



Report of the Supervisory Board

Annual Report

2022/2023



www.pwc.nl

A personal note from Chris Buijink, chair of the Supervisory Board

The new Board of Management started the year under review with a keen ambition and commitment to strengthening the market position of PwC and increasing its social relevance. PwC's client portfolio, contribution to the public debate, financial results, the progress made on the net zero commitment, the growth in employee numbers and the results of the people survey - these are just some of the factors which allow us to say that 2022/2023 has been a good year for PwC.

Trust is essential for the long-term success of PwC: the trust of our clients and trust from all stakeholders. The need to enhance this trust has been shown by media reports on how individuals within the audit sector shared answers during e-learnings, the critical review by the Dutch Authority for the Financial Markets (AFM) regarding fraud risk analysis by audit teams, and the reflections of the *Kwartiermakers toekomst accountancysector* on the progress of cultural renewal. The unauthorised sharing of confidential government information by PwC Australia – actions which are in complete opposition to the purpose and values of PwC – can also be mentioned in this context. Let us be clear: trust is not something that can be bought; trust has to be earned through continuous improvement. And this fact is high on the agenda of both the Supervisory Board and the Board of Management.

While PwC has made significant strides in recent years in terms of culture and social orientation, more is required to ensure sustainable success. In addition to being a learning organisation, PwC needs to have a solid position in society and the market along with a strong PwC network of member firms if the organisation is to genuinely make a difference. It is our role as the Supervisory Board to encourage the Board of Management to make strategic decisions and critically monitor delivery of the strategy. This report outlines how we have pursued this over the past financial year.



The report also reflects on the values we have defined for ourselves as a Supervisory Board and our composition. Naomi Ellemers and Frits Oldenburg stepped down at the end of the year having completed their second term on the Board. Involved from the moment the Supervisory Board was first founded in 2015 within PwC NL, both have been of enormous value to the development of our internal supervision activities. We are very grateful to Naomi and Frits for their impressive insights and steadfast commitment over the years.

After a careful recruitment and selection process, we were delighted when Baukje Dreimüller, Floor Rink and Saskia Vlaar were appointed new members of the Supervisory Board and took up their roles on 1 July 2023. With this new composition in place, we look forward to continuing to encourage, challenge and inspire the Board of Management as it further strengthens PwC's market position and contribution to society over the coming year.

Finally, I would like to thank my board colleagues and everyone within PwC for their dedication and major contributions to the achievements of PwC in the financial year 2022/2023.

Chris Buijink, chair of the Supervisory Board



Key discussion themes in 2022/2023



Making strategic choices

The Board of Management took a clear position at the beginning of the financial year to strive for a stronger PwC. This is based on the organisation's stated aims of delivering quality and solid results, being 'client focused', a 'community of solvers' and 'human-led, tech-powered'. The Board of Management is taking further steps to ensure PwC has a positive lasting impact on society and unleashes its full potential. The Supervisory Board is fully in line with this approach and continually challenges the board to turn ambitions into visible plans and make concrete choices. In its discussions with the Board of Management about the business plan for the coming years and approval of the budget (including for Assurance), the Supervisory Board asked the board to **focus on the long term, invest in the focus areas of PwC and attract, develop and retain talent.**

High quality as a foundation for trust

Quality will always be a major recurring theme in our supervision. **Whether it's about the societal responsibility of auditors, ethical behaviour or the management of internal departments,** a lack of quality inevitably has an effect on trust. That said, we must also recognise that things can sometimes go wrong, which is why we want PwC to be a learning organisation and show this in practice. Such an approach requires an open culture, one in which the purpose and values of PwC are the compass. We welcome the fact that the Board of Management pays a lot of attention to ensuring a tone at the top that fits within an open culture. A good example is being transparent both internally and externally about the survey into transgressive behaviour and the steps taken to have an open conversation about behaviour in a hierarchical organisation.

