Compliance Office and, if they meet the criteria of the Wwft, the Compliance Office arranges for notification.

*Confidentiality and protection of information*

We assure the confidentiality and protection of information obtained during the course of our work by means, amongst other things, of secured internal and external data transmission media and storage devices, digital and non-digital. Within the PwC network, we have a Global Data Protection Policy and we have updated this in the Netherlands to incorporate the applicable elements of the far-reaching Dutch requirements concerning the protection of private information (the Dutch Data Protection Act).

*Legal and disciplinary proceedings*

From time to time, we are faced with potential and actual liability claims and litigation, including disciplinary procedures arising from professional work we have undertaken at current or former clients. To the extent that these fall under civil law, they can involve either PwC or one or more of its partners, former partners, staff members and former staff members. Professional disciplinary proceedings always relate solely to individual

professional practitioners. We are required to report disciplinary procedures to our external supervisory body.

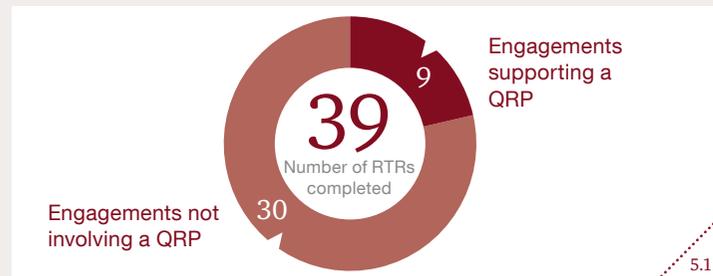
*Reporting of incidents*

In addition to reporting professional disciplinary cases, we are also required to notify our external supervisory bodies of any internal incidents arising within our organisation. Matters that can result in serious consequences for the integrity of our ongoing practice must be notified to the AFM as an incident.

Quality indicators for 'Engagement performance'

**39 Real Time Reviews completed**

As of 30 June 2015, 39 of the 50 Real Time Reviews we have started had been completed. Of these reviews, 10 had an engagement-specific quality reviewer (QRP) assigned, of which 9 had been completed. The Real Time Review team spent an aggregate 3,289 hours on these reviews. The number of reviews was somewhat lower than we had anticipated, primarily because it took longer than expected to get the team in place (10 FTEs as of 30 June) in the light of the investments we were concurrently making in quality at engagement level and the pressure put on the practice by the rotation of audit firms, and we did not wish to compromise on our ambitions for quality. The objective we have set ourselves is to have every external auditor (partners and directors) subject to at least one RTR review during the period from the start of the RTR programme up to the end of this current financial year.



**Increased number of consultations**

Our consultation procedures facilitate audit team access to specialists in a wide variety of professional areas and provide a process that encourages robust internal debate. In addition to voluntary consultation initiated by audit teams, we also have guidelines for mandatory consultation. The mandatory consultations on the new, more informative audit reporting and on a number of specific situations in the public sector have contributed to the increased number of financial reporting and auditing consultations this year.



**Growing the professional practice support functions**

One of our investments in quality was to increase the staffing of National Office, the Independence Office and the Compliance Office. The total number of FTEs rose by 31% to 68. Boosting professional knowledge through a limited (sometimes part-time) secondment to one of these offices is a key element of our strategy. There were in total 101 people involved in the three offices during the past financial year.

Number of partners/directors, senior managers/managers and other team members working in National Office, the Independence Office and the Compliance Office (FTEs)

	FY15	FY14
National Office	51	40
Independence Office	12	8
Compliance Office	5	4
<b>Total</b>	<b>68</b>	<b>52</b>

**More early terminations**

During the past financial year, there have been seven instances of early termination of a statutory audit engagement, one of which was terminated by the client and six were terminated by PwC. Four were non-PIE clients and three were PIE clients. The Compliance Office has reported these to the AFM.

	FY15	FY14
Early terminations of statutory audit engagements	7	3

**Increased number of notifications of unusual transactions**

Notification of transactions under the Wwft (Money Laundering and Prevention Terrorism Financing Act) to the Financial Intelligence Unit Nederland is dealt with by the Compliance Office. 21 notifications were made during the past financial year.

	FY15	FY14
Notifications of unusual transactions	21	7

**Increased number of consultations with the Fraud Panel**

The number of consultations with the Fraud Panel has increased significantly on prior year, primarily relating to consultations regarding bribery and corruption (2014-2015: 43 consultations, 2013-2014: 10 consultations).

	FY15	FY14
Consultations submitted to the Fraud Panel	101	76

**Financial statement reviews by National Office**

In support of the engagement teams, National Office financial reporting specialists carry out a number of financial statement reviews at a selected number of audit clients. This provides an extra, critical look by a specialist reader independent of the audit team. In addition to assessing the acceptability and completeness of the accounting policies used, the presentational aspects and the note disclosures, they also provide input as to the clarity of the financial statements to the external reader.



For the reporting criteria of the quality indicators 5.1 - 5.7, see Appendix C.

Quality indicators for 'Engagement performance'

**More time spent by QRPs**

The QRPs carry out engagement-specific quality reviews (EQRs). They challenge the audit team on the more critical aspects of the audit. The number of EQRs and the time spent on each are dependent on the number and nature of the PIEs we audit. For instance, the QRP role requires fewer hours for a finance company than for an AEX-listed entity. So we monitor primarily on the basis of the QRP's hours in relation to total audit hours on the engagement. We see the increase from 0.77% to 0.85% in 2014-2015 as a positive trend. More involvement of the QRP contributes to the increase we are aiming for in the involvement of more experienced people on the engagement and to engendering a culture in which people challenge each other and thereby improve the quality of the professional judgement involved. We aim to continue this trend in 2015-2016, and to increase the number of engagements on which QRPs are supported by the RTR team (2014-2015: 12 engagements).



	FY15	FY14
Number of independent quality reviews carried out by QRPs	283	282
As a percentage of the total number of statutory audits	11%	

5.8

	FY15	FY14
Number of hours spent by QRPs	3,438	2,318
Average number of QRP hours per engagement	11	8

5.9

	FY15	FY14
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	0.85%	0.77%

5.10

**Number of audit reports issued**

We issued more than 2,500 statutory audit reports last year, of which 218 related to PIE audit clients.

	FY15
Number of audit reports issued	More than 2,500
of which PIEs	218

5.11

**Errors corrected in financial statements**

Last year, we discovered five instances of financial statements (all of them non-PIE clients) which we had audited in the prior year that included a fundamental error (under Dutch GAAP) that significantly effected fair presentation. These fundamental errors included such matters as incorrect application of the Article 408 exemption from consolidation, incorrect inventory valuation and non-recognition of dividend distribution. The clients involved had to file an Article 362.6 notification. These represent some 0.2% of our annual statutory audits. In 2014-2015, we noted no material errors (under IFRS).

	FY15	FY14
Number of fundamental errors noted (Dutch GAAP)	5	3
Number of material errors noted (IFRS)	0	2
<b>Total</b>	<b>5</b>	<b>5</b>
As a percentage of the total number of statutory audit reports issued	0.2%	

5.12

**Reduction in audit hours before the year-end stage**

The time spent on audit work prior to the year-end has fallen from 37% to 35%. This is primarily caused by investing additional time in first year audit engagements (that involved relatively more post-year end substantive testing), differing external trends affecting the timing of audit hours in certain sectors (in particular, the public sector), and progress made (though still not enough) on spreading audit work more evenly throughout the year. We continue to focus on this, and we aim to get the percentage for 2015-2016 at least back down to the 2013-2014 level.



	FY15	FY14
Percentage of audit hours spent before the clients' financial year-ends	35%	37%

5.13

For the reporting criteria of the quality indicators 5.8 - 5.13, see Appendix C.

Quality indicators for 'Engagement performance'

**Legal proceedings**

We are involved in the aftermath of a number of bankruptcies. The more important of these relate to Econcern, a number of Fairfield funds (that have incurred losses because of the Madoff fraud) and LCI Technology.

