

TRANSPARENCY REPORT 2023

Another view of value

Eindhoven, 25 April 2024



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For convenience purposes, this Transparency Report is an English translation from the original Dutch version. In case of differences in interpretation between the English and Dutch versions of the Transparency Report, the original Dutch version shall prevail.

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1. Report of the policymakers

Introduction

BDO for People and Society continued to be the foundation of our services and operations in 2023. We continued unabated on a course aimed at 'Maintaining trust and being socially relevant' by fulfilling our mission 'Adding certainty to organisations, entrepreneurs and to society by delivering high quality always and everywhere'. We can look back on a year in which we managed, as a team, to maintain a high level of service and worked consistently on our quality agenda and the related quality-oriented culture. By the end of 2022, we had implemented adjustments within our system of quality management, in line with the requirements of the International Standard on Quality Management 1 (ISQM 1). In 2023, we conducted the first monitoring cycle. The system and its monitoring offers us tools for further improvement.

As a sector, and as BDO, we are committed to meeting the expectations of our stakeholders. Together with our employees, we rose to the challenges facing us, our society and our clients in 2023 with calmness, confidence and positivity. Without shying away from challenges, we keep the changes manageable by making clear choices together, providing guidance and, above all, maintaining and strengthening the connection with each other where necessary, in connection with all our stakeholders. In 2023, we started a process to refine our strategy to bring even more focus to our course, in which quality is leading. Further growth of our organisation is necessary to continue investing in quality in the broadest sense. Among other things, the intended refining of the strategy is aimed at intensifying international cooperation, strengthening our multidisciplinary cooperation focused on quality and increasing the use of developed technology and innovations. In doing so, we stay close to our core, where attention to people, professional connection and the human touch are paramount. In doing so, we mainly focus on further scaling up in the middle market with a focus on industries that fit our international network.

We are proud and grateful that we could count on all our people. We believe that the personal approach used within BDO, with an eye for the human touch, has also made the difference in 2023 in staying on track and adjusting where necessary, despite all the challenges, and responding to these challenges.

The experiences of last year and our people's ongoing willingness to change sustain us in our confidence that we can continue to make strides in the growth and development of our organisation going forward. We are constantly trying to be better and work more effectively, while enjoying what we do. As the world changes, we have to change with it, be agile and have the ability to respond to current events. This relates to developments within IT, AI, but especially in non-financial information, above all ESG, or labour market dynamics. As the Governing Board, we seek to be the calm in the storm for our people, actively acknowledge the improvements in the culture shift and instil confidence for the future. We are still improving every day, but we are also careful not to get ahead of ourselves. That too is part of our people-oriented culture and our values.

In this report, we have set out the specific details of the actions we took to work towards achieving our mission to deliver top quality anywhere and at any time in 2023. The details of this report pertain primarily to BDO Audit & Assurance B.V., which provides statutory audit services. BDO Audit & Assurance B.V. is part of the group with BDO Holding B.V. as group head. Our ambition to deliver top quality extends across all activities of the BDO Group, including the other Lines of Service (LoS) besides Audit & Assurance (A&A). Our ambition to deliver top quality anywhere and at any time is front of mind for all our LoS, which makes it an integral part of our quality focus throughout the firm.

In this report, we offer insight into the actual implementation of our quality cycle, which continuously causes minor and major shifts in our procedures and working methods. Once they have been evaluated, minor shifts are put into practice as soon as possible and integrated into our system of quality management. As a part of this continuous cycle, we translate our strategic objectives, along with the envisioned major shifts, into annual plans. These annual plans form the basis for the actions taken each year focused on our quality objectives. Of course, the influences of the visions, wishes and needs of our stakeholders also help determine the refinement of our quality objectives.

Exam fraud

In 2023, we launched an investigation into possible unauthorised sharing of questions and answers in tests (also referred to as "exam fraud") within our organisation. BDO has and feels an important responsibility to promote and monitor the sound and ethical operations of our organisation. That is why we are conducting the investigation carefully and thoroughly, in multiple phases, with a step-by-step approach, and it has not yet been completed. Announcements regarding the investigation's findings will follow after its full completion.

On April 19, 2024, prior to the investigation's completion, we published a news article on our website (www.bdo.nl). In it, we described that the investigation revealed that a member of the Audit & Assurance Management Team (MT A&A) in 2020, who was not yet in the role of an MT member at the time, did not intervene correctly in response to a signal of inappropriate behaviour during an internal e-learning course. The actions of (co)policy makers in the audit practice should never be in question. In light of the investigation's results, the person concerned can no longer fulfil the role of MT A&A member as expected and required, and in the interest of public trust in the profession, they have decided to step down from the position. The tasks will be temporarily taken over by other MT members.

Ahead of the completion of the investigation and prior to the situation described above, we have already taken measures to promote ethical and professional behaviour in test-taking, such as clarifying communication to colleagues about our expectations when taking e-learning courses with test questions. Depending on the further outcome of the study, we will evaluate what further improvements are necessary and appropriate.

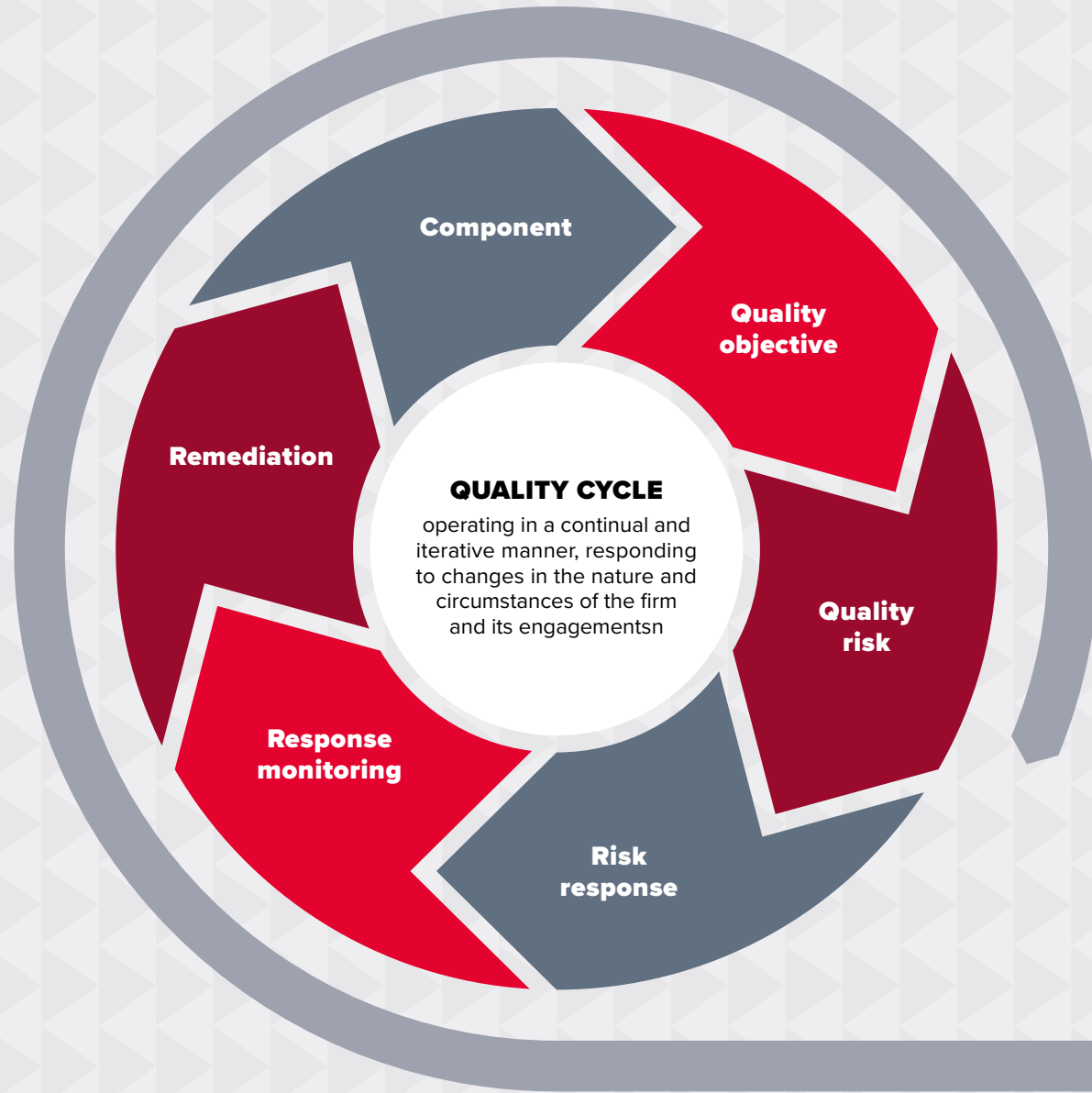
System of quality management

By 15 December 2022, a system of quality management had been designed and implemented within BDO, in line with the requirements of ISQM 1. In 2023, we took follow-up steps to operate, monitor and evaluate the system of quality management. That same year, its effectiveness was monitored and evaluated for the first time.

With this, we were in a transition from 'quality control' to 'quality management'. Also based on the results of the 2023 monitoring, we have evaluated the system of quality management as of 31 December 2023. In our view, the system of quality management functions effectively and provides us with reasonable assurance that the objectives of the system are being achieved. The monitoring also identified a number of findings and (non-severe) deficiencies that are part of our improvement plans for 2024.

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

For a system of quality management to actually work, an organisation needs to have the right governance in place. An important part of our governance on quality is the Quality and Public Interest Committee, established in 2022, a committee of our Supervisory Board. We are extremely positive about the functioning of this committee. There is a good dialogue within the committee about the quality approach and the opportunities and challenges involved. This dialogue sharpens our thinking and gives new qualitative impulses to our organisation.



Quality-oriented culture

Within BDO, a quality-oriented culture means a learning, agile and people-oriented culture. In 2023, our core values of Professionalism, Joy, Practical relevance, People orientation and Social responsibility were translated into new core competences. These competencies are loaded with a set of concrete behaviours that we expect from all BDO employees and are embedded in our development and performance systems. In doing so, we provide guidance on our strategic agenda.

At BDO, the quality of our professional services is managed centrally. This ensures the quality of our service provision. Within the audit firm, the Governing Board and the Audit & Assurance management team set the rules of the game. The regional Practice Leaders are an extension of the practice's MT. They ensure consistent implementation within the business units by working with a business unit plan that is based on the A&A Annual Plan. We can see the shift we are making from an 'organisation of professionals' to a 'professional organisation' that increasingly prioritises our common interest.