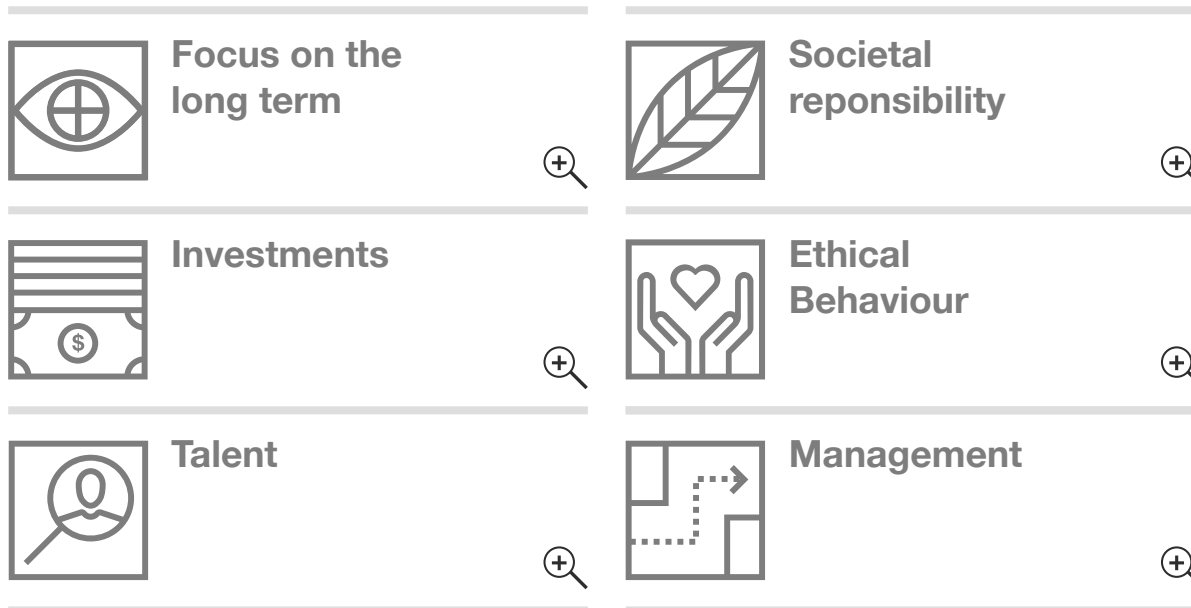
Strategy monitoring and financial & risk reporting

We monitor progress with respect to the strategic agenda via quarterly reports that provide an insight into what is going well and which areas need extra priority. Periodic financial reports enable us to follow the development of the results compared to the budget and the previous year's performance. In discussions on these reports we requested a greater focus on clients in terms of time spent, and cost developments.

The Supervisory Board continues to monitor the risk approach of the Board of Management and the internal control mechanisms. Factors influencing our views include the Enterprise Risk Management process and the results of the PwC Network Standards review, along with reports from the Internal Auditor and the Compliance Officer and their personal explanations. These were the background to our observation that the engagement management and financial information system within PwC that had been replaced in the previous year had yet to attain the desired level. We urged the Board of Management to solve these issues as quickly as possible.

Relations with the external auditor

The Supervisory Board asked our external auditor BDO to audit the financial statements and other information within this Annual Report. BDO also audits the Transparency Report. The audit plan, the results of the interim audit (BDO management letter) and the audit report were discussed extensively in meetings of the Audit Committee in the presence of the external auditor. The Supervisory Board also engages with the external auditor in a private session without the Board of Management being present. In our conversations with the external auditor we specifically considered the financial position of PwC NL and the IT organisation. The performance of BDO was evaluated as positive by the Audit Committee, leading to the company being nominated by the Supervisory Board and reappointed by the general meeting as external auditor for the next three years.



Composition of the Supervisory Board

With **Naomi Ellemers** and **Frits Oldenburg** coming to the end of their time on the Supervisory Board, the year under review was also characterised by the recruitment and selection of new members. In doing so we paid close attention to the desired profile as well as the composition of and distinctive competences within the board. After a careful search and selection process, we were delighted with the appointment of Baukje Dreimüller, Floor Rink and Saskia Vlaar as new members starting on 1 July 2023. With their respective legal (corporate) background, cultural and behavioural expertise, and wide experience in the area of digital transformations, the trio brings a fresh perspective to the Supervisory Board. We are also very pleased that Jan Sijbrand made himself available for a second term and he was reappointed by the General Meeting for an additional term of four years.

There are now six board members, a figure we believe is currently appropriate. The composition is sufficiently diverse for Supervisory Board members to be able to act independently and critically with respect to each other, the Board of Management and PwC, while also complementing each other in who they are and the experience they bring to the table. The onboarding of the new board members will be a key focus for the coming year.

All Supervisory Board members qualify as independent within the meaning of the Supervisory Board Regulations and the Dutch Corporate Governance Code. Supervisory Board members are obliged to inform the chair of the Supervisory Board before they accept any additional positions and to report any potential conflict of interest. No conflicts of interest occurred in the year under review that required a Supervisory Board member to abstain from attending a meeting or adopting a decision.