*Econcern*

The liquidators and a number of investors have filed four almost identical complaints with the Disciplinary Council of Accountants ('de Accountantskamer'). The liquidators and a number of investors are also holding PwC liable for alleged damages caused by what they claim was an incorrect unqualified auditor's report on the 2007 annual financial statements of Econcern. On 13 October 2014, the Counsel decided on the case and issued a temporary suspension order on the two auditors involved (one of whom is still with PwC) for a period of one month. The two auditors involved have lodged an appeal against this decision with the Trade and Industry Appeals Tribunal (CBb), as have three of the four plaintiffs. We are in contact with the liquidators to ascertain whether there is a way to settle this matter out of court.

*Fairfield funds*

In this case, there are two civil cases pending in New York and two in Amsterdam. On 3 September 2014 the Amsterdam court dismissed one of the claims in its entirety in line with the 2012 ruling of the Disciplinary Council of Accountants that dealt with the same complaint. The plaintiffs have appealed the decision of the Amsterdam court. The case in New York primarily relates to a class action brought against us by a group of investors in the funds. These procedures are ongoing for over six years and is the main reason for the high level of legal costs. Unlike in the Amsterdam cases, there has been no substantive review of the work of PwC in the New York cases.

*LCI-Technology*

This is a civil case, and there have been no developments during 2014-2015.

	FY15	FY14
Number of disciplinary cases adjudicated by the Disciplinary Council of Accountants and, where applicable, the Trade and Industry Appeals Tribunal (CBb)	0	0

5.14

	Civil	Disciplinary
<b>Number pending as of 1 July 2014</b>	<b>11</b>	<b>4</b>
New cases	0	0
Cases adjudicated	-1	0
<b>Number pending as of 30 June 2015</b>	<b>10</b>	<b>4</b>

5.15

In connection with these civil cases, we came to an out of court settlement during this past year in the amount of € 100,000 regarding alleged failures in our service provision.

There is a criminal investigation pending in Belgium into the tax affairs of a former client. The authorities will decide sometime during the current financial year whether to indict the various parties involved, including PricewaterhouseCoopers Accountants N.V. and possibly an external auditor associated with PricewaterhouseCoopers Accountants N.V.

**One incident notified to the AFM**

We have filed an incident notification with the AFM regarding the Disciplinary Council of Accountants' 13 October 2014 decision in the Econcern case.

	FY15	FY14
Number of incidents notified to the AFM	1	0

5.16

For the reporting criteria of the quality indicators 5.14 - 5.16, see Appendix C.

# Monitoring

- Quality indicators
- Review of the quality management system
- Internal audit
- Real Time Reviews
- Engagement reviews
- Network standards review
- Monitoring by the Compliance Office
- AFM
- Other supervisory bodies
- Root cause analyses

# 6

***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, we take appropriate action and we then monitor whether the action taken is having the desired effect.***

## ***Internal monitoring***

Internal monitoring comes in various forms, and the whole range of the tools we use provides us with ongoing insight into the extent to which we are in control of our quality and any areas that we can learn from and improve on. Our policy is that every external auditor is subject to some form of review at least once a year.

### ***Monitoring through quality indicators (KPIs)***

The Assurance Board, Business Unit Leaders, Quality Assurance Partners and National Office all periodically monitor our levels of quality through the use of a number of quality indicators (KPIs). As from 2015, our KPIs also include those recommended in the ‘In the Public Interest’ report.

We are also involved in a global PwC project that is putting together a common set of audit KPIs for mandatory use in identifying potential quality risks on a timely basis.

We are participating in a test version of the provisional set of indicators.

Our periodic survey among partners and staff, the People Survey (see the section ‘Human capital’), is also a key element of our internal KPI monitoring.

### ***PwC Global’s reviews of our quality management system***

PwC Global reviews our quality management system and system updates on an annual basis. We refer to this as a Quality Management system Review (QMR).

### ***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.

### ***Real Time Reviews at engagement level***

The Real Time Reviews (see also the section ‘Engagement performance’) are in-depth engagement file reviews that take place before the auditor’s report is issued. As needed, the RTR team also coaches the audit teams to achieve higher levels of audit quality in areas that we have identified as necessary or as an area for improvement. The RTR team is also involved in industry group initiatives by providing input on industry-wide issues and feeding back to the industry group as a whole on matters coming out of the engagement reviews.

### ***Reviews of audit quality***

The objective of so-called Engagement Compliance Reviews (ECRs) is to review the quality of the engagement and compliance with the various procedures and policies 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 other quality issues have been noted, this can result in a financial sanction (see also the section ‘Evaluation and remuneration’).

*Review of compliance with the PwC Network Standards*

Annually, the global PwC network reviews our self-assessment of compliance with the various PwC risk management and network standards and, usually every three years, there is a network review of quality and compliance with network standards focusing primarily on risk management standards.

*Monitoring by the Compliance Office*

The Compliance Office reports its findings three times a year to the policymakers and co-policymakers, and these reports are also discussed with the Public Interest Committee. Standard elements of these reports are the design and application of and compliance with our policies for quality, contact with the external supervisory bodies and notifications to the AFM. Early terminations of statutory audits are notified by the Compliance Office to the AFM.

*Report of Infringements*

Each year, PwC draws up the legally required Report of Infringements. The term ‘infringement’ is wide-ranging - in short, any infringement of any internal or external requirement, ranging from minor infringements such as late archiving of a file to violations which could materially affect the quality of an audit, such as engagements that were assessed as non-compliant in an internal or external review. Appropriate remedial action is taken and shared with the entire practice.

*External monitoring*

The structure of engagement reviews by the AFM and other supervisory and regulatory authorities (such as the ADR) keep us focused on improving quality. This also helps us to meet our own objectives in this area. If shortcomings are reported by any of them, the engagement is subjected to an internal review to assess it in accordance with the ECR methodology, primarily to help 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 audits based on publicly available information, we carry out further investigation as necessary. The AFM also carries out specific themed 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 ADR (the Central Government Audit Service), for instance, reviews engagement files of audit clients in the local government sector, and 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*

We carry out root causes analyses into the findings of reviews, both external supervisory reviews and our own internal reviews (the RTRs and ECRs). The results of these analyses can bring both positive and negative aspects to light in terms of quality, and we take lessons from both - from our good practices and from our mistakes - and we focus on the underlying causes rather than on the symptoms.

We have intensified this process by widening the scope of the root cause analysis and pulling together the results of all the individual analyses. This broad-based root cause analysis approach enables us to get a better overview of the changes we need to push through in order to achieve structural improvement in our audit quality.

A root cause analysis is carried out in several phases and by different teams. The team that performed the review carries out the first analysis of issues and potential causes, by

analysing the factual findings and interviewing the teams involved. The RTR team does this for findings arising from RTRs and the ECR team for findings arising from ECRs.

From these analyses, we extract and pull together the more important findings relating to quality together with the issues originally raised. This exploration of the issues is the first step in the analysis. To get a better understanding of the deeper causes, we organise sounding sessions per staff level (partners/directors, senior managers/managers and senior associates/associates) in which we drill down deeper into the analyses of the issues and causes. These sessions are organised by the RTR team and moderated by specialists from the Advisory practice experienced these analysis techniques. Using the ‘5 x why’ method in these sessions, we continue to question why until the underlying cause is identified.

We combine the results of the individual analyses and sounding sessions with the results and information from other sources, such as the People Survey, the culture survey, file mentoring and test analyses linked to our training programmes. Representatives of, amongst others, the Assurance Board, National Office, Learning & Development, the RTR team and the ECR team meet to assimilate and evaluate all the information and then determine a plan of action. This can lead to changes, for instance, in our quality improvement programme, training curriculum, methodologies or the risk-based selection of RTR engagements.

We are continuing with the structural implementation and intensification of root cause analyses as an element of our continuous quality improvement trajectory. We are aiming to maintain our position as a learning organisation, in these ever-changing times, by continuously reassessing the goals we have set for ourselves. We are conscious that we can and must improve the breadth and depth of our root cause analyses, and our RTR process is an important driver in this.

Quality indicators for 'Monitoring'

**All ECR-reviewed engagements 'compliant'**

37 audit engagements were subject to an ECR during this past year, of which two were non-audit engagements. All engagements reviewed were compliant with our requirements (2014: 97%) and one engagement was compliant with review matters. The results indicate that there are areas for improvement in the timeliness of planning, collaboration with IT specialists and the use of data analysis in the audit, file documentation (the story of the audit) and planning of completion procedures. None of the engagements (2014: 1) were non-compliant with our internal standards. Any instances assessed as non-compliant result in sanctions, possibly including financial sanctions, being levied on the partner or director responsible and in the start of an improvement trajectory during which he or she is subject to additional supervision and review.