Horizon

Horizon is a BDO-wide culture programme aimed at helping BDO and our people transition to this envisioned culture. BDO Horizon was divided into five strategic subprogrammes in 2021: Leadership, Vitality, Diversity & Inclusion, Learning & Development and Sustainable Cooperation.

Change requires safety and openness, experiencing that you belong, despite any visible and invisible differences. Differences are increasing, also within BDO: generational differences, differences in cultural backgrounds, in educational backgrounds and in terms of personality. In 2023, we took the next step in bringing Horizon close and making it concrete by working within the LoS A&A to increase psychological safety within BDO. Together with a specialised party, a tailor-made programme was developed aimed at intervening in the interaction between people, very close to the shop floor, very concrete, small-scale, at departmental level. This programme is woven into the daily practice, into the cooperation within the teams and thus forms an integral part of our work. A number of regions started in 2023 and, after evaluation, this programme will be rolled out across the entire assurance practice in the coming years. Increasing psychological safety will underpin and boost our existing strategic programmes and initiatives around, for example, Diversity & Inclusion and Questioning mind.

As in 2022, we conducted a Horizon survey in 2023 to monitor the status of the programme and fine-tune the themes. This measurement shows an improvement, after the 2022 outcome was almost flat compared with 2021.



Our core values

Further implementation of annual plan

As we explained above, our annual plans form the basis for our yearly improvement drive. As part of the annual plan for 2023, we took a number of steps aimed at the sustainable improvement of our service quality. The most important steps we took in 2023 are outlined below.

Our employees

Our employees are the decisive factor in the quality we deliver as an organisation. Workload is a hot topic in the accountancy domain; there are multiple causes of stress at work and different people have different perceptions of their workload. Rather than addressing this issue separately in 2023, we integrated it into every single initiative we took.

Influx of new colleagues

Our recruitment capacity was once again expanded and work was also done to connect with training institutes. In 2023, work-study and internships were facilitated unabated and we created more space for thesis students. In doing so, we fulfil our social responsibility to train accountants for the future while securing the influx of new colleagues. In 2023, we broadened the intake to include foreign students, expatriates (on- and offshore) and other educational backgrounds, not only for the financial audit practice, but also to further expand capacity to strengthen our sustainability services.

Young, highly motivated colleagues join the business every year. They enter a world that is both demanding and constantly in flux, which demands a lot from those starting workers. That said, it can also be taxing on many of our more experienced people since they are expected to mentor the newcomers. In our view, physical cooperation is crucial in the guidance and development of our colleagues. We are delighted that, in line with activity-based working, we are now seeing teams meeting back in-person at the office or at clients' premises. This promotes connection, both professionally and personally, which has a positive effect on our people's job satisfaction and well-being.

BDO PRO - Internships and on-the-job training

Internships are pivotal to an accountant's training. Some aspects of their internship are intertwined with other elements of our internal and external training programmes. The total amount of education is perceived as burdensome by young colleagues, also due to redundancy in the various programmes. We are proud to have successfully completed our project, launched in 2021, in which our objective was to reduce the administrative burden of practical apprenticeships, in 2023. In 2023, BDO PRO (Professional Reflection & Development) went live. BDO PRO offers colleagues a central environment in which they are facilitated to support their professional development.

Our Training on the Job (TOJ) programme, which links theory to practical situations, as well as our engagement-based feedback and the practical internship, are integrated here. The project group worked closely with the Netherlands Institute of Chartered Accountants (NBA) to ensure compliance with the final attainment levels of the Commission on Accountancy Education Learning Outcomes (CEA). We are convinced that BDO PRO contributes to the enjoyment and success of accountancy education.

Young A&A MT

For several years, we have had a Young MT A&A whose members are involved in several projects of the management team. This is how we make sure that they support our policies and the implementation of those policies. The Young A&A MT is a driven and passionate team, and we are proud that its members feel safe to express their opinions and be critical where needed. Young MT members have also been assigned to projects for 2024 and we look forward to our productive collaboration.

Profession

In 2023, we again took steps to further raise the quality of our profession. These steps follow from our own quality vision and ambitions, while also taking into account recommendations from external regulators, quality surveys by BDO Global and outcomes from our own quality management cycle. We have set out each of these steps below.

Audit in Control

The objective of Audit in Control is to achieve another big step in quality. We aim to do so by sharing the collective knowledge of the audit practice at engagement level where we can: a quality-oriented mindset/culture of collaboration across engagement teams. For this purpose, we have developed a plan that was implemented in the form of a pilot in 2022, which was evaluated in January 2023. The conclusion was that the pilot did not provide enough information for us to roll out more widely the working method we had thought to be effective. The way of working we envision will require our people to make considerable and serious changes; the pilot told us that we need more time to implement such changes. In 2024, we will first continue to work on the foundation to better introduce changes in the workplace by focusing on increasing psychological safety (within existing teams). Then, we will formulate a follow-up to the Audit in Control project, as we still believe that more knowledge-sharing will help us better harness our talents and expertise for the audit practice as a whole. The perspective of Audit in Control thus still stands.

Questioning mind

Audits are governed by a set of prescribed standards. Following these standards implies meeting the quality requirements for an audit. The assumption that audit standards are always followed to the letter ignores the fact that reality can be fickle. Audits require choices to be made. These choices are not black and white, but call for professional judgment. We focus on documentation, standardisation, checklists, required work programmes and standardised scrum processes. While we will continue doing so, how we use our expertise, our brainpower, is what determines the quality of our services. We have an intellectual profession and our raison d'être lies in professional scepticism, meaning that we ask questions and follow-up questions, and that we are analytical and inquisitive. We believe that we should focus on this curious, inquisitive and critical basic attitude even more. We know this basic attitude as Questioning mind.

Also in 2023, Questioning mind was a central theme in the implementation of our 2023 annual plan and positioned as our basic attitude and underpinning our raison d'être. This central theme reflects that accounting is a profession that challenges people's intellectual capacities, that offers job satisfaction and that inspires pride and passion. Questioning mind had a prominent place in our 2023 annual plan and training programme. Establishing professional connection requires an open attitude towards questions and criticism from all colleagues, self-reflection and commitment on the job from senior team members, with ultimately responsible accountants also devoting very personal time and attention to the professional development of colleagues through intervision. That is why having a questioning mind towards colleagues and clients is an essential aspect of the quality-oriented culture we envision.

All business professionals, from assistants to partners, were trained in mixed groups to foster their professional connection. In addition, Questioning mind is woven into various actions and projects including in the elaboration of Activity Based Working, the Partner Academy and in the mentoring programme.

EIP process

In 2023, we started the first year of a new three-year cycle of our internal engagement inspection program (EIP) programme. Whereas in the previous cycle the focus was on the planning phase, in 2023 we have focused the programme on the execution and completion phase of engagements. We want to use EIP to test and increase our quality, which is why we periodically shift the focus of the EIP process. We also continued the procedure that reviewers focus specifically on the positives of an engagement. By doing so, we aim to give our people positive reinforcement aside from the points of criticism that will come up in a learning organisation. External reviews conducted by a number of authorities have given us renewed confidence that we are on the right track towards doing better and that we are moving in the right direction. We implemented the lessons learned from the reviews and our own evaluation of the EIP process in 2023.

Expert teams

We have set up expert teams in three key areas to give a further quality boost. The key areas are:

KEY AREA	
Integrated reporting	In 2023, we implemented our CSRD roadmap (Corporate Sustainability Reporting Directive) to help our clients comply with this new regulation in a timely manner and prepare the audit practice for the audit of sustainability reporting. We managed to significantly expand our expert team in 2023 and we trained all our people on the CSRD regulations. In 2023, we also launched our own BDO CSRD Academy to train colleagues across the board.
Fraud & corruption and non-compliance (FCNC)	We created a fraud prevention community in each of our regions. Its members are involved in risk analyses of audit engagements in practices. In addition to forming the fraud prevention community, we created an FCNC knowledge base and started supporting the business with a number of tools that can be used in the audit process to identify FCNC issues. In 2023, based on data-driven risk analysis, we implemented several quality measures focused on the FCNC theme involving Forensic Audit Support in the implementation.
IT	The key user team offers input in the development of innovations, both from a practical and professional perspective. We trained all our business professionals in 2023 to use our available innovative IT tools in the audit process. Thanks to our regional key users, we managed to significantly increase the range of innovative applications.

Audit Process Tool (APT) Dashboard

In 2023, we further developed our APT Insights dashboard, which offers insights at multiple levels (i.e. file level, portfolio level, region level) into the key characteristics of statutory and other audit engagements and their status. The use of the dashboard will be further promoted and further integrated into the monitoring process of our BDO system of quality management.

Innovation

Innovation within BDO is internationally organised through the Centre for the Audit of Tomorrow (CAT). In the Netherlands, we have a CAT-NL team that drives and coordinates innovations. At the end of 2023, this innovation team within the audit practice came under the direct control of the MT A&A and was renamed the Audit Innovation Team (AIT).

AIT projects deal with a broad range of subjects, including, besides data analysis, Audit Automation, Cybersecurity, Artificial Intelligence (AI), dashboards and robotisation, as well as ideas around 'digital twin'. In 2023, we focused on actual application of innovations in practice. For various reasons, the actual use of innovations has been less successful than expected, and concrete steering for implementation proved desirable.

External developments

As a sector, and as BDO, we are committed to meeting the expectations of our stakeholders. We are convinced that we are on the right track, but in the public debate, trust in auditors in 2023 has been the subject of discussion on several occasions. Exam fraud, the results of the Netherlands Authority for the Financial Markets' (AFM) fraud risk analysis review and the final report of the Coordinators for the Future of the Accountancy Sector (in Dutch: Kwartiermakers toekomst accountancysector) did not show that confidence in the sector has been restored in the long term. In particular, the pace of change as an industry is up for debate.

We are convinced that the technical quality of our professionals and processes has improved significantly in recent years. In addition, our quality-oriented culture has undergone a major change. We experience both aspects, for example, in our EIP process where judgements on dossier quality are increasingly about many shades of grey, where in the past it was more about black and white. Nevertheless, we are also convinced that improvements need to be anchored even deeper in the fabric of the organisation.

We are therefore continuing with our Horizon culture programme and focusing on creating a safer and open environment where change really takes root at a faster pace, as befits a learning culture. Our Psychological Safety programme focuses on this.