Chris Buijink, chair



Baukje Dreimüller



Floor Rink



Jan Sijbrand



René van Schooten



Saskia Vlaar



Core values and self evaluation of the Supervisory Board

The Supervisory Board formulated three core values to guide its activities and elaborated on them in the 2021/2022 Supervisory Board report. These core values played a significant role in the self-evaluation of the Supervisory Board, serving as a living framework for reflecting on attitude, intention and conduct. The most important findings are as follows:

Critical and engaged

The involvement of the Supervisory Board in the wider organisation is extensive. We spend a considerable amount of time on conversations with partners. Next to that we especially focused on other function levels in the organisation: directors, (senior) managers and (senior) associates. These orientation sessions give us useful functional insights and bring depth to the supervision of the Board of Management.

Furthermore, the contacts with the Lines of Service boards were strengthened this year by joining the meetings of the Tax & Legal Board and Advisory Board. As usual we also invited members of the Assurance Board to the meeting of the Public Interest Committee. All these conversations saw us asking critical questions as a relative outsider to properly understand what is happening in the organisation, act as a sounding board and bring an outside view in.

Open and keen to learn

The Supervisory Board is transparent in its actions, among individual members and towards the management. We listen to feedback and in that context have taken on a more pronounced role during the General Meeting. It is vital within a partnership like PwC that the partners have a clear insight into the work and priorities of the Supervisory Board, and that the Supervisory Board ascertains what is going on in the partnership. This is a topic of conversation with the Board of Management and also with the Partners' Council. PwC Netherlands is part of a global network and it is crucial that the Supervisory Board closely follows developments within the network. We do so via the Board of Management and through active participation in the Global Governance Forum of PwC with the Global Board and the Network Leadership Team.

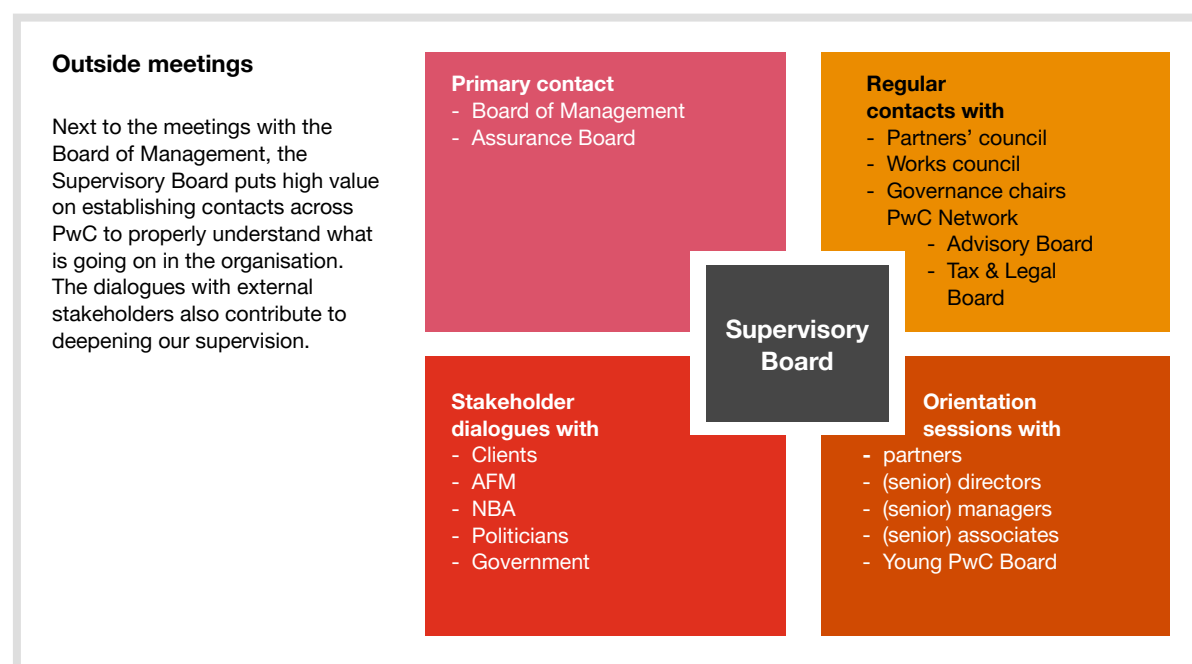
As you would expect, the Supervisory Board aims for quality in all its dealings and its own performance. Over the past year we have dived deeper into sustainability and technology/AI issues and decided to include these themes in the year ahead too as part of our ongoing education. This will support us in our ability to properly judge relevant developments.

Respectful and challenging

A lively dialogue is enjoyed with the Board of Management. In keeping with last year's self-evaluation, this dialogue is based on to-the-point information provided by the Board of Management and consists of more extensive discussions of long-term strategic subjects. The Supervisory Board will continue to be proactive and, where necessary, ask critical questions in order to thoroughly understand the subjects at hand.