Three teams were rated by their ECR as best in class in terms of engagement quality, and this was positively reflected in their remuneration.

Number of ECRs completed	FY15	FY14
Compliant	37	37
Non-compliant	0	1
<b>Total</b>	<b>37</b>	<b>38</b>

6.1

**US review announced**

The US external supervisory body, the PCAOB, has announced that it plans a regular periodic review in the autumn of 2015 into the engagements at three audit clients listed in the United States. These reviews are to be performed in collaboration with the AFM.

**No findings from investigations by external supervisory bodies**

We submitted an extensive written reply to the AFM on 1 May 2015, in response to an informatory enquiry about our implementation of the measures for future improvement. We also provided additional explanation, both verbally and in writing.

We have worked this past year with the AFM in a investigation they carried out into the use of our delivery centres in our audits and with an investigation into the work done by the audit firm in the area of bribery and corruption. The investigation into the use of delivery centres did not result in any reported findings. The other investigation is still ongoing.

Our Transparency Report 2013-2014 addressed the results of the regular AFM investigation during the period 2003 through June 2014 into ten of our 2012 audit engagements and into elements of our quality and risk management systems. Our Transparency Report 2013-2014 also referred to special

investigations into two of our audit engagements, focusing on the extent to which the external auditor had adequately complied with auditing standards. A similar investigation was also being carried out by the PCAOB into one of these two clients. The AFM has now completed one of its two investigations (relating to a 2007 audit) and this has resulted in an enforcement measure in the form of a so-called 'instructive conversation on compliance with standards' (a formal meeting the AFM is entitled to call to communicate on the breach of a standard); this meeting was held on 2 March 2015. The other AFM investigation has not yet been completed. In addition, the AFM has also carried out and completed an investigation into a third engagement, this one from 2013, and no non-compliance with standards was reported.

The results of investigations by other supervisory bodies, such as the ADR (the Central Government Audit Service), the Inspectorate of Education and the NZa (the Dutch Healthcare Authority) during the past year were all satisfactory.

Reviewed by	Number of engagements reviewed		Number of engagements with reported findings		Of which deemed to be non-compliant after ECR	
	FY15	FY14	FY15	FY14	FY15	FY14
AFM	0	10	-	4*	-	3
PCAOB	0	3	-	0	-	-
ADR (local government review in connection with audit of the 'SiSa annex')	6	7	0	0	-	-
Inspectorate of Education	17	11	0	0	-	-
NZa (Dutch Healthcare Authority)	5	4	0	2*	-	0
Other ad hoc external reviews	13	11	0	0	-	-
<b>Total</b>	<b>41</b>	<b>46</b>	<b>0</b>	<b>6</b>	<b>-</b>	<b>3</b>

\*The engagements with reported findings have been subject to an internal (ECR) review process.

6.2

6.3

For the reporting criteria of the quality indicators 6.1 - 6.3, see Appendix C.

Quality indicators for 'Monitoring'

**No fines imposed by supervisory bodies**

No fines have been imposed relating to this past financial year. The AFM has informed us that it intends to impose a fine as a result of its review of ten of our 2012 audit engagements.

	FY15	FY14
Number of fines levied by external supervisory bodies	0	0
Monetary amount of the fines levied by external supervisory bodies (€)	0	0

6.4

**No corrections of material errors notified by the AFM**

There were no corrections of material errors in financial statements we audited arising from notifications received from the AFM.

	FY15	FY14
Number of material errors corrected on the basis of notifications from the AFM	0	1
As a percentage of the total number of statutory audits	0%	

6.5

**Positive evaluation of our quality management system**

The annual review of our quality management system by our global network organisation resulted in no significant findings. Indeed, the Dutch Delivery Centre was awarded best-in-class rating. The global team made three recommendations: 1) implementation of a follow up procedure for situations in which a colleague's portfolio registration database remains unfilled for long periods, 2) implementation (and attendance monitoring) of mandatory interview training for staff involved in recruitment interviews, and 3) implementation of measures to restrict the number of exemptions from the requirement to remove client information from computers in the delivery centre within 45 days. We have since acted upon all of these recommendations. The review team noted six examples of best practice in the Dutch practice and will be sharing these within the global PwC network.

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.

Our own self-assessment process concluded that PwC Netherlands complies in all material respects with the PwC Network Standards.

For the reporting criteria of the quality indicators 6.4 - 6.5, see Appendix C.

# Evaluation and remuneration

- Evaluation and remuneration process
- Remuneration based on performance
- Quality does matter
- No additional remuneration for 'regular' performance
- Sanctions policy



## *Quality is the primary driver of the evaluation and remuneration of our external auditors and managing directors.*

The partner evaluation and remuneration process is set out in the table below. As from 2015-2016, this process is being monitored annually by the Remuneration Committee of the Supervisory Board. Up to and including 1 May 2015 the monitoring was performed by the Local Oversight Board. The Remuneration Committee monitoring commenced on 1 May 2015, supported as needed for the financial year 2014-2015 by the Chair of the Partner Council (previously the Local Oversight Board). For 2014-2015, the members of the BoM will be evaluated by two members of the Remuneration Committee and the Selection and Appointments Committee with input from the Chair of the Partner Council and the Chair of the BoM. In addition, 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 just 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.

The evaluation and remuneration process for directors is the same as that for the partners, except that it is the Business Unit Leader who submits the proposal to the Assurance

Board regarding the role of the director, the Assurance Board then determines the role/responsibility and the mapping, and the Business Unit Leader has the role of Primary Reviewing Partner.

As from 1 July 2015, the SB is responsible for determining the remuneration of the members of the BoM and the remuneration arrangements for the BoM have been brought into line with the 'In the Public Interest' report. As from that date, the members of the BoM will be receiving a fixed remuneration independent of the organisation's profitability and a variable element to be determined up to a maximum of 20% 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 Annual Report 2014-2015 and in the information regarding remuneration arrangements on our website.

### *Remuneration based on performance*

The aggregate amount of partner and director remuneration varies annually with 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 amount of the variable element. A positive or negative individual partner evaluation rating affects the variable

element based on 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 and the profitability of PwC Netherlands. The variable element is determined on a basis similar to that for partners.

The Assurance Board 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.

### *Quality does matter*

Quality that does not meet the required level in terms of engagement quality, management responsibility for the quality management system, independence, business conduct, people and baseline expectations (see below) impacts the remuneration of the partner/director. Commercial or other performance cannot compensate for this. Assurance partners and directors are not rewarded for 'cross selling' at audit clients. On the other hand, we also 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 area, and this is rewarded with additional remuneration. In addition to ECR results, other instances of quality performance can affect remuneration. For instance, we actively support and reward

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 responsibilities and individual performance during the financial year.

\* Up to 1 May 2015, performed by the Remuneration Committee of the Local Oversight Board

Under the Wta, only experienced professional practitioners at the levels of partner and director 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.

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. 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 next page.

We have been giving proportionately greater weighting to the category Clients (and therefore quality) since financial year 2013-2014, with an unsatisfactory rating on engagement quality leading to a reduction of 25-100% in the variable remuneration of the partner concerned (i.e. a 12.5-50% reduction in total remuneration). In line with the 'In the Public Interest' report, a 6-year clawback scheme has been introduced as from 1 July 2015 for audit partners (not for directors) in Assurance. Under this scheme, the audit partners build up a remuneration-based reserve that, at the end of the six-year period, should represent the equivalent of one full year's average remuneration for the six-year period. If it transpires, before the end of the six-year period, that the audit partner has issued an incorrect opinion for which the partner is culpable and which has resulted in societal damage, the auditor, at the discretion of the SB, loses entitlement to part or all of the deferred remuneration. The clawback is a rolling scheme, meaning that in year 7 one sixth of the deferral is released to the partner and a new one-sixth deferral is set up.

*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 the firm. 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 section 'Ethics and independence' summarises the bodies to which infringements can be notified.