New challenges and opportunities always require different answers, changes and we will continue to be a learning organisation.

Where in the past things needed obvious improvement, we have entered a phase where subjectivity and differences in interpretation are increasing. Fundamentally, this is positive: it can lead to dialogue and an openness to improvement. A prerequisite is that stakeholders remain in dialogue with each other.

We keep an open mind to achieve joint positive development in cooperation and dialogue with all our stakeholders. Especially for our young (upcoming) colleagues and budding professionals, we need this positivity, calmness and confidence in the sector. We want and will encourage dialogue on shades of grey to revitalise the attractiveness of the profession and ensure that they can rightly be proud of the accountancy profession. As policymakers of the BDO audit firm, we endeavour to impart that positivity, calm and confidence to our employees in the year to come and to enter into dialogue with our stakeholders.

The internationalisation of the market coupled with technological developments such as AI increases the demand for controls and also increases the complexity. Issues such as sustainability, fraud and going concern are boosting demand for audit services as well. The impact of technology and digitalisation is major, but we have yet to see any significant time saving in terms of audit procedures. On the other hand, the appeal of the profession is under pressure. There are fewer new accounting students. In the Netherlands, various audit firms have chosen to merge to meet the challenges in the sector, thereby reducing the number of audit firms. Private equity has entered the sector, foreign firms are entering the Dutch market. We are monitoring any external developments closely and we implement them into our strategy and annual plans.

The audit practice periodically meets with the Dutch Authority for the Financial Markets (AFM). At these meetings, the AFM elaborates on its themes and focal points, individual cases, and its investigations and follow-up. The AFM will further intensify its supervision of PIE (Public Interest Entities) licence holders in the coming years. In 2023, the AFM conducted an investigation into the quality of fraud risk analysis performed in statutory audits and the quality of the EQR (engagement quality review) process and the quality of EQRs performed. Both studies revealed good practices, but there are also lessons to be learned that we have taken to heart and adapted in our operations. Furthermore, the AFM took us through its ambition around data-driven supervision in 2023. We are in discussions with the AFM on how to fulfil this ambition by supplying data by our audit firm. This requires adjustments to our automated systems.

We contributed to projects of the Public Interest Steering Committee, a partnership between audit firms, the Netherlands Institute of Chartered Accountants (NBA) and SRA, an association of accounting firms specialising in SMEs, which is designed to boost sustainable audit quality improvements. Further to which we teamed up with the Foundation for Auditing Research (FAR). BDO also takes its social responsibility through active participation in various committees at the NBA including in the area of Fraud and CSRD.

The Coordinators for the Future of the Accountancy Sector delivered their final report at the end of 2023. We have analysed this report and included the recommendations to audit firms in our plans for 2024.

Outlook

Quality is the guiding principle of our audit firm; it is embedded in our culture. In that context, we will continue our Horizon culture programme in 2024 to ensure that the culture we envision becomes ingrained in the DNA of our organisation. Leading themes in 2024 are Questioning mind and Psychological safety. Those themes are proving relevant to sustainably bolster trust in our sector. We will focus on these themes and help our people live by our guiding principles on a daily basis and to be able to quickly embrace changes. We seek to forge professional connections every day. To us, this means that the top echelons of our firm leads by example, that they are engaged and that they create an environment that is perceived to be safe for people to open themselves up, personally but especially professionally. This will allow our people to thrive and develop their full professional potential, and enable us to practise our great profession at top level.

As a board, we are proud of where we are now, but also want to grow to invest even more in quality and to accelerate. The reassessment of the strategy will come to fruition in 2024, with choices, focus and simplification of our management creating room to grow. We continue to radiate calm, confidence and positivity to our employees that together, we will respond to the challenges we, society and our clients face. We will continue to take ownership of our broad role in society in 2024 so as to meet the expectations of our users. With quality as our guiding principle, we will fulfil our professional role in the fields of sustainability, technology, fraud and corruption and labour market issues with pride, an eye for the human element and with pleasure.

Eindhoven, 23 April 2024

Governing Board, BDO Audit & Assurance B.V.

- ▶ R.C.M. (René) Nelis (chairman of the Governing Board)
- ▶ L.M. (Leon) Jansen (member of the Governing Board, Chief Financial Officer/Chief Operating Officer)
- ▶ M.A. (Maurice) de Kleer (member of the Governing Board, Chief Quality Officer)
- ▶ M.M.G. (Marcel) Mans (titular member of the Governing Board, Head of Audit)

Audit & Assurance Management Team

- ▶ M.M.G. (Marcel) Mans, Head of Audit
- ▶ P.M. (Pascal) Belfroid
- ▶ M.A. (Marco) Francken



BDO Governing Board

*Left to right: Leon Jansen (CFO & COO),
René Nelis (chair) and Maurice de Kleer (CQO)*

2. Report of the Supervisory Board

Our role

The 2023 financial year will be the second and also last year of the composition consisting of chairman Danny van der Eijk and members Bernadette Langius, Heleen Kuijten-Koenen, Dennis Raithel and Engelhardt Robbe. The terms of Bernadette Langius and Dennis Raithel end on 1 May 2024.

Our role is to supervise the Governing Board, policies pursued and the general business practices. This involves supervision in the broadest sense and extends across all practices, with their various services, the central staff, through to the mutual cooperation and challenges of these parts within BDO. Our supervisory activities focus in particular on the achievement of the firm's objectives, strategy, the continuity, the risks associated with the operations, achievement of the quality objectives, internal risk management and control systems, and financial reporting.

In addition to its supervisory role, the Supervisory Board has an advisory role and acts as a sparring partner for the Governing Board, including on strategy, policy development and implementation, major projects and investments. In our role, we draw on our broad, managerial and supervisory experience, expertise and competences and encourage the Board to also approach issues from a different perspective or with new insights.

One of our primary responsibilities is to protect the public interest by monitoring that BDO's independence, quality and integrity as an organisation is guaranteed. We do this by exercising critical oversight and also monitoring the implementation of strategy, culture and behaviour in the aforementioned areas. We are convinced that a focus on the public interest will not only safeguard these values, but is also in the interest of all BDO stakeholders.

The roles and responsibilities of the Supervisory Board have been formalised in BDO's Articles of Association and in the Rules of Procedure for the Supervisory Board, with due observance of the corresponding requirements in the Dutch Audit Firms (Supervision) Act (Wta).

This report describes how monitoring was carried out in 2023 and which key developments and issues in particular were the subject of monitoring and discussion.

Key themes and developments in 2023

In focusing on BDO's ability to continue as a going concern as a firm, the Supervision Board, in its supervisory duties in 2023, honed in on a number of key themes and developments involving the strategic objectives for 2023. In addition, much attention was paid to the internal investigation into the (possible) unauthorised sharing of questions and answers in tests within BDO.

Long-term strategy and value creation

We advise the Governing Board on the firm's long-term vision and strategy, and actively monitor the transposition of strategy into concrete policy through our regular meetings. These meetings included discussions on the progress of the various strategic objectives from the 2023 annual plan. In doing so, we found that many of the targets had been met. Furthermore, we have been very closely involved in the process concerning the strategy recalibration. As the Supervisory Board, we recommended a recalibration in 2022 in response to developments in the accounting industry, such as the interest of private equity (PE) houses in accounting firms, the 'Audit Only' discussion and other developments such as the tightening labour market and the rise of Artificial Intelligence (AI). In addition to the regular meetings, two strategy sessions took place in which the recalibration was discussed in detail with the Governing Board and we played the role of sparring partner.

Quality and public interest

Quality and public interest is a fixed topic on the agenda in regular meetings with the Governing Board and, in 2022, the Quality and Public Interest Committee was set up specifically for this purpose. This topic is additionally addressed in the consultations we have with the AFM.

In 2023, we paid specific attention to the continued implementation of ISQM 1, a proactive and updated system of quality management initiated from BDO Global for primarily the Audit & Assurance Line of Service (LoS) and the accounting practice within the Accountancy & Business Advisory LoS. 2023 was the first year in which monitoring and the annual review of ISQM 1 was due to take place. To connect it with the regular quality cycle and adequately implement the work required for this monitoring and evaluation, BDO in the Netherlands evaluated the system of quality management at year-end. In consultation with BDO Global, this deviated from BDO Global's expected completion of the review by mid-December 2023.

In addition, the further strengthening of the 'Three Lines of Defence Model' was discussed in detail with the Governing Board. This will require a transition in which responsibility for quality in the first line will primarily rest with the business. In particular, the Supervisory Board oversaw the fulfilment of the pre-conditions for a successful transition. We found that both topics required greater effort from the management and corporate services than expected.

The observed pressure on the organisation, partly due to intensified AFM supervision, and the limited staff capacity have been regular topics of discussion between the Supervisory Board and the Governing Board. We expressed our concern about progress and indicated that when setting priorities, compliance with Dutch and European legislation should be the highest priority.

Furthermore, we discussed the status of internal quality projects aimed at improving audit effectiveness, promoting a learning organisation and employee retention with the policymakers of BDO Audit & Assurance. We paid special attention to the implementation of the EU's Corporate Sustainability Reporting Directive (CSRD) and found that the necessary steps are being taken, including in the area of training, releasing capacity and recruiting specialists.

We have established that BDO is making progress to achieve quality improvements and that the firm is aware that further improvements are possible and/or required in specific areas. We will continue to monitor the latter closely.

Culture and conduct

An accounting and advisory firm cannot deliver quality if it does not have a sound and safe corporate culture. The BDO Horizon organisation-wide culture programme aims to stimulate this organisational culture and associated behaviour. LoSs have also launched other separate initiatives and projects aimed at creating a sound, inclusive and safe work climate. We consider all these activities of great importance to the organisation. In our discussions with the Governing Board and relevant programme leaders, we discussed, besides the progress of projects and programmes, the results of the employee satisfaction survey. We are pleased that, on average, the outcomes are very good and have largely improved from the previous measurement, and strongly support that the Board will take further action towards practices that are lagging behind on the themes where further improvement is possible. As for the Diversity & Inclusion programme, we are pleased to see an increase in the number of women appointed as partners and directors in 2023 compared with previous years. As the Supervisory Board, we continue to safeguard progress on this issue because the staff composition is not yet balanced. We also stressed to the Board the need to pursue more cultural diversity.

The Horizon programme is a fixed point on the agenda in our meetings with the Remuneration & Appointment Committee and it is discussed periodically in our meetings with the Quality & Public Interest Committee and our regular meetings with the Governing Board.