We value the performance of the Management Board and the Assurance Board as policymakers of PricewaterhouseCoopers Accountants N.V. in line with the Dutch Audit Firms Supervision Act (Wta), as well as the way they take on the challenges of today's and tomorrow's business. They have an ambitious and open mindset and are making good progress on the topics raised by the Supervisory Board.

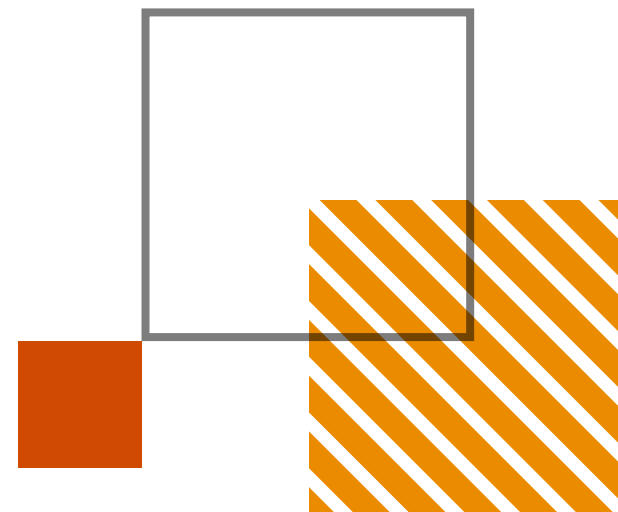
These include having a greater focus on clients in terms of time spent, the support and development of partners, and the management of internal departments. More information on the performance evaluation of the board and the individual board members can be found in the Remuneration Report on page 103.



Supervisory Board committees

The Supervisory Board has four committees, namely the Public Interest Committee, the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee. These committees have an advisory role within the Supervisory Board.

The separate committee reports show the composition and focus of each of the committees, together with a summary of the key matters on the committees' agendas.



Report of the Public Interest Committee

Members 2022/2023:
All members of the Supervisory Board are members of the Public Interest Committee. The committee is chaired by Jan Sijbrand

Focuses on the societal aspects relevant to PwC, including the public interest to safeguard the quality of statutory audits, and regulatory affairs.

Each meeting is attended by the chair of the Board of Management, the chair of the Assurance Board and the member of the Assurance Board responsible for risk and quality, the Compliance Officer, Deputy Compliance Officer and Public Affairs manager.

The committee meets regularly with other members of the Assurance Board.

An overview of key issues discussed by the Public Interest Committee in 2022/2023 can be found in its contribution to the Transparency Report by PricewaterhouseCoopers Accountants N.V. (see [PwC NL website](#)). Other discussion topics relevant this past year are:

- The audit firm's quality management system and the design and operational effectiveness in relation to the quality objectives. This includes the quality indicator reporting that monitors the progress being made with respect to the objectives.
- Developments of societal interest within PwC's practice, such as the risk procedures for PwC Advisory assignments in the public sector and the update of the tax strategy applicable to PwC NL and tax services to clients.
- Developments relating to the audit profession, including market developments, the proposed Future of the Accountancy Sector Act in the Netherlands and the dialogue on the legal anchoring of an In-Control statement (*Verklaring omtrent risicobeheersing*) for organisations, as well as progress reports of the *Kwartiermakers toekomst accountancysector*.
- Internal and external reviews, such as the results of the thematic review carried out in 2023 by the AFM of the fraud risk assessments of audit firms, as well as (the follow-up to) the results of the Public Company Accounting Oversight Board (PCAOB) inspection carried out in 2021.
- Evaluation of the external auditors' improvement plans and signing authority, based on the file reviews.
- Discussions between PwC and the AFM regarding the audit firm, including incidents notified to the AFM and the AFM publication on incident reporting.
- The future of the audit profession within PwC, including signing capacity, investments in next-generation data platforms and IT audits.
- Updates on the stakeholder dialogue and PwC publications with societal impact.

Report of the Selection and Appointment Committee

Members 2022/2023:
Chris Buijink (chair)
Naomi Ellemers
Frits Oldenburg

Focuses on partner and director admissions, succession within the Supervisory Board and Board of Management, performance evaluations of the Board of Management and Assurance Board, and human capital strategy and developments.

Chair of the Board of Management is primary contact person.

Meets regularly with members of the Board of Management responsible for Human Capital, the HC director and the Business Conduct Leader.