Quality indicators for 'Evaluation and remuneration'

As part of the evaluation and remuneration process, we look specifically at standing ground where this is appropriate, resigning from clients that do not meet our quality requirements and/or arranging for deadlines to be delayed where this becomes necessary. Positive performance in these areas is recognised in the evaluation and remuneration process. Furthermore, the results of formal reviews in the area of quality also affect the evaluation and remuneration, the methodology for which is set out in the table below.

Evaluation elements	Test reference	Internal assessment	Evaluation	Impact on total remuneration*	Number of financial sanctions	
					FY15	FY14
Engagement quality	<ul style="list-style-type: none"> <li>Internal reviews (ECRs)</li> <li>External reviews</li> <li>Disciplinary rulings</li> </ul>	Assessment levels: <ol style="list-style-type: none"> <li>Compliant - 'best in class'</li> <li>Compliant</li> <li>Compliant with review matters (CWRM)</li> <li>Non-compliant (NC)</li> </ol>	Best in class: Positive effect on evaluation	+8.33% impact on total remuneration	3 positive	4 positive
			Compliant: No effect on evaluation	-	-	-
			CWRM: No effect on evaluation unless there are other negative quality indicators or repeat situations	No effect on remuneration unless in combination with other quality indicators or in repeat situations: -12.5 to -50% impact on total remuneration	0	2
			NC: Negative effect on evaluation and, if repeated, a greater negative effect	12.5 to -50% impact on total remuneration	5	7
Quality management system PwC (QMS)	<ul style="list-style-type: none"> <li>External reviews</li> <li>Internal reviews</li> <li>Internal audits</li> </ul>	Results of QMS reviews and audits	Effects the evaluation of management	-12.5 to -50% impact on total remuneration	0	0
Personal independence	<ul style="list-style-type: none"> <li>External reviews</li> <li>Internal reviews</li> <li>Internal audits</li> </ul>	Independence Sanctions Committee decision <ul style="list-style-type: none"> <li>Warning</li> <li>Reprimand</li> </ul>	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: -6.25 to -50% impact on total remuneration	0	0
Personal behaviour / Business conduct	<ul style="list-style-type: none"> <li>Complaints and notifications</li> <li>Internal audits</li> </ul>	BoM decision based on advice from the Business Conduct Committee or the Complaints Committee	Warning: Letter of notification, with no effect on evaluation	No effect on remuneration	-	-
			Reprimand: Note in file, though the effect can be greater in more serious cases and even greater in repeat situations	More serious reprimands: -6.25 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	-25% to -50% impact on total remuneration	1	2
People component in evaluation	<ul style="list-style-type: none"> <li>People KPIs (incl. People Survey)</li> <li>360 degree feedback</li> </ul>	<ul style="list-style-type: none"> <li>Evaluation business unit results (People Survey)**</li> <li>Evaluation 360 degree feedback</li> </ul>	Above average: Positive effect on remuneration	+4.16 to +8.33% on total remuneration	8 positive	21 positive
			Unsatisfactory: Negative effect on remuneration	-6.25% to -12.5% impact on total remuneration	11	3

\* For a 'regular' good evaluation \*\* Partners and directors evaluated collectively per business unit

# Governance



# Our governance

## Our legal structure

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 with the rights to control Holding PricewaterhouseCoopers Nederland B.V.

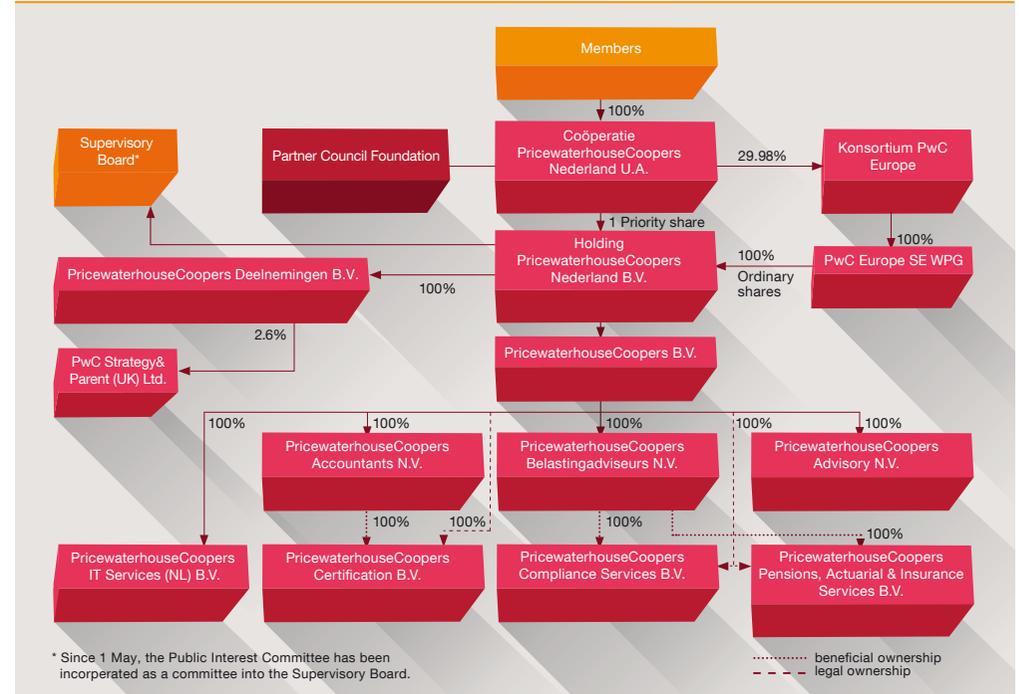
Coöperatie PricewaterhouseCoopers Nederland U.A. ('Coöperatie') and Holding PricewaterhouseCoopers Nederland B.V. have concluded association agreements with each of the private limited liability companies owned by the professional practitioners ('partner BVs'). Under these agreements, the professional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

PricewaterhouseCoopers B.V. also has the following wholly owned subsidiaries:

- PricewaterhouseCoopers Belastingadviseurs N.V. ('Tax & HRS')
- 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.

PricewaterhouseCoopers Compliance Services B.V. ('CoS') focuses on the issue of compilation reports. As of 1 July 2014, Assurance transferred its 50% ownership to Tax & HRS, and CoS has been a wholly owned subsidiary of Tax & HRS for the entire year.

Our legal structure - as of 30 June 2015



PricewaterhouseCoopers Certification B.V. handles assignments that fall under mandatory accreditation, such as assurance on CO2 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 Netherlands Authority for the Financial Markets (AFM).

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).

As of 30 June 2015, Coöperatie had 258 members, of whom 128 are RA or AA auditors. The majority of the professional practitioners (being partners/members) who are made available to the audit firm are registered as external auditors with the AFM. This registration is always subject to a prior quality assessment. The external auditors are appointed by the Assurance Board.

*The collaborative association of four PwC European member firms*

PwC Netherlands is a participant in the PwC Europe SE Wirtschaftsprüfungsgesellschaft collaboration initiative (hereafter referred to as 'the four country European collaborative association' or 'the collaborative association'. 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 the collaborative association. 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 firm have voted to extend the collaborative association to include PwC Turkey as from 1 July 2015, and the legal aspects of this will be completed during 2015/2016.

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. Coöperatie PricewaterhouseCoopers Nederland U.A. holds 29.98% of the equity rights in Konsortium PwC Europe, Konsortium PwC Deutschland & Österreich holds 63.08% and PwC Belgium BVBA holds the remaining 6.94%.

The members of the Board of Management of PwC Europe SE Wirtschaftsprüfungsgesellschaft have been designated as co-policy makers. The Compliance Officer monitors compliance with the policies for quality on behalf of the policy makers and co-policy makers.

*Our global network*

PwC is a global network of separate and independent member firms operating locally in countries around the world. 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 issuing 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.

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.

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 the manner in which PwC operates.

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, PwC IL monitors the extent to which the member firm is in compliance with the standards set, including not only review of the way in which the member firm carries out objective quality controls of all its services but also of 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 three large geographical areas: East, Central and West. 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 Central.