Finally, the Supervisory Board discussed the topic of leadership and its development at all job levels with the Governing Board. We believe that good leadership is a prerequisite for a sound, safe and quality-oriented culture, which is why this will continue to be a key point for the Supervisory Board. We are therefore alert to the leadership shown in daily practice on topics such as decision making, diversity and inclusion, managing for results and the internal investigation into the (possible) unauthorised sharing of questions and answers in tests. As the members of the Supervisory Board, we support these programmes and any activities relating to culture and conduct; we will continue to monitor the effectiveness of the relevant actions and resources.

Investigation into exam fraud

Following the AFM's request, BDO launched an internal investigation in early 2023 into the (possible) unauthorised sharing of questions and answers in tests (also referred to as "exam fraud"). The Supervisory Board acts as the principal in this internal investigation. In doing so, we ensure that the investigation process is carried out with utmost care given the urgency and importance of this issue. As the principal, and in our supervisory and advisory role, we have had frequent consultations with the investigation team, the Governing Board and the Head of Audit. Additionally, we also liaised with the AFM.

We have taken note of the findings of the investigation regarding a member of the A&A management team. The Supervisory Board regrets the behaviours identified therein and considers stepping down from the position inevitable.

In the further course of 2024, we will continue our supervisory role on the investigation and will closely monitor the measures already initiated and those yet to be taken.

Transformation and innovation

It is strategically important to BDO to ensure its ability to continue as a going concern in the long term, while remaining alert to developments in the market and in society and changes in rules and regulations. This calls for an agile organisation with a focus on innovation, professional corporate services and state-of-the-art technology to guarantee service delivery and protect the underlying processes.

In 2023, we paid specific attention to further professionalising and strengthening the central staff as part of the transition to a professional organisation. We noted some positive results on this matter. For instance, the capacity of the corporate services grew, specialists were hired and the 'Getting the house in order' project was completed. At the same time, we see hard-to-fill vacancies and the number of tasks for the corporate services increasing. Regular work eats up the vast majority of capacity, leaving little time for innovation and project implementation. We believe that the central staff should be allowed to be more involved to contribute regarding the strategic agenda. We have raised concerns about the above and will continue to monitor this closely in regular consultations and within the Remuneration and Appointment Committee consultations.

Meetings and attendance of members of Supervisory Board

To properly fulfil our role, we have regular meetings, committee meetings, strategy days, as well as other consultations and activities. The Supervisory Board met five times in 2023, The first part as the Supervisory Board and then with the Governing Board, with the Head of Audit also present. With him, the agenda items that relate to progress within BDO Audit & Assurance B.V. are specifically addressed. In the first half of the meeting, we prepare for the session with the Governing Board and reflect on earlier meetings. We also occasionally invite guests, such as the heads of LoS, to elaborate on their role at BDO and developments in their business unit.

In 2023, working with the Governing Board, we continued to bring better structure and focus to meetings, making them increasingly efficient and leaving more time for our advisory and mirroring role and constructive discussions. We have found that meetings are conducted in a good, open and constructive manner and the Governing Board and Supervisory Board are becoming increasingly attuned to each other.

Commissions

The Supervisory Board has three standing committees: the Audit Committee, the Remuneration & Appointment Committee and the Quality & Public Interest Committee. These committees have an advisory role within the Supervisory Board and are composed of Supervisory Board members based on their expertise, experience and affinity.

Audit Committee

This committee focuses on finance and accountability, internal and external audit and (financial) risks. This committee also reviews the budget and the integrated annual report, including the financial statements. It also addresses developments in risk management and information security, as well as reviewing pending claims and their potential for financial risks. The Audit Committee meets on a regular basis with those responsible for finance, internal audit and risk. The committee has meetings with the external auditor every year to discuss the audit plan, audit approach, audit report and management letter. In addition, the external auditor held a fraud discussion with the committee separately.

Remuneration & Appointment Committee

This committee has an advisory role within the Supervisory Board on the remuneration of policymakers within BDO. It oversees the appointment process and nomination of new members of the Governing Board on behalf of the Supervisory Board and conducts the evaluation and assessment interviews with the Governing Board and the Head of Audit on behalf of the Supervisory Board (SB). This Committee also maintains contact with HR and supervises the effectiveness of the performance management system and the appointment process of new partners in the Audit & Assurance practice. In 2023, it further discussed the progress of the HR plan and addressed HR topics such as diversity and inclusion, recruitment and retention, training and development and workload. Finally, in coordination with the chairman of the Meeting of Participants, the committee initiated a recruitment procedure for two new SB members. This committee meets on a regular basis with the CFO/COO and the person in charge of HR. In addition, the Committee regularly invites partners or other responsible officers to elaborate on specific topics.

Quality & Public Interest Committee

The duties of this Committee focus mainly on system of quality management, the system of quality management, risk management and the policies for compliance and integrity and ethics, including codes of conduct and internal procedures. In addition, the Committee addresses the procedures for complaints handling and for making reports under BDO group's complaints procedure and whistleblower policy, actual and potential reputation and integrity risks, including due to claims and disciplinary and partner issues that might impact the firm's quality and integrity. Furthermore, this committee is also involved in dialogue with external regulators, such as the AFM. In 2023, the committee, on behalf of the Supervisory Board, commissioned the internal investigation into the (possible) unauthorised sharing of questions and answers in tests and held very frequent discussions with the investigators, Governing Board and Head of Audit on this matter. The Quality and Public Interest Committee meets on a regular basis with the CQO, the Head of Audit and others responsible for quality management, compliance and risk management.

CONSULTATION	SB MEMBERS	FREQUENCY	ATTENDANCE
SB meeting	Full SB	5	96%
SB-BoD meeting	Full SB	5	96%
Audit Committee	Dennis Raithel (chair) Engelhardt Robbe	2	100%
Remuneration & Appointment Committee	Heleen Kuijten (chair) Danny van der Eijk	2	100%
Quality & Public Interest Committee	Engelhardt Robbe (chair) Bernadette Langius	6	100%

Other meetings and activities

The Supervisory Board also conducted monthly conference calls in which the members updated each other on current developments and the interactions they had with the Governing Board and internal or external stakeholders in the context of their role. In addition, discussions are held periodically between the two chairs and between committee chairs and Board members on specific developments and issues. Consultations were also held with the Works Council and a strategic session was held with the Works Council, in the presence of the Governing Board. At the Participants' Meetings, a representative of the Supervisory Board was present, with the (vice) chair providing general feedback on the Supervisory Board's fulfilment of its role in the previous period. The members of the Supervisory Board interacted with the partner group and with individual partners at these meetings and on other occasions.

Through all these moments of contact and conversations, the Supervisory Board receives important input and can form a good picture of issues and developments, enabling us to perform our role in the best possible way.

Overview of other topics

In addition to the aforementioned topics and developments, the regular meetings with the Governing Board and committee consultations included the following topics:

- ▶ Financial results and reporting;
- ▶ Management information and reports and non-financial Key Performance Indicators (KPIs);
- ▶ Internal and external quality checks;
- ▶ Assessment of strategic risks;
- ▶ Information security and privacy;
- ▶ Assurance & Audit quarterly reports and ongoing investigations regulators;
- ▶ QRM reports (status of issues such as independence, integrity, claims, risk management, regulations, etc.);
- ▶ Compliance with key policies and processes;
- ▶ Quality policy adjustments;
- ▶ Assessment of internal auditor and status of internal audit projects;
- ▶ Financial interests policy;
- ▶ Governing Board ancillary positions;
- ▶ Competence profiles partners and staff;
- ▶ Remuneration policy for partners and other professionals;
- ▶ Appointment of Audit & Assurance partners;
- ▶ Termination of management agreements with equity partners;
- ▶ Exit monitoring of partners and key officers;
- ▶ Contacts with regulators and professional bodies;
- ▶ Developments regarding the accounting profession.

Decision-making by Supervisory Board

The formal decisions taken during meetings of the Supervisory Board included:

- ▶ Approval of annual report, including financial statements for 2022;
- ▶ Approval of Transparency Report for 2022;
- ▶ Appointment of auditor of financial statements for 2023;
- ▶ Approval of budget for 2024;
- ▶ Proposed new remuneration policy 2024-2025, for members of the Governing Board and Head of Audit;
- ▶ Adjustment decision remuneration for 2022 and decision remuneration 2023 for members of the Governing Board and Head of Audit;
- ▶ Level of remuneration of Governing Board members and Head of Audit per 1 January 2024;
- ▶ Approval of nomination of independent external auditor;
- ▶ Approval of nomination of Audit & Assurance professionals for appointment as salaried and equity partners;
- ▶ Approval Internal Audit Plan 2024;
- ▶ Investment policy approval for participants.

Performance assessment and remuneration of Supervisory Board and Governing Board members

Self-assessment of Supervisory Board

As in previous years, we evaluated our performance as a collective and as individual members. To arrive at a more complete evaluation, we also asked the Governing Board and a representative of participants to provide input for this. We have been able to establish that the mutual cooperation is perceived as pleasant and constructive and that all members have sufficient space to express their views and contribute within the various meetings. The current distribution of focus areas among the various committees, each consisting of two members, works well. The cooperation and communication with the Governing Board and participants is perceived by stakeholders as reliable, committed and open.

Remuneration of Supervisory Board members

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

Performance assessment and remuneration of Governing Board members

Individual performance interviews were conducted with the members of Governing Board and the Head of Audit early in 2023. We held progress meetings with them in the third quarter. In April 2023, the remuneration policy was amended for the directors of the top holding company and the policymakers of the PIE audit firm with the approval of the Meeting of Participants. In accordance with the amended remuneration policy, the Supervisory Board retroactively indexed the fixed remuneration for 2022 and set the remuneration for 2023 based on this indexation. In accordance with the applicable remuneration policy, which requires a reassessment every two years, the Supervisory Board proposed in autumn 2023, based on a benchmark conducted, not to adjust the remuneration policy for the years 2024 and 2025. This proposal was adopted by the Meeting of Participants.

Independence

Our duties and powers should be carried out within the applicable regulations on independence. The BDO Compliance Officer monitors the personal and financial independence of the members of the Supervisory Board. The conditions for guaranteeing the independence of members of the Supervisory Board from the BDO organisation were monitored in 2023. All members qualified as independent in accordance with applicable regulations at the end of 2023.