Overview of key issues discussed by the Selection and Appointment Committee in 2022/2023:

- Evaluation of the selection of the partner and director candidates before appointment as external auditors within Assurance, including the selection process itself.
- Improvement plans and signing authority of external auditors after shortcomings were identified, including evaluation thereof and decisions about dismissal. There were no cases of suspension or dismissal of external auditors in this financial year.
- Goal setting and performance evaluation of the members of the Board of Management and the members of the Assurance Board in their role as policymakers under the Wta, plus the Internal Auditor and Compliance Officer.
- Succession within the Supervisory Board and Board of Management, including preparation for nominations of Supervisory Board members for appointment by the General Meeting and the evaluation of the Territory Senior Partner selection protocol timeline.
- Ambitions and action plans regarding inclusion and diversity within PwC.
- Human Capital strategy and developments such as talent acquisition, workload, culture, safe working environment and the People Surveys.
- Ethics and business conduct, including a safe working environment, complaints, notification and whistleblowing procedures.
- Partner affairs, including the process relating to evaluation, mapping, goal setting and the development of partners.



Report of the Audit Committee

**Members
2022/2023:**
René van Schooten
(chair)
Frits Oldenburg
Jan Sijbrand

Focuses on finance and reporting, internal and external audits, risk and IT (security).

CFO of the Board of Management is primary contact.

Meets regularly with those responsible for internal audit, risk and finance, IT/information security and the Assurance Board member responsible for finance.

Holds private discussion each year with external auditor (not attended by CFO and Internal Auditor).

Overview of key issues discussed by the Audit Committee in 2022/2023:

- Periodic financial management reports and forecasts, the results and the draft annual financial statements.
- The enterprise risk management process and the In-Control Statement by the Board of Management, which give insight into the design and operational effectiveness of the internal risk management and control systems. With regards to the analyses of the material risks, the Audit Committee advised making more explicit choices, focusing on the top ten risks and classifying 'Societal risks and trust' and 'Investment' as a higher risk.
- The external auditor's management letter and report, as well as discussions with the external auditor about the audit plan and approach. The effectiveness of the audit process was evaluated during the private discussion between the Audit Committee and external auditor. The audit committee has advised the Supervisory Board to nominate BDO for reappointment as external auditor for the next three years.
- The business planning cycle and the budget, including the budget for Assurance.
- The internal audit charter, together with the internal audit year plan and internal audit reports. The (effectiveness of the) internal audit processes were evaluated via in-depth discussions of internal audit reports, as well as regular (private) meetings between the chair of the Audit Committee and the internal auditor prior to meetings of the Audit Committee.
- Technology updates, including information security and data protection updates, as well as updates on engagement management & financial information system within PwC that was replaced last year.
- The financing of PwC NL and an analysis of the desired level of own capital, which will result in an increase of own capital by raising the members' capital contribution as of next year.
- Updates on the risks and effects of the war in Ukraine for PwC's service offerings and the client acceptance and continuation process (KYC).
- The tax policy of PwC and the tax control framework.
- Investments in the focus areas of PwC, the M&A pipeline and new PwC partnerships.

Report of the Remuneration Committee

**Members
2022/2023:**
Naomi Ellemers
(chair)
Chris Buijink
Jan Sijbrand

Focuses on remuneration of members of the Board of Management and Assurance Board, and of partners/directors and staff.

Chair of the Board of Management is primary contact.

Meets regularly with the chair of the Partners' Council.

Overview of key issues discussed by the Remuneration Committee in 2022/2023:

- Remuneration policies and conditions of employment for staff and directors, including equal pay and the mobility policy.
- Updates to the remuneration policy for partners and the process relating to their performance evaluation and remuneration, particularly in the area of quality outcomes and quality behaviours.
- The evaluation and remuneration of assurance partners/directors who act as external auditors, in terms of quality.
- Updates to the remuneration policy and the proposed remuneration of members of the Board of Management and Assurance Board.
- Updates to the remuneration policy for the Supervisory Board.
- Pay ratios within PwC NL.
- The Remuneration Committee's Remuneration Report, as adopted by the Supervisory Board, is included as an appendix to this Annual Report 2022/2023 (pages 103-106).

Remuneration Report

The Remuneration Report, included on pages 103-106, is an integral part of the Report of the Supervisory Board.

Annual Report

After discussing the Annual Report and financial statements, the Supervisory Board concluded that these present a fair view and have been prepared on a basis that is consistent with the previous year.

Amsterdam, 4 October 2023

The Supervisory Board:

Chris Buijink (chair)
Baukje Dreimüller
Floor Rink
Jan Sijbrand
René van Schooten
Saskia Vlaar