#### Members of the Assurance Board as of 30 June 2015



**Michael de Ridder** (born 1963) joined PwC in 1986 and has been a partner since 1996. He has been a member of the Board of PricewaterhouseCoopers Accountants N.V. since September 2008 and Chair since 1 July 2013. Since 1 July 2013, he has also been an authorised executive director of the Board of Management. He is Chair of PwC's Risk & Quality Platform and of the Independence Sanctions Committee, and his portfolio also includes Partner Affairs. Within the global network, he is a member of the EMEA Assurance Leadership team and of the Strategy Council of the Global Assurance Leadership team.



**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, and is responsible for the Assurance Change Programme and for internal communication.



**Peter Jongerius\*** (1962) joined PwC in 1985 and has been a partner since 1998. He has been a member of the Board of PricewaterhouseCoopers Accountants N.V. since 2009. His portfolio comprises Operations and Markets.



**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 September 2013 and is also Business Unit Leader of BU North-Central. Her portfolio comprises Human Capital, Learning & Development, Diversity and Director Affairs.

\* Authorised executive directors of PricewaterhouseCoopers Accountants N.V.

## 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 Coöperatie PricewaterhouseCoopers Nederland U.A., 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 automatically a member of the BoM and the single statutory director of PricewaterhouseCoopers Accountants N.V. Up to 1 December 2014, the Assurance Board comprised Michael de Ridder (Chair), Rogier van Adrichem, Fernand Izeboud, Peter Jongerius, Ruud Kok en Agnes Koops-Aukes. As of 1 December 2014, the composition was changed and the Board now comprises Michael de Ridder (Chair), Peter Jongerius and Agnes Koops-Aukes, with Michel Adriaansens being appointed as of 1 May 2015. An Assurance Management Team was installed as of 1 January 2015, in which the Assurance Board and the Business Unit Leaders meet periodically to facilitate consistency of operational management across the Assurance practice.

### Local Oversight Board/Partner Council

The internal supervisory role within PwC was filled by the Local Oversight Board until 1 May 2015. The Local Oversight Board comprised seven partners (including a Chair) from the various Lines of Service. The responsibilities of the Local Oversight Board included overseeing the performance of the policymakers. The members of the LOB were designated as co-policymakers.

With the installation of the SB as of 1 May 2015, the Local Oversight Board has become the Partner Council. It represents the collective interests of the members and provides advice on germane issues that are presented to Coöperatie PricewaterhouseCoopers Nederland U.A.'s GM 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.

As of 30 June 2015, 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. The business units North and Central were combined as of 1 January 2015 into business unit North-Central. The Business Unit Leaders coordinate with the Assurance Board through the Assurance Management Team.

CMAAS provides accounting and valuation advice primarily to non-audit clients and provides support to our audit teams in specific accounting areas. In addition to its IT role in the audit teams, Risk Assurance delivers and develops non-financial assurance services.

**Business units (as of 30 June 2015)**

Amsterdam	Alkmaar and Amsterdam
South Holland	The Hague and Rotterdam
North-Central	Arnhem, Enschede, Groningen, Utrecht and Zwolle
South	Breda, Eindhoven and Maastricht
CMAAS	Operating nationally
Risk Assurance	Operating nationally
National Office	Operating nationally

**Industriegroepen**

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 eight industry groups:

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

**Board of Supervisory Directors**

In line with the ‘In the Public Interest’ report, the role of internal supervisory body at PwC has been filled since 1 May 2015 by the independent Supervisory Board (SB), currently comprising seven members. The members of the SB are appointed by 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.

As from 1 May 2015 the SB comprises Jan Maarten de Jong, Nout Wellink, Naomi Ellemers, Frits Oldenburg, Yvonne van Rooy and Cees van Rijn. As from 1 September 2015, the SB has been extended to include Annemarie Jorritsma. The Report of the Supervisory Board is included in the Annual Report 2014-2015.

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 (joint) signing of the annual financial statements and annual report (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 Frits Oldenburg and Cees van Rijn.

*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 the proper implementation thereof. The Committee comprises 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 Naomi Ellemers, Jan Maarten de Jong and Frits Oldenburg.

### *Public Interest Committee (PIC)*

The Public Interest Committee (hereafter the PIC) was set up as a consequence of the Code for Audit Firms. Its role is to safeguard the public interest in the audit process. Having now been incorporated as a committee into the SB, the PIC's role is to monitor the way in which PricewaterhouseCoopers Accountants N.V. and its Dutch entities ensure that the public interest is safeguarded in its auditor's reports. The Committee comprises Nout Wellink (Chair), Naomi Ellemers (as from 1 May 2015), Yvonne van Rooy and Frits Oldenburg (up to 1 May 2015). Up to 1 May, the Committee also had two internal PwC members, Ruud Dekkers and Hans Bod (both members of the LOB). All members are bound by specifically agreed independence requirements and they are independent of PwC in line with these requirements.

### *Code for Audit Firms*

PwC endorses the values and principles set out in the Code for Audit Firms with a 2012 PIE licence. 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 for the way in which 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 ([www.pwc.nl/nl/onze-organisatie/governance.jhtml](http://www.pwc.nl/nl/onze-organisatie/governance.jhtml)) 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.

### Members of the Public Interest Committee as of 30 June 2015



**Nout Wellink** (Chair) was, until June 2011, President of De Nederlandsche Bank (the Dutch Central Bank). He is currently Chair of the Board of Governors of the University of Leiden and Non-executive Director of the Bank of China. Wellink has been a member of PwC's Public Interest Committee since 2013.



**Naomi Ellemers** is a social psychologist and a professor at Utrecht University since 1 September 2014 specialising in culture and behaviour within organisations. 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). Ellemers has been a member of PwC's Public Interest Committee since 1 May 2015.



**Cees van Rijn** was CFO and member of the Board of Management of Nutreco for ten years. Amongst other things, he is currently a member of the Board of Governors of the Leids Universitair Medisch Centrum (Leiden University Medical Centre), a Supervisory Board Member of Detailresult Groep, Plukon Food Group, Inotec Group, ForFarmers, FloraHolland and UTZ (Better Farming, a sustainable farming certification organisation) and a member of Stichting Continuïteit SBM Offshore. Van Rijn has been a member of PwC's Public Interest Committee since 2013.



**Yvonne van Rooy** has been, amongst other things, Secretary of State for Economic Affairs, Member of the Dutch Parliament (Second Chamber) and Chair of the Executive Board of Utrecht University. She is currently Chair of de Nederlandse Vereniging van Ziekenhuizen (the Dutch Association of Hospitals) and, amongst other things, Chair of the Supervisory Board of Philips Electronics Nederland and a Member of the Supervisory Board of NN Group. Van Rooy has been a member of PwC's Public Interest Committee since 2013.

In line with the Code, PwC installed a Public Interest Committee on 1 July 2013. As of 1 May 2015, this independent committee has been succeeded by the Public Interest Committee of the SB. 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 risks. The appointment process and the roles and responsibilities of the PIC are set out in a Charter that is published on our external PwC website. The Charter 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.

#### *Remuneration of members of the PIC*

The members of the PIC received a fixed amount of remuneration for the period to 1 May 2015. The remuneration of the members for the financial year 2014-2015 amounts to € 18,750 and for the Chair € 25,000. The two internal PwC members (up to 1 May 2015) received no remuneration for their membership of the PIC. Further details of the SB's remuneration are provided in the Annual Report 2014-2015.

#### *Report of Findings*

As required by the Code, the PIC has reported in writing to the SB regarding 2014-2015, and its report is included in this Transparency Report in the section 'Report of the Public Interest Committee'.

## *Policymakers' statement*

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.

Our quality management framework, 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.

The policymakers have evaluated the design and operating effectiveness of the quality and risk management systems as summarised in this report. In doing so, they have made use of the reports issued by the Compliance Officer.

Based on the above, the policymakers confirm that:

- the quality management framework is operating effectively;
- the internal monitoring of compliance with independence policies and requirements has been carried out;
- the expertise required of our partners, directors and staff, including keeping abreast of professional developments, is maintained in a structured manner.

Amsterdam, 30 September 2015

PricewaterhouseCoopers Accountants N.V.

Michael de Ridder (Chair)

Michel Adriaansens

Peter Jongerius

Agnes Koops-Aukes

# Independent Assurance Report

To: the General Meeting of Shareholders of PricewaterhouseCoopers Accountants N.V.