Training

In 2023, the Supervisory Board attended a knowledge session on developments within sustainability. This led to a deepening of our knowledge, its importance, laws and regulations and the impact of sustainability on BDO's services and more specifically on the role of accountants.

Financial statements

The annual report and financial statements for 2023 were prepared by the Governing Board. The financial statements were audited by Mazars, our independent external auditor. The audit findings were discussed with the Audit Committee in the presence of the Governing Board. The Supervisory Board subsequently approved the annual report and the financial statements for 2023 at its meeting with the Governing Board on 23 April 2024.

Transparency report

The policymakers discussed the contents of the transparency report for 2023 with us. We believe the content of the report is consistent with our view of the past year and accurately reflects the relevant issues, progress and state of affairs as presented and explained to us, and on which monitoring by us has taken place.

Conclusion

We found that good steps were taken on the various themes and expect this to have a positive impact on the quality of our services and employee satisfaction. We also see that external developments have meant that, on the one hand, especially within the consultancy sector, organisations are less likely to seek external help and, on the other hand, BDO has to refuse or postpone engagements due to insufficient capacity. We also see increasing pressure on the organisation with regard to meeting all regulations and quality requirements. In all these developments, we noted that the Board has initiated measures that we will continue to monitor in 2024.

Furthermore, we are satisfied with the process initiated by the Governing Board regarding the strategic recalibration and the choices made. Finally, we can note that cooperation with the Governing Board over the past year has been good and in an open, constructive atmosphere, and we look forward to continuing our constructive cooperation in 2024.

Outlook

The year 2024 will mainly be focused on implementing the updated strategy. We expect the choices made to ensure a future-proof, agile and decisive organisation, making it more responsive to rapidly changing market developments. We will closely monitor this implementation and fulfil our advisory role where necessary. Important themes for us are further accelerating diversity and inclusion, fostering an enjoyable and safe working environment and implementing shared responsibility with regard to regulations and quality requirements. Furthermore, we will continue to closely monitor the conduct and completion of the internal investigation into the (possible) unauthorised sharing of questions and answers in tests. As the Supervisory Board, we will thoroughly monitor the implementation of the necessary measures and advise the Governing Board where appropriate. We will proactively support the Governing Board in the aforementioned and new challenges and issues.

Eindhoven, 23 April 2024

Supervisory Board

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



Supervisory Board

*Left to right: Danny van der Eijk (chair),
Heleen Kujten-Koenen, Dennis Raithe,
Bernadette Langius (vice-chair) and Engelhardt Robbe*

3. Quality in 2023

In this chapter, we will describe the most relevant issues and developments in the reporting period that pertain to our vision of quality and our system of quality management, partly based on quality indicators. This chapter also gives an account of the external supervision of our organisation in 2023 by external supervisory bodies such as the Dutch Authority for the Financial Markets (AFM). Lastly, this chapter includes the required statement by the policymakers regarding the effectiveness of the internal system of quality management, the internal assessment of compliance with the independence requirements and compliance with the policy on the continuing professional development (CPD) of our partners and other professionals.

A full description of the system of quality management in place at BDO Audit & Assurance B.V. in 2023 is available [here](#).



Quality and quality management

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

Since 15 December 2022, BDO Netherlands' system of quality management has been such in design and implementation that it meets the requirements of new *International Standard on Quality Management 1 (ISQM 1)* and the related BDO ISQM Policies issued by BDO Global. BDO is responsible for designing, implementing and operating a system of quality management for audit and review engagements involving financial statements, or other assurance or assurance-related engagements performed by BDO, that provides the organisation with reasonable assurance that the objectives of the system of quality management are met. BDO has invested considerable time and resources in establishing and operating a system of quality management that complies with ISQM 1 and achieves the objectives that:

- ▶ the organisation and the professionals fulfil their responsibilities in accordance with professional standards and applicable requirements under laws and regulations and perform engagements in accordance with such standards and requirements; and
- ▶ the reports and statements we provide are accurate under the given circumstances.

BDO has adopted for all components within the BDO system of quality management all required quality objectives and specified measures as set out in ISQM 1. The BDO system of quality management consists of the following components:

- ▶ Risk management;
- ▶ Organisational context: organisational structure, culture and leadership;
- ▶ Ethical standards;
- ▶ People and resources;
- ▶ Acceptance and continuance of client relationships and engagements;
- ▶ Engagement performance;
- ▶ Information and communication;
- ▶ Monitoring and remediation.

These components function in an iterative and integrated manner within the organisation's system of quality management. Other requirements of ISQM 1 include roles and responsibilities with regard to the system of quality management, evaluation by the organisation's leadership of the system of quality management as a whole, network requirements and network services, and documentation.

BDO's ambition is to deliver top quality anywhere and at any time. Delivering top quality anywhere and at any time means ensuring the continuity of all types of services, within the applicable rules and regulations, to meet the expectations of our key stakeholders with regard to the specific service, the service provision process and our organisation, and exceeding those expectations wherever possible.

... in continuity

Delivering top quality is part of our vision on long-term value creation. The world around us is constantly changing and with it the expectations of our stakeholders. That is why we always stay connected to the environment in which we operate. As a learning organisation, we continuously improve ourselves and our services.

... of all types of services

We deliver top quality in all our services. The ambition to deliver top quality always and everywhere applies to the whole of BDO. All BDO professionals contribute to that top quality, either directly (by being involved in engagements) or indirectly (through their quality-related activities or other forms of support).

... within the applicable rules and regulations

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

... to meet the expectations

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

... of our key stakeholders

In order to deliver top quality, we want to meet at least the expectations of our key stakeholders. Stakeholders are individuals, groups or organisations that have an interest in our services or are affected by their results. Our audit clients are our most direct stakeholders, but not our key stakeholders per se. They are our paying clients. We deliver

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

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

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

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

... exceeding those expectations wherever possible

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

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

To support the achievement of the overarching objectives of the system of quality management, we follow a risk-based approach in establishing and continuously improving that system:

- ▶ *Quality objectives.* The risk-based approach starts with setting the quality objectives as prescribed in ISQM 1, supplemented where necessary by quality objectives specific to our organisation.
- ▶ *Quality risks.* This is followed by identifying and analysing risks that threaten the achievement of those quality objectives. In doing so, we take into account the nature and circumstances of our organisation and of the engagements we carry out, as well as situations, events and circumstances that may affect the system of quality management.
- ▶ *Quality measures.* We then develop and implement appropriate measures that reduce quality risks to an acceptable level and contribute to achieving quality objectives.
- ▶ *Monitoring and remediation.* To identify areas for improvement, we monitor the design, implementation and effective operation of our system of quality management. For identified deficiencies, we conduct root cause analyses and take timely remedial action.

We are alert to changes in the nature and circumstances of our organisation and our engagements and identify at least annually any changes in laws and regulations, professional standards and requirements from BDO Global that affect our quality management. We adjust our quality objectives, quality risks and quality measures accordingly, if necessary.

A robust monitoring and remediation process is important to continuously improve quality processes in the organisation. The implementation of monitoring activities can lead to the identification of deficiencies in the system of quality management.

A system of quality management deficiency exists if:

- ▶ a quality objective required under ISQM 1 is (partially) missing or an additional quality objective required to achieve the system of quality management objectives is missing;
- ▶ a quality risk, or combination of quality risks, has not been identified or an identified quality risk, or combination of quality risks, has not been adequately assessed;
- ▶ a quality measure, or combination of quality measures, has not been adequately designed, implemented or is not operating effectively, such that it does not reduce the probability of a related quality risk occurring to an acceptably low level; or
- ▶ another aspect of the system of quality management is missing, or is not adequately designed or is not operating effectively, so that a requirement of ISQM 1 is not met.

A fundamental aspect of an effective monitoring and remediation process is to conduct root cause analyses on identified deficiencies to understand why those deficiencies occurred and to be able to design an effective remedial plan that prevents the recurrence of those deficiencies in the future. At least once a year, we evaluate whether the identified deficiencies have a serious and/or profound impact on achieving the quality objectives in our system of quality management.

We will describe the most relevant developments in our system of quality management in 2023 based on the following subjects:



Connection and job satisfaction

When it comes to working together, our employees are intrinsically motivated and enthusiastic, as this enables them to get the best out of themselves and each other.

*Cynara Maduro (Senior Compliance Assistant, RLCC, A&B Rotterdam)
and Stefan 't Jong (Accountancy Team Leader, A&B Rotterdam)*

1 Organisational structure

Meeting of Participants

As at 31 December 2023, BDO had 69 holders of depositary receipts (2022: 67) of which 24 are external auditors (2022: 25) working on behalf of BDO Audit & Assurance B.V.

Governing Board

On 31 December 2023, the members of the Governing Board were:

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

There were no changes in the membership of the Governing Board in 2023.

Supervisory Board

On 31 December 2023, the members of the Supervisory Board were:

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

There were no changes in the membership of the Supervisory Board in 2023.

In 2024, the terms of two members of the Supervisory Board (Bernadette Langius and Dennis Raithel) will end. They are not eligible for reappointment. In 2023, preparations started for the recruitment of two new members for the Supervisory Board.

Audit & Assurance Management Team

On 31 December 2023, the members of the Audit & Assurance Management Team (A&A MT) were:

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

There were no changes in the membership of the A&A MT in 2023.

With effect from 1 January 2024, M.A. (Marco) Francken, responsible for the IT Risk Assurance practice within BDO, was appointed as a member of the MT A&A.

On April 12, 2024, Wilma de Wit resigned from her position as a member of the MT A&A.

Quality Council

The Quality Council is a consultative body that serves as a sounding board to the Governing Board and supports it in fulfilling its responsibilities for designing, implementing, evaluating and making adjustments to quality management procedures.

The Quality Council met five times in 2023 and discussed, among other things, the BDO Quality Policy and changes therein, the approach to quality management in 2023 (including the interpretation of functional roles related to the system of quality management, the approach to monitoring and evaluation and the use of business intelligence tooling for (process) monitoring of engagement execution) the publications and reports of the AFM (including on incidents, fraud risk analysis, acceptance and continuance of client relationships and engagements and sector trends), the guidelines and expectations of BDO Global regarding quality management, Audit Quality Indicators (AQIs), the outcomes of internal (quality) culture measurements, scientific insights on quality-focused culture and behaviour, and other impactful signals and developments.