We have examined the data and percentages included in the tables shaded in white entitled 'Quality indicators 1.1 to 7.1' ('the reported data') of the Transparency Report 2014-2015 for the period 1 July 2014 to 30 June 2015 of PricewaterhouseCoopers Accountants N.V. ('PwC'), Amsterdam. The reporting criteria applied by PwC are set out in Appendix C 'Reporting criteria of the quality indicators' of the Transparency Report 2014-2015. The reported data must be read in conjunction with the reporting criteria.

## Board of Management's Responsibilities

PwC's Board of Management is responsible for the preparation of the reported data in accordance with the reporting criteria applied by PwC which are set out in Appendix C 'Reporting criteria of the quality indicators' of the Transparency Report 2014-2015. The Board of Management is also responsible for the design, implementation and maintenance of internal control necessary for the tables entitled 'Quality indicators 1.1 to 7.1' to be prepared free of material misstatement, whether due to fraud or error.

## Auditor's Responsibilities

Our responsibility, based on the work we have undertaken, is to provide reasonable assurance that the reported data is presented, in all material respects, in accordance with the reporting criteria applied by PwC. We conducted our engagement in accordance with Dutch law, including Standard 3000 'Assurance engagements other than audits or reviews of historical financial information'. That standard requires that we comply with the ethical requirements applicable to us and that we plan and perform this engagement to obtain reasonable assurance as to whether the reported data is free from material misstatement.

The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the reported data, whether due to fraud or error. In order to obtain reasonable assurance as to the reported data, our work included the following:

- Assessing the suitability of the reporting criteria applied by PwC;
- Evaluating the design, existence and operational effectiveness of the systems and processes surrounding the compilation and processing of the reported data, but not for the purpose of expressing an opinion on the effectiveness of the internal control system;
- Auditing internal and external documentation on a sample basis to determine whether the reported data is supported by sufficient evidential matter;
- Interviewing staff responsible for the analysis and reporting of the reported data.

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

## Opinion

In our opinion, the data and percentages included in the tables shaded in white entitled 'Quality indicators 1.1 to 7.1' of the Transparency Report 2014-2015 have been prepared, in all material respects, in accordance with the reporting criteria as set out in Appendix C 'Reporting criteria of the quality indicators' of the Transparency Report 2014-2015.

The Hague, 30 September 2015  
KPMG Accountants N.V.

R.R.J. Smeets RA

# Appendices



## Appendix A - Legislative and regulatory compliance framework

This appendix sets out how and where our reporting complies with the requirements of Article 30 of the Decree on the Supervision of Audit Firms.

		Chapter	Page
1	The Transparency Report		
a	Summary of the legal and organisational structure	Chapter 'Our governance'	62
b	Summary of the network of which the audit firm is part	Chapter 'Our governance'	62
c	Summary of the management structure	Chapter 'Our quality management system'	23
d	Description of the quality assurance framework and a statement by the policymakers	Chapter 'Our quality management system' Policymakers' statement	23 69
e	Timing of the evaluation of the quality assurance framework	Policymakers' statement	69
f	AFM supervision of the quality assurance framework	Paragraph 'Monitoring'	52
g	List of public interest entities where a statutory audit was carried out during the year	Appendix B	74
h	Statement regarding internal supervision of compliance with independence requirements	Policymakers' statement	69
l	Statement setting out the policies regarding knowledge management	Policymakers' statement	69
j	Revenues of the Dutch element of the network, analysed by statutory audit work and other services	Paragraph 'Client and engagement acceptance'	43
k	Details of the remuneration structure for independent auditors	Paragraph 'Evaluation and remuneration'	57
2	Signing of the Transparency Report and immediate publication via internet	Policymakers' statements	69

## Appendix B - List of public interest entities

The entities listed here are those PIEs\* that became audit clients of PricewaterhouseCoopers Accountants N.V. during the financial year 2014-2015 at which we have started or completed a statutory audit.

### A

ARCADIS N.V.

### B

Beter Bed Holding N.V.

BNP Paribas Fund I N.V.

### C

Conti-Gummi Finance B.V.

### D

DOCDATA N.V.

Dutch Mortgage Portfolio Loans XII B.V.

### E

Eno Zorgverzekeraar N.V.

### G

Globaldrive Auto Receivables 2013-A B.V.

GrandVision N.V.

### H

Hof Hoorneman Bankiers N.V.

### K

Kardan N.V.

Kigoi 2013 B.V.

Koninklijke Brill N.V.

### R

Reis- en Rechtshulp N.V.

### S

SAECURE 14 NHG B.V.

### U

Univé Stad en Land Brandverzekeraar N.V.

UVM Verzekeringsmaatschappij N.V.

### V

Veritas Petroleum Services B.V.

\* Companies established in the Netherlands listed on an EU regulated market, credit institutions and (re)insurance companies.

## Appendix B - List of public interest entities

The PIEs\* listed here are those audit clients at which we started or completed a statutory audit during the financial year 2014-2015 and which were still audit clients of PricewaterhouseCoopers Accountants N.V. as at 30 June 2015 (in alphabetical order).

### A

Achmea B.V.  
 Achmea Bank N.V.  
 Achmea Beleggingsfondsen N.V.  
 Achmea Pensioen- en Levensverzekeringen N.V.  
 Achmea Reinsurance Company N.V.  
 Achmea Schadeverzekeringen N.V.  
 Achmea Zorgverzekeringen N.V.  
 Acier 2011-I B.V.  
 ad pepper media International N.V.  
 Adriana Infrastructure CLO 2008-I B.V.  
 Aegon Bank N.V.  
 AEGON Levensverzekering N.V.  
 AEGON N.V.  
 AEGON Nederland N.V.  
 AEGON Schadeverzekering N.V.  
 AEGON Spaarkas N.V.  
 Agis Ziektekostenverzekeringen N.V.  
 Agis Zorgverzekeringen N.V.  
 Algemene Levensherv verzekering Maatschappij N.V.  
 Alliander N.V.  
 Amlin Europe N.V.  
 Amsterdam Commodities N.V.  
 ARCADIS N.V.  
 arGEN-X N.V.  
 Avéro Achmea Zorgverzekeringen N.V.  
 AXA Belgium Finance (NL) B.V.

### B

B of A Issuance B.V.  
 Barclays SLCSM Funding B.V.  
 Bayer Capital Corporation B.V.  
 Beter Bed Holding N.V.  
 Blue Square Re N.V.  
 BMW Finance N.V.

BNP Paribas Fund I N.V.  
 BNP Paribas Fund III N.V.  
 British Transco International Finance B.V.  
 Brunel International N.V.

### C

Candide Financing 2007 NHG B.V.  
 Candide Financing 2008 B.V.  
 Candide Financing 2008-2 B.V.  
 Candide Financing 2011-1 B.V.  
 Candide Financing 2012-1 B.V.  
 Coca-Cola HBC Finance B.V.  
 Constellium N.V.  
 Conti-Gummi Finance B.V.  
 Core Laboratories N.V.

### D

DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V.  
 “De Friesland Particuliere Ziektekostenverzekeringen N.V.”  
 De Friesland Zorgverzekeraar N.V.  
 DELA Natura- en levensverzekeringen N.V.  
 Dela Verzekeringen N.V.  
 Deutsche Bahn Finance B.V.  
 Deutsche Post Finance B.V.  
 Deutsche Telekom International Finance B.V.  
 DOCDATA N.V.  
 Dutch MBS XV B.V.  
 Dutch MBS XVI B.V.  
 Dutch MBS XVII B.V.  
 Dutch MBS XVIII B.V.  
 Dutch Mortgage Portfolio Loans VI B.V.  
 Dutch Mortgage Portfolio Loans VIII B.V.  
 Dutch Mortgage Portfolio Loans IX B.V.  
 Dutch Mortgage Portfolio Loans X B.V.

Dutch Mortgage Portfolio Loans XI B.V.  
 Dutch Mortgage Portfolio Loans XII B.V.

### E

E.ON International Finance B.V.  
 Electrорisk Verzekeringmaatschappij N.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.  
 EMF-NL 2008-1 B.V.  
 EMF-NL 2008-2 B.V.  
 EMF-NL Prime 2008-A B.V.  
 Eno Zorgverzekeraar N.V.  
 Essence III B.V.  
 Essence IV B.V.  
 Euronext N.V.  
 European Assets Trust N.V.  
 Eurosail-NL 2007-1 B.V.  
 Eurosail-NL 2007-2 B.V.

### F

FBN Finance Company B.V.  
 FBTO Zorgverzekeringen N.V.

### G

Gas Natural Fenosa Finance B.V.

\* Companies established in the Netherlands listed on an EU regulated market, credit institutions and (re)insurance companies.

Gemalto N.V.	<b>M</b>	SAECURE 11 B.V.
Globaldrive Auto Receivables 2011-A B.V.	Merrill Lynch B.V.	SAECURE 12 B.V.
Globaldrive Auto Receivables 2012-A B.V.	MESDAG (Charlie) B.V.	SAECURE 13 NHG B.V.
Globaldrive Auto Receivables 2013-A B.V.	MESDAG (Delta) B.V.	SAECURE 14 NHG B.V.
Goudse Levensverzekeringen N.V.	<b>N</b>	SBM Offshore N.V.
Goudse Schadeverzekeringen N.V.	N.V. Hagelunie	Schlumberger Finance B.V.
GrandVision N.V.	N.V. Koninklijke Delftsch Aardewerfabriek	Securitized Guaranteed Mortgage Loans I B.V.
<b>H</b>	“De Porceleyne Fles Anno 1653” voorheen	Securitized Guaranteed Mortgage Loans II B.V.
Hof Hoorneman Bankiers N.V.	Joost Thoof en Labouchere	Shell International Finance B.V.
Holland Colours N.V.	N.V. Noordhollandsche van 1816,	Sound II B.V.
<b>I</b>	Levensverzekeringmaatschappij	Staalbankiers N.V.
Impregilo International Infrastructures N.V.	N.V. Noordhollandsche van 1816,	Stellae-I B.V.
Insinger de Beaufort Umbrella Fund N.V.*	Schadeverzekeringsmaatschappij	STMicroelectronics N.V.
Interpolis Zorgverzekeringen N.V.	National Academic Verzekeringsmaatschappij N.V.	<b>T</b>
<b>J</b>	NIBC Bank N.V.	The Economy Bank N.V.
J.P. Morgan Structured Products B.V.	North Westerly CLO I B.V.	ThyssenKrupp Finance Nederland B.V.
<b>K</b>	North Westerly CLO II B.V.	TNT Express N.V.
Kardan N.V.	North Westerly CLO III B.V.	<b>U</b>
KAS BANK N.V.	North Westerly CLO IV 2013 B.V.	Univé Stad en Land Brandverzekeraar N.V.
Kigoi 2013 B.V.	<b>O</b>	USG People N.V.
Klaverblad Levensverzekering N.V.	Onderlinge Verzekering Maatschappij ZLM U.A.	UVM Verzekeringsmaatschappij N.V.
Klaverblad Onderlinge	Optas Pensioenen N.V.	<b>V</b>
Verzekeringsmaatschappij U.A.	Optimix Investment Funds N.V.	Veritas Petroleum Services B.V.
Klaverblad Schadeverzekeringsmaatschappij N.V.	OZF Achmea Zorgverzekeringen N.V.	VimpelCom Holdings B.V.
KMU Verzekeringen N.V.	<b>A</b>	Volkswagen Financial Services N.V.
Koninklijke Ahold N.V.	PDM CLO I B.V.	Volkswagen International Finance N.V.
Koninklijke BAM Groep N.V.	Pharming Group N.V.	Vonovia Finance B.V.
Koninklijke Brill N.V.	PostNL N.V.	<b>W</b>
<b>L</b>	<b>R</b>	Wereldhave N.V.
Lanxess Finance B.V.	Reis- en Rechtshulp N.V.	Woningborg N.V.
Laurelin II B.V.	RWE Finance B.V.	<b>X</b>
LeasePlan Corporation N.V.	<b>S</b>	X5 Retail Group N.V.
LeasePlan Finance N.V.	SAECURE 7 B.V.	<b>Z</b>
LEO-MESDAG B.V.	SAECURE 8 NHG B.V.	Zilveren Kruis Achmea Zorgverzekeringen N.V.
Loyalis Leven N.V.	SAECURE 9 B.V.	
Loyalis Schade N.V.	SAECURE 10 B.V.	

\*Amendment vis à vis the Transparency Report 2013-2014: Several underlying funds have been combined.

## Appendix B - List of public interest entities

PIEs that were no longer an audit client of PricewaterhouseCoopers Accountants N.V. as at 30 June 2015 or audit clients at which no statutory audit was performed or at which there has been a change in the client's PIE status:

### A

Aalberts Industries N.V.  
 ABN AMRO Levensverzekering N.V.  
 ABN AMRO Schadeverzekering N.V.  
 Altadis Finance B.V.

### B

British American Tobacco Holdings (The Netherlands) B.V.  
 Bumper 4 (NL) Finance B.V.

### C

Corio N.V.  
 Crown Van Gelder N.V.

### H

H.E.S. Beheer N.V.  
 Head B.V.  
 Hydratec Industries N.V.

### K

Koninklijke KPN N.V.  
 Koninklijke Vopak N.V.

### L

Lambda Finance B.V.

### M

MESDAG (Berlin) B.V. in liquidatie

### O

Optimix EuroRente Fonds N.V.  
 Optimix Wereld Aandelen Fonds N.V.  
 Ordina N.V.  
 Oyens & Van Eeghen N.V.

### R

RANDSTAD HOLDING nv  
 Red Eléctrica de España Finance B.V.

### S

SAECURE 6 NHG B.V. in liquidatie  
 Saint-Gobain Nederland Beheer B.V.  
 Scheepsverzekeringsmaatschappij Compact 'DOV' N.V.  
 Südzucker International Finance B.V.

### T

Toyota Motor Finance (Netherlands) B.V.

## Bijlage C - Reporting criteria of the quality indicators

Nr.	Reporting criterion	'In the Public Interest'	Page
1.1	Number of hours spent during the financial year by financial 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).	●	32
1.2	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.	●	32
1.3	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.	●	32
1.4	Number and percentage 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 audit engagements, other engagements and internal activities.	●	32
2.1	Number of PwC partners and directors/director candidates subject to personal independence testing during the financial year Number of independence infringements noted by the Independence Office during the financial year as part of the Personal Independence Compliance. Testing of PwC partners and directors/director candidates.	●	35
2.2	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.	●	35
2.3	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.	●	35
3.1	Ratio of the numbers of partners/directors, senior managers/managers and other team members (FTEs) in permanent employment at 30 June 2015 (excluding trainees, support staff, contracted-in staff, the flexible workforce and short-term secondments) .	●	40
3.2	Average number of years' experience with PwC Netherlands of partners/directors, senior managers/managers and other team members at 30 June 2015, in the categories 20+ years, 10-20 years, 5-10 years and <5 years.	●	40
3.3	Number of hours spent on professional development roles during the financial year, based on personal submissions from staff who have registered their external functions in our external functions database.	●	40
3.4	Number and percentage of overtime hours worked during the financial year by partners/directors, senior managers/managers and other team members in permanent employment with PwC (excluding trainees, support staff, contracted-in staff, the flexible workforce and short-term secondments) (FTEs), as a proportion of the total number of contractually available hours.	●	40
3.5	Number of leavers during the financial year with a permanent contract in the staff levels up to and including senior manager, per PC&D rating, years' experience, male/female and cultural background, as a percentage of the average workforce in these categories.	●	41
3.6	Number of hours spent during the financial year by professional staff (excluding trainees, support staff, contracted-in staff, the flexible workforce and short-term secondments) on development and presentation of internal training	●	41
3.7	Average investment per FTE during the financial year (in Euros), calculated as the total investment in training and education divided by the total number of professional staff (excluding trainees, support staff, contracted-in staff, the flexible workforce and short-term secondments) (FTEs).	●	41

● Quality indicator taken from the examples of quality indicators as included in the 'In the Public Interest' report (Appendix 2).