Young A&A MT

The Young A&A MT is an advisory body to the A&A MT. It has six members who are young BDO professionals from the A&A practice. The goal is for the Young MT to have a balanced composition between male and female members, spread across job levels and locations. In 2023, the A&A MT discussed, in several meetings with the Young A&A MT, among other things, the use of audit automation tools in relation to the attractiveness of work of trainees and starters, the new competence and job profiles for the A&A practice, the assessment of competences and development points on quality and their improvement, experiences with terms of employment in practice (including application of (starting) salaries, study schemes, performance and quality bonuses) and the presence of members of the Young A&A MT at external meetings (including the NBA Council for Practical Training, the AFM, the Young Boards of PIE firms, the NBA Young Boards and the Coordinators for the Future of the Accountancy Sector).

Key figures - BDO Global

GLOBAL REVENUE	2023	2022
Revenue*	13,000	11,800
By service line:		
▶ Audit & Assurance	42%	42%
▶ Business Services & Outsourcing	14%	14%
▶ Tax	23%	22%
▶ Advisory	21%	22%

* Amounts in EUR millions.

BDO's total revenue from statutory audits of separate and consolidated financial statements in the EU/EEA was approximately EUR 630 million in 2023 (2022: EUR 559 million). We would note that the different member firms have different financial years. The amount provided is based on the most recently closed financial year. The average exchange rate for the reporting period was used for countries with a currency other than the euro. The EU/EEA countries where BDO has a presence and the location of the offices are listed in [annex B](#).

Other key figures for the international BDO network

BREAKDOWN	2023	2022
Country presence	166	164
Number of offices	1,776	1,803

EMPLOYEES	2023	2022
Partners	8,134	7,744
Other professionals	92,579	89,585
Support staff	14,948	13,978
Total headcount	115,661	111,307

BDO INTERNATIONAL

1,776
OFFICES



166
COUNTRIES

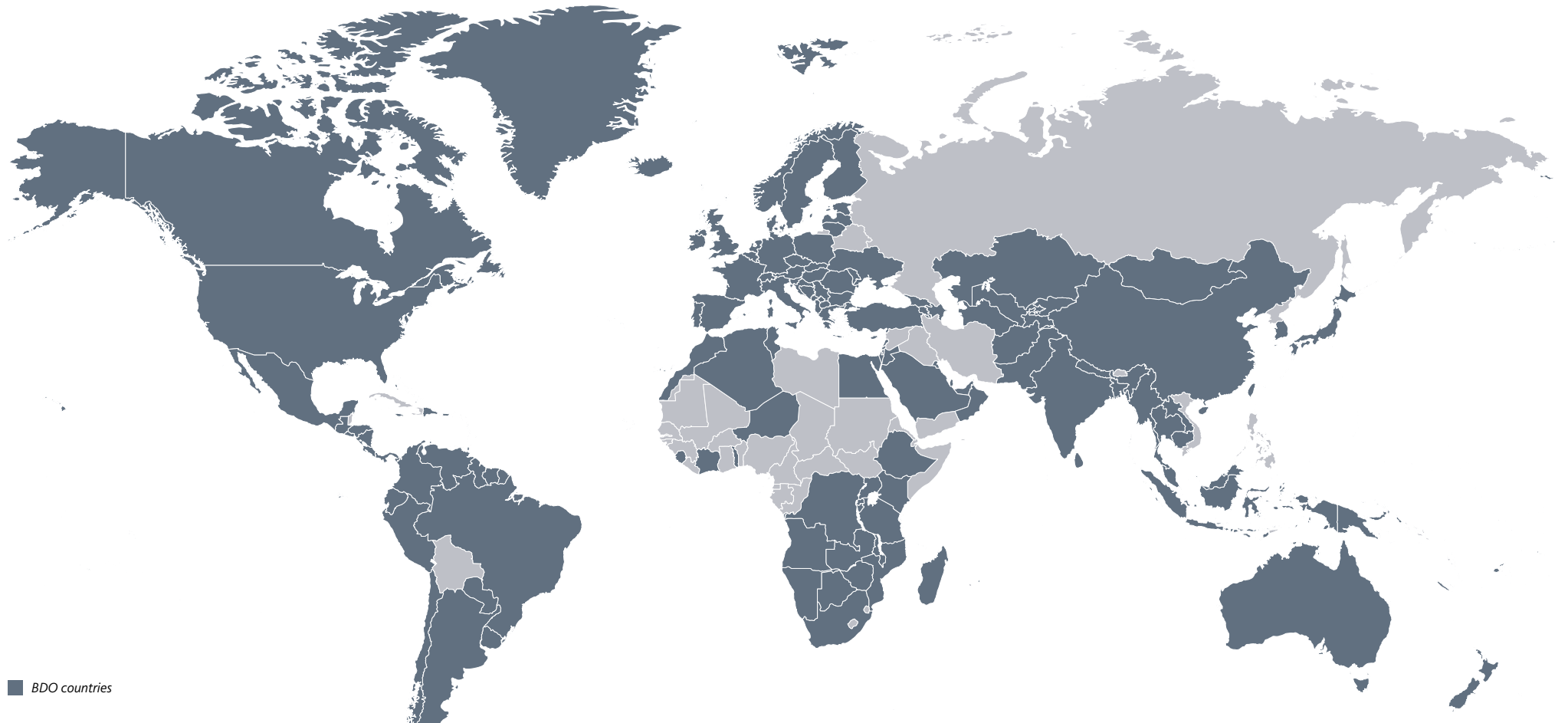


115,600+
PROFESSIONALS



13 bln
REVENUE 2022-2023





■ BDO countries

EMEA		AMERICAS		ASIA PACIFIC	
499 OFFICES		1,146 OFFICES		131 OFFICES	
 4.2 bln REVENUE 2022-2023		 7.5 bln REVENUE 2022-2023		 1.4 bln REVENUE 2023-2023	
38,900+ PROFESSIONALS		49,000+ PROFESSIONALS		27,600+ PROFESSIONALS	
 32 TURNOVER CONTRIBUTION		 57 TURNOVER CONTRIBUTION		 11 TURNOVER CONTRIBUTION	

2 Culture and leadership

We describe the desired BDO culture as follows: *"An open, people- and quality-oriented culture, within which we feel safe and feel that we belong with all our differences, where we are happy in our jobs at a learning, resilient and value-driven organisation. We want to offer an environment where change is seen as an opportunity to take the next step together, where everyone leads by example and contributes to our mission to become better as an organisation. We are not afraid to give and receive feedback. We never lose sight of the interests of people and society in the choices we make."*

BDO Horizon is the organisation-wide culture programme that helps BDO and its people to keep moving towards this desired culture.

To measure whether we are moving steadily towards the quality-oriented culture we envision and whether our related initiatives are finding fertile ground, we regularly conduct employee surveys.

In 2023, the Horizon measurement was completed by 60.5% (2022: 48.8%) of BDO employees. This high response rate is the first measure of peer confidence to what degree their voice is heard.

In general, BDO employees feel that their supervisors trust them to do their jobs well and that they can turn to colleagues for help. BDO employees also experience a pleasant working atmosphere, that quality is central within their department and that they can be themselves. Of course, we also see room for improvement. Several questions regarding vitality score relatively low (but still sufficient) and deserve our attention in the coming period. Furthermore, we sometimes see big differences between departments and practices. Differences can arise from, among other things, diversity in client portfolios, service delivery, team composition or staff turnover.

In following up the results, we recognised the following focal points, taking into account local differences:

- ▶ Celebrating successes;
- ▶ Inclusion and diversity;
- ▶ Employee vitality;
- ▶ Constructive feedback.

A brief quality measurement was also carried out at the end of 2023 using ten statements by BDO Global. Within the A&A practice, colleagues are most positive about the appreciation of quality within our organisation and the commitment to demonstrating ethical behaviour. A key concern relates to the extent to which colleagues feel that they have sufficient time to perform their work to a high standard. We include the results of this measurement in the follow-up within the BDO Horizon culture programme.

3 Our people

Staffing

In 2023, the average number of partners, senior managers, managers and other team members in, or affiliated with, BDO A&A increased by 4.8% to 957 (2022: 913). The increase in 2023 was higher than in 2022 (1.7%). In 2023, the cooperation between our recruiters, educational institutions and BDO practices improved and we realised successful recruitment of starters and good internal flow.

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

2023*	Partners	(Sr.) Managers	Other	Total
Number	71	206	681	957
Ratio (% of total)	7%	21%	71%	100%
2022*	Partners	(Sr.) Managers	Other	Total
Number	69	194	651	913
Ratio (% of total)	8%	21%	71%	100%

* Totals/percentages may deviate due to rounding differences.

The average number of years of experience at BDO decreased by 1.9% to 5.1 years (2022: 5.2). Although, in 2023, managers and senior managers had been with BDO longer than in 2022 on average, the average number of years of experience at BDO of partners and other team members was lower in 2023 than in 2022.

Average years of experience at BDO, by role

	2023	2022
Partners	17.5	17.8
(Senior) Managers	10.0	9.8
Other team members	2.7	2.8
Average	5.1	5.2

The overall turnover within our formation decreased slightly to 14.5% in 2023 (2022: 14.7%). Turnover decreased among (senior) managers and other staff and increased among partners. Retaining relatively experienced young professionals continues to be a challenge.

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

	2023	2022*
Partners	5.7%	4.3%
(Senior) Managers	9.7%	10.3%
Other team members	16.9%	17.1%
Total	14.5%	14.7%

* Comparative figures adjusted following changed calculation method in line with the financial statements (externals, working students, on-call and holiday workers have been excluded from the calculation and employees entering as well as leaving employment during the year have been included in the calculation).

In 2023, in the form of a pilot, we started deploying so-called 'extension staff' in the execution of audit engagements: BDO employees in South Africa who physically work abroad and are virtually absorbed into audit teams in the Netherlands. Extension staff can be used to fill temporary staff shortages, such as during the 'busy season', for one-off projects or in case of illness or pregnancy of in-house staff. The management, supervision and review of these employees takes place entirely within the audit team in the Netherlands. Furthermore, before starting work, these employees receive introductory training on, among other things, the use of tools in the Netherlands and Dutch culture and customs, and periodic evaluation interviews take place to ensure the desired quality.

Development and continuing professional development (CPD)

We continuously invest in the knowledge and skills of our professionals. The average number of hours our professionals spent on training and education rose by 3.5% in 2023, landing at 220.8 (2022: 213.4).