Nr.	Reporting criterion	'In the Public Interest'	Page
3.8	Number of hours spent during the financial year by professional staff (excluding trainees, support staff, contracted-in staff, the flexible workforce and short-term secondments ) (FTEs) on internal and external training and education. 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 total number of professional staff (excluding trainees, support staff, contracted-in staff, the flexible workforce and short-term secondments) (FTEs).	●	41
3.9	Number of overseas professional staff (headcount) working for PwC Netherlands during the financial year for a period shorter than one year (short-term) and for longer than one year (long-term).		42
3.10	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).		42
3.11	Number of professional staff joiners during the financial year from the staff level junior associate up to and including partner (excluding expats and internal promotions but including staff on call) (FTEs).		42
3.12	Number of professional staff leavers during the financial year from the staff level junior associate up to and including partner (excluding expats and internal promotions but including staff on call) (FTEs).		42
3.13	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.		42
4.1	Accounting policies for the determination of revenues the same as those for the PricewaterhouseCoopers B.V. annual financial statements.		44
5.1	Number of Real Time Reviews initiated and completed during the financial year by the RTR team including those in support of the QRP.		50
5.2	Number of formal consultations submitted to National Office during the financial year regarding financial reporting and audit matters.	●	50
5.3	Number of professional staff in permanent employment and contracted-in staff working during the financial year in National Office, the Independence Office and the Compliance Office (excluding support staff) at year-end (FTEs).	●	50
5.4	Number of engagements resigned from during the financial year that constitute early terminations and for which use was made of Form-M for notification to the external supervisory body (AFM).	●	50
5.5	Number of consultations submitted during the financial year to the Fraud Panel.		50
5.6	Number of notifications of unusual transactions submitted during the financial year to the Financial Intelligence Unit.		50
5.7	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.	●	50
5.8	Number of independent quality reviews carried out by QRPs during the financial year. Number of independent quality reviews carried out by QRPs during the financial year, as a percentage of the total number of statutory audits.	●	51
5.9	Number of hours spent by QRPs (partners en directors) during the financial year on independent quality reviews. Average number of hours spent during the financial year on an independent quality review, calculated as the total number of hours spent by QRPs on all independent quality reviews divided by the total number of independent quality reviews carried out.	●	51
5.10	Average number of hours spent during the financial year by all QRPs on independent quality reviews, as a percentage of the total number of hours spent on all audit engagements to which a mandatory QRP was appointed.	●	51
5.11	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.	●	51

● Quality indicator taken from the examples of quality indicators as included in the 'In the Public Interest' report (Appendix 2).

Nr.	Reporting criterion	'In the Public Interest'	Page
5.12	Number of fundamental errors (Dutch GAAP) or material errors (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 fundamental errors (Dutch GAAP) or material errors (IFRS) noted during the financial year, as a percentage of the total number of statutory audit reports issued.	●	51
5.13	Number and percentage of audit hours per phase of the audit process, measured by the hours charged to an engagement by professional staff (including contracted-in staff, the flexible workforce and short-term secondments) before the clients' financial year-ends and after the clients' financial year-ends.	●	51
5.14	Number of disciplinary cases adjudicated during the financial year by the Disciplinary Counsel of Accountants and, where applicable, by the Trade and Industry Appeals Tribunal (CBb).	●	52
5.15	Number of legal cases pending during the financial year, differentiating between civil and disciplinary cases.	●	52
5.16	Number of incidents notified to the external supervisory body (AFM) using Form-M during the financial year.	●	52
6.1	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).	●	55
6.2	Number of engagements reviewed during the financial year by external supervisory bodies and the number with reported findings.	●	55
6.3	Number of engagement reviews by external supervisory bodies during the financial year on which findings were reported that were deemed to be non-compliant after being subject to an internal review (ECR-methodology).	●	55
6.4	Number and amount (in Euros) of fines levied during the financial year on PwC by external supervisory bodies.	●	56
6.5	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.	●	56
7.1	Number, per evaluation element, of financial quality sanctions 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.	●	60

● Quality indicator taken from the examples of quality indicators as included in the 'In the Public Interest' report (Appendix 2).

## Appendix D - Glossary

<p><b>AFM</b></p> <p><b>Assurance Board BCC</b></p> <p><b>BMG&amp;D</b></p> <p><b>BU</b></p> <p><b>CAD</b></p> <p><b>Compliance</b></p> <p><b>Compliance officer</b></p> <p><b>Compliance Office</b></p> <p><b>CR</b></p> <p><b>Cycles of experience ECR</b></p> <p><b>General meeting (GM)</b></p> <p><b>HC</b></p> <p><b>Independence Office</b></p> <p><b>KPI L&amp;D</b></p> <p><b>Local Oversight Board</b></p> <p><b>LoS</b></p> <p><b>National Office</b></p>	<p>The 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.</p> <p>The Board of Directors of PricewaterhouseCoopers Accountants N.V. Business Conduct Committee, to which staff refer if they note instances or suspicions of professional misconduct.</p> <p>‘Beoordeling, Mapping Goalsetting en Development’ (Evaluation, Mapping, Goal setting &amp; Development), the PwC process surrounding the evaluation and remuneration of partners and directors .</p> <p>Business unit, the sub-units of the Assurance practice, determined on the basis of geography and/or professional specialism .</p> <p>Country Admissions Committee, the body that advises the BoM on the appointment of new partners and directors .</p> <p>Compliance with all the legal, regulatory and other requirements and standards that apply.</p> <p>Functionaris die verantwoordelijk is voor het toezicht op de naleving van (wettelijke) regels, voorschriften en standaarden.</p> <p>The officer responsible for overseeing compliance with all the legal, regulatory and other requirements and standards that apply.</p> <p>Corporate Responsibility, doing business on a sustainable basis.</p> <p>Programme that encourages the mobility of our professionals.</p> <p>Engagement Compliance Review, internal reviews carried out by the global network into the quality of client engagements.</p> <p>The meeting of the PwC partners who, via their partner BVs, are formally the members of Coöperatie PricewaterhouseCoopers Nederland U.A.</p> <p>Human Capital, the term used for the department or persons responsible for PwC’s staffing policies and the implementation thereof.</p> <p>The support function that provides support to PwC professionals in maintaining their personal independence and the independence of PwC.</p> <p>Key performance indicator or quality indicator.</p> <p>Learning and Development, the support function within PwC that provides the training and management development programmes .</p> <p>The internal supervisory body, comprising partners, which has become the Partner Council since the installation of the Supervisory Board.</p> <p>Line of Service, the three professional service units through which PwC offers and delivers its services: Assurance, Tax &amp; HRS and Advisory.</p> <p>The practice support function that underpins and supports the professional quality of external auditors and other staff.</p>	<p><b>NBA Partner Council</b></p> <p><b>PCAOB</b></p> <p><b>PC&amp;D</b></p> <p><b>People Survey PIE</b></p> <p><b>PwC Europe</b></p> <p><b>PwC Experience</b></p> <p><b>QRP</b></p> <p><b>RTR</b></p> <p><b>Wft</b></p> <p><b>Wta</b></p> <p>The Netherlands Institute of Chartered Accountants.</p> <p>The organisation 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.</p> <p>Public Company Accounting Oversight Board, the US external supervisory body.</p> <p>Performance, Coaching &amp; Development: the system managing the evaluation of our staff.</p> <p>JOur annual staff satisfaction survey.</p> <p>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.</p> <p>The PwC Europe collaboration of the four member firms in Germany, the Netherlands, Austria and Belgium.</p> <p>Our internal behavioural programme that focuses on maintaining relationships on the basis of trust and genuine interest .</p> <p>Quality Review Partner: a partner assigned to carry out engagement-specific quality reviews.</p> <p>Real Time Review: An in-depth review of audit engagements carried out by a team independent of the audit team before the auditor’s report is issued.</p> <p>‘Wet op het financieel toezicht’ (the Act on Financial Supervision), which sets the legal parameters for the solidity and behaviour of financial enterprises and regulates supervision of the financial sector in the Netherlands.</p> <p>‘Wet toezicht accountantsorganisaties’ (the Law on the Supervision of Audit Firms), which regulates the external supervision (by the AFM) of audit firms.</p>
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## Acknowledgements

### Transparency Report PricewaterhouseCoopers Accountants N.V. 2014-2015

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

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