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

	2023	2022
Partners	83.0	87.6
(Senior) Managers	104.4	86.6
Other team members	270.6	262.4
Total	220.8	213.4

In 2023, the BDO core values and desired behaviours were translated into six core competencies. As employees grow within the organisation and take on other responsibilities, other competences become important. Therefore, two additional competences have been added in the management and partner profile. For each profile, the competences and the underlying behavioural indicators describe what we expect in terms of attitude, skills and behaviour. The new competence profiles provide recognition and facilitate dialogue on the development of our people. They make expectations clear and we can challenge and give each other feedback on them, which suits the learning organisation we aim to be.

Mentoring is vital for professional and personal development. It contributes to an environment where employees matter, know what is expected of them and that encourages them to do their best. A mentor is there to address work-related and personal issues directly and easily. In 2023, the mentoring role was refined, and is fulfilled as much as possible by colleagues within their own practice with affinity and talent for the role. Not everyone is required to fulfil the role of mentor anymore. A good mentor is genuinely interested, makes time, is able to bring out and encourage talents and dares to be honest. A mentor preferably supervises more than one and a maximum of three mentees.

'Learning & Development (L&O)' is one of the programmes within the BDO Horizon culture programme. The L&O programme aims to train colleagues to become top professionals. We do this by stimulating education and development with an up-to-date, tailor-made development programme: a diverse range of both compulsory and non-compulsory education, training, courses and other interventions through which colleagues can continuously develop their knowledge and skills.

In 2023, the complete picture of learning and development offerings per Line of Service and per function group was made transparent in so-called 'learning pathways'. The learning pathways give every BDO employee an overview of all relevant learning and development opportunities, distinguishing between Guidance, Professional Knowledge & Skills, (Practical) Training, Performance and Technology.

To minimise identified duplication between internal and external programmes and tools, 'BDO PRO' was launched in 2023. BDO PRO stands for Professional Reflection & Development and is the central environment for training and development within BDO A&A. Several HR tools come together in BDO PRO, such as PRO Professional Practice (formerly: Training on the Job (TOJ)), PRO Skills, PRO Self-reflection and the Practical Internship as part of the Chartered Accountant course. Employees are facilitated in recording their development in a logical place, allowing them to keep an overview and control of their own professional development. With BDO PRO, we encourage the enhancement of reflective capacity, which contributes at a personal level to the development into a skilled accountant and at an organisational level to a learning culture.

In summer 2023, all (junior/senior) assistants attended the two-day Summer School and the (junior/senior) managers and partners attended the three-day Summer Course in which the theme 'Questioning mind' was considered for all participants in the skills programme. In addition, the Summer Course paid particular attention to the topic of 'ESG Assurance', which was followed up in national professional meetings in the autumn. With this, BDO has fulfilled the mandatory CPD topic 'sustainability' and is preparing for our upcoming responsibilities with regard to sustainability reporting.

Internal central monitoring of CPD portfolios (for the purpose of compliance with the Detailed Regulations on Continuing Professional Development (in Dutch: Nadere voorschriften permanente educatie, NV PE) by chartered accountants and accountant-administration consultants registered with the Netherlands Institute of Chartered Accountants (NBA)) revealed that:

- ▶ all accountants declared on time that they met their CPD obligation by issuing the PE compliance declaration on MijnNBA before the deadline of 31 January 2023 and completing the correct steps in the internal personnel registration system 'BDO that's me' to close their 2022 CPD portfolio (the NBA has granted a waiver of the 2022 CPD obligation for one accountant due to prolonged absence); and
- ▶ four accountants did not record their plan of action in their 2023 CPD portfolio in time, i.e. before 1 April 2023, due to, among other things, prolonged absences, personal circumstances or a system error (in all cases, a plan of action was still included in the CPD portfolio later in the year, and for two other accountants, the NBA granted a waiver for the 2023 CPD obligation).

Performance assessment and remuneration of partners and other professionals

In line with the new competence profiles, the TOP Quality Bonus was also updated and communicated internally to employees in 2023. This clarifies which competences we value in particular and that quality remains decisive when assessing and rewarding employees.

At the end of 2023, it was also decided to start exploring the extent to which the current bonus system within A&A, consisting of a performance bonus and a quality bonus, could be recalibrated to permanently include sufficient performance incentives to ensure the quality of statutory audits.



Development opportunities

BDO is committed to sustainable investments in employee learning and development, both now and in the future. We endeavour to provide professional challenges and development opportunities in a learning environment so that we can get the best out of our employees.

Justin Taylor-Snyman (Senior Assistant Accountant, A&A Rotterdam)

4 Ethical standards

Integrity and independence

Sound and ethical operations

Money laundering, terrorist financing, fraud and corruption, as well our gatekeeping role, continued to be topics of public debate in 2023. A mandatory e-learning course and an internal knowledge base in which cases are periodically shared have helped to refresh and update knowledge and awareness of the Dutch Prevention of Money Laundering and Terrorist Financing Act (Wwft). We will continue to make time to keep our knowledge of money laundering, terrorist financing, fraud and corruption up to par, to identify irregularities and to follow them up appropriately.

BDO A&A filed 62 reports of unusual transactions with the Financial Intelligence Unit (FIU) under the Wwft in 2023 (2022: 28 reports), an increase of 121% compared with 2022. We saw increased alertness to unusual transactions in 2023, both among auditors and audit clients, prompted in part by rapid changes in directly or indirectly related laws and regulations (including Wwft and sanctions legislation) and related publications (including guidelines, high-risk country lists), investigations by regulators and internally tightened procedures and practices. No transactions were reported involving the transfer of funds between BDO and our clients (objective indicator). The law prevents us from providing any further information about the nature of these reports.

	2023	2022
Reports of unusual transactions	62	28

In 2023, within the Quality & Risk Management (QRM) department, work related to Wwft and sanctions legislation in particular was centralised within a newly designed Economic Crime unit. Steps have also been taken to develop policies on financial-economic crime, known as FEC policies, as a specific part of the system of quality management. The FEC policy describes how risks of financial-economic crime within BDO's client portfolio are identified, mitigated and managed. BDO distinguishes between money laundering, terrorist financing, violations of laws and regulations on sanctions and bribery and corruption.

Independence

Four violations of the independence policy were identified in 2023 (2022: 3):

- ▶ In two cases, a partner owned shares in an assurance client or a third party related to an assurance client. This violates our internal prohibition on holding financial interests in assurance clients and third parties related to assurance clients. The first case concerned a financial interest in another assurance relationship (non-audit client) held by a partner from another part of the BDO network, which also involved a breach of the Regulation regarding the Independence of Accountants in the case of Assurance Engagements (ViO). The second case involved a financial interest in an assurance client-related third party with policy-making influence in the assurance client. However, the assurance client was not material to this related third party, so there was no violation of the ViO. In both cases, the partners were not involved in serving the relevant assurance clients.
- ▶ In the third case, a BDO Member Firm, based in another European Member State, provided a prohibited non-audit service (namely the preparation of VAT tax forms) to a foreign subsidiary, based in another Member State than the BDO Member Firm in question, of a BDO PIE audit client in the Netherlands. This resulted in a breach of EU Audit Regulation 537/2014 and the ViO (although materially, there was no threat to independence).
- ▶ In the fourth case, it was found at the end of the year that earlier in the year, the life partner of a partner from another part of the BDO network had joined and become a co-shareholder of a non-PIE audit client of BDO. As a result, there was a financial interest in a responsible entity held by a close financial relationship of a partner of another part of the network, leading to a prohibition under the ViO to perform an assurance engagement for that entity. This case was also reported to the AFM as an incident.

For these four cases, the underlying causes were investigated, it was assessed whether there were also material threats to the independence of the responsible auditors and, partly as a result of this, appropriate (remedial) measures were taken, including disposing of financial interests, terminating assurance engagements (prematurely) and/or consulting with or reporting to the AFM.

	2023	2022
Number of internally identified violations of independence rules	4	3

There has been an increase in changes to independence regulations (including in relation to group audits, ESG services, technology services and the definition of Public Interest Entities (PIEs)). The degree of *rule-based* regulation in the Code of Ethics is increasing, leading to further amendments to the ViO. Regulations are becoming more complex, which increases the risk of misinterpretation and/or non-compliance and requires investment in knowledge and support in and to the practices. Changes were communicated to audit teams via internal Independence Alerts and, where necessary, adjustments were made to the relevant questionnaires for the purpose of engagement acceptance and continuance.

In 2023, we performed the review of the *fee cap* that the EU Regulation imposes on the concurrence of services to PIEs (where permitted). This means that, if BDO provided other services to a PIE audit client (or to that PIE's parent company or any of its subsidiaries) during the period 2020-2022, the total fees for these services are not, in the financial 2023, to exceed 70% of the average fees the PIE (and, where applicable, its parent company or any of its subsidiaries) paid for the statutory audit or audits of its separate and consolidated financial statements in the financial years 2020-2022. A comprehensive risk assessment showed that our fees were well below the *fee cap* in 2023. We also intensively monitor the acceptance of other services at PIE audit clients and no reports have been received from engagement teams regarding exceeding this *fee cap*, on which they have included a mandatory paragraph in the audit report for PIE audit clients since 2021.

Monitoring on financial interests, gifts and hospitality, partner and office rotation, ancillary activities, onboarding checks on joining the firm and compliance statements, among other things, did not reveal any particularities (other than the violations of the independence policy mentioned above).

As part of the procedure for monitoring of the financial position of audit/equity partners, in 2023, the designated officer reviewed the financial position of the equity partners who were newly appointed on 1 January 2024, the policymakers and a number of equity partners (so that all equity partners are reviewed once every three years).

This assessment is aimed at reviewing the equity partner's financial position, establishing compliance with the General Provisions, and verifying the accuracy of the completed Compliance Statements. This review revealed some observations regarding financial interests of close financial relations of prospective equity partners to be appointed, which were followed up in the further appointment process and compliance with the independence policy.

Prior to any engagement acceptance or continuance, we carry out a conflict-of-interest check. In doing so, we assess whether there are any conflicts of interest that could lead to a threat to our objectivity or any of the other fundamental principles (professionalism, integrity, professional competence and due care and confidentiality). This also identifies any threats to independence. The digital platform used by the international BDO network to conduct such conflict-of-interest checks and independence assessments will be replaced in stages by the COI 2.0 tool. The first phases were taken into use in 2023. The new tool COI 2.0 consists of two systems:

- ▶ Entity Management System (EMS): this system will contain the legal structures ('corporate trees') of all BDO clients (which have been validated by the responsible BDO partner by confirming their accuracy and completeness);
- ▶ Conflict Management System (CMS): this system concerns an automated solution within which the entire process of the international conflict-of-interest check and independence assessment will be handled.

Confidentiality, information security and privacy

To promote awareness of information security and privacy, and encourage appropriate conduct, we required everyone at BDO to take e-learning modules on these topics in 2023. These training sessions focus on recognising high-risk situations and are tailor-made for BDO. Professionals are also regularly alerted to specific new information security and privacy risks on the intranet and via email.

In 2023, the risk assessments were updated in respect of the availability, integrity and confidentiality of key processes within the organisation and the BDO Information Security Management System (ISMS) was subjected to internal as well as external audits. These audits showed that BDO manages risks effectively and meets the requirements of the ISO 27001 standard.

BDO A&A recorded 25 security incidents in 2023 (2022: 29), of which 14 involved data breaches (2022: 20). None of these data breaches was found to be 'serious', meaning that it could have posed a considerable risk of a serious threat to the protection of personal data. Accordingly, no data breaches were reported to the Dutch Data Protection Authority (DPA) (2022: 0).

	2023	2022
Number of recorded security incidents	25	29
Number of recorded data breaches	14	20
Number of data breaches reported to DPA	0	0

Many new laws and regulations are expected in the field of information security and privacy (including the Network and Information Security Directive (NIS2 Directive), the Corporate Sustainability Due Diligence Directive (CSDDD), EU AI Act, the Accessibility Act, the ePrivacy Regulation and a new update of the General Data Protection Regulation (Implementation) Act), for which we are taking the necessary preparatory measures internally (including analysis and implementation in policies, systems and processes). Such new laws and regulations often also apply to our clients and this leads to an increase in security and privacy questions, including in requests for proposals and tender procedures.

Complaints, whistleblowers and claims

In 2023, the total number of external and internal complaints, whistleblowing reports, claims and disciplinary complaints regarding statutory audit engagements and/or external auditors remained the same at 2 (2022: 2). It involves an external complaint filed and a claim filed. No internal complaints or whistleblower reports were received, nor new disciplinary cases filed.

The external complaints procedure and whistleblower policy are instruments for monitoring the integrity of people's actions. In the first quarter of 2023, the Whistleblowers Protection Act came into force, as a result of which we revised our whistleblower scheme. The new regulation replaced the regulations accompanying the Terms of Employment, has been given a more central place in the BDO Quality Policy and has been published on the BDO intranet as well as on BDO's external website.

The complaint received in 2023 concerned a former employee who disagreed that, under the terms and conditions of employment, the tablet obtained during employment should be returned upon leaving employment. The complaint has been settled.

The claim received in 2023 concerned an audit client who, before the audit process was completed, refused to pay invoices, believing that BDO's conduct of the audit was inefficient and ineffective, that mistakes had been made and that damage had been suffered as a result. BDO's claims manager met with the client in question and made arrangements with the client, after which the client withdrew the claim, paid the outstanding invoices and the audit was completed.

	2023	2022
Number of external complaints (as per Regulations regarding handling of complaints by the BDO Complaints Handling Committee)	1	0
Number of internal complaints (as per Complaints Procedure (formerly known as the Regulations regarding submission and handling of complaints))	0	0
Number of whistleblowing reports (as per BDO Whistleblower Policy)	0	0
Number of claims against organisation	1	1
Number of disciplinary complaints against external auditors	0	1
Total	2	2

The following disciplinary complaints were pending against BDO external auditors before the Accountancy Division and/or the Dutch Trade and Industry Appeals Tribunal (CBB) in 2023:

- ▶ An external auditor was accused of failing to exercise professional due care in their audit of a fund's profit and/or dividend distributions and of not having provided – enough of – a true and fair view in the fund's financial statements for 2016 and 2017. The Accountancy Division ruled on 27 December 2021 that the complaint was partly founded and issued a written warning against the external auditor. Both the complainant and the external auditor appealed the decision. The date for the hearing had not been set at the time of this writing.
- ▶ An external auditor was accused of having made an error in the scope of the auditor's report (unqualified) that was issued on the financial statements for 2020 of a foundation. The complainant asserted that the foundation's financial statements did not comply with the law and its Articles of Association, and that the auditor's report contained incorrect information about the responsibilities and powers of the foundation's management and board. The Accountancy Division issued a ruling on 21 October 2022. While it upheld one part of the complaint, no sanctions were imposed. The complainant lodged an appeal. The date for the hearing had not been set at the time of this writing.

In 2023, the following disciplinary cases were completed:

- ▶ An auditor was accused of not having performed enough audit procedures in their capacity as group auditor and having insufficiently documented the procedures performed by the component auditor and/or the foreign subsidiary of the audit subject. The hearing before the Accountancy Division was on 30 September 2022 and the ruling was issued on 23 January 2023. The Accountancy Division upheld one part of the complaint and issued a written warning against the auditor in question. The parties concerned settled and did not appeal. The Accountancy Division's ruling and the written warning issued are thus final.
 - ▶ An external auditor was accused of having issued an auditor's report that did not comply with the statutory provisions (Section 393(3) and/or (5)(e), Book 2, of the Dutch Civil Code) where it relates to events after the reporting date and the management board report in the financial statements for 2018 of an audit client (complaint filed in 2019). The complainant also asserted that the auditor should have withdrawn or qualified the unqualified opinion. The Accountancy Division ruled on 9 April 2021 that the complaint was partly founded and issued a written reprimand against the auditor in question. The external auditor appealed the decision. Oral proceedings at the CBB took place on 29 March 2023. The CBB upheld the appeal, overturned the earlier decision of the Accountancy Division (including the written reprimand issued) and declared the complaint unfounded.
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5

Acceptance and continuance of client relationships and engagements

Acceptance and continuance of client relationships and engagements

If, in the process of accepting or continuing an engagement, certain risks have been identified or certain criteria have been triggered, QRM will impose one or more risk-mitigating and/or quality measures. The measures imposed include engagement quality review (EQR), theme-based quality review (TBQR), International Financial Reporting Standards (IFRS) review, mandatory consultation with the Professional Practice Department (BVT), deployment of specialist (e.g. in the field of fraud or sanctions/Wwft), mandatory rotation or an instruction for the team composition. Additional measures may be imposed after the engagement has been accepted or continued. These would include quality controls during the performance of the engagement, such as Engagement Team Discussion (ETD) coaching, TBQR, IFRS review and EQR (see also the totals of these quality controls at ['Managing the quality of an engagement'](#)). At BDO A&A, the QRM department imposed one or more measures for 286 engagements (2022: 275) with the expected completion date falling in 2023.

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

	2023	2022*
Number of engagements	286	275

* Comparative figures restated for identified deviation.

In 2023, as in previous years, engagements were rejected in the engagement acceptance process. This included some PIE audit engagements. In these cases, we concluded that the combination of capacity issues and quality issues stood in the way of our ability to provide professional audit services. After due consideration, BDO offboarded a number of clients, for instance because of AML/CTF risks due to sanctions or the nature of a client's activities not aligning with our risk appetite.

Engagements were refused for a number of reasons, including late submission of a request for a proposal (in some cases well after the reporting period had ended), too broad an engagement scope for our available capacity in the relevant period, a conflict of interest or other unacceptable threat to our independence, or the legal entity not being Dutch legal entity and/or an entity's operations not being carried out in the Netherlands. We also refused one audit engagement that was referred to us by other BDO member firms. In doing so, we let the public relevance of the quality of our services in the Netherlands prevail.

Procedure and systems

To ensure higher and more consistent quality of assurance and other services provided by BDO worldwide and to uphold the good reputation of the BDO brand internationally, BDO Global has established international consultation policies. Before we quote for an assurance or assurance-related engagement that meets certain criteria and/or before accepting or continuing such an engagement, a mandatory consultation with BDO Global must take place. Those criteria include the expected size of the engagement, the number of BDO Member Firms involved and the client's business activities (e.g. digital (crypto) assets).

In view of the great importance the process of acceptance and continuance of client relations and engagements in the entire system of quality management and the increasing expectations with regard to that process (e.g. with regard to risk leadership and responsibilities, efficient support by systems and procedures, availability of reliable connections between data and the implementation of the new tool COI 2.0), a project group started a redesign of this process in 2023. This involves examining how organisational structure, leadership and design of procedures and systems can contribute to a more future-proof process of accepting and continuing client relationships and engagements.

Revenue

BDO Netherlands' total revenue for the financial year 2023 was EUR 359.4 million (2022: EUR 343.4 million) (increase of 4.7%). Of this amount, EUR 141.6 million (2022: EUR 132.3 million) (increase of 7.0%) was generated by the A&A LoS.

REVENUE BDO NETHERLANDS*	2023	%	2022	%
Audit & Assurance	141.6	39.4%	132.3	38.5%
Accountancy & Business Advisory	83.6	23.3%	81.6	23.8%
Tax & Legal	95.8	26.7%	92.0	26.8%
Advisory	38.3	10.7%	37.5	10.9%
Total	359.4	100%	343.4	100%

* Amounts in EUR millions. The total amounts/percentages may deviate due to rounding differences.

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

COMPOSITION OF REVENUE BDO 2023*	Statutory audits	Other audits	Other statements and assurance reports	Other services	Total	%
Statutory audits - PIE	11.9		0.5		12.5	3.5%
Statutory audits - other	91.3	1.8	3.5	14.0	110.6	30.8%
Other audits		22.2	1.8	3.1	27.1	7.5%
Other statements and assurance reports			8.8	5.4	14.2	3.9%
Other				195.0	195.0	54.3%
Total	103.2	24.0	14.5	217.6	359.4	100%
COMPOSITION OF REVENUE BDO 2022*	Statutory audits	Other audits	Other statements and assurance reports	Other services	Total	%
Statutory audits - PIE	10.1		0.5		10.7	3.1%
Statutory audits - other	83.8	2.3	5.0	14.9	106.0	30.9%
Other audits		22.2	1.6	3.1	26.9	7.8%
Other statements and assurance reports			8.2	6.7	14.9	4.3%
Other				184.9	184.9	53.9%
Total	93.9	24.5	15.3	209.6	343.4	100%

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

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

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

The segmentation of revenue is in line with Article 13(2)(k) (i-iv) of Regulation (EU) No 537/2014:

- i. Revenues from the statutory audit of annual financial statements and consolidated financial statements of public-interest entities and entities belonging to a group of companies whose parent company is a public-interest entity.
- ii. Revenues from the statutory audit of annual financial statements and consolidated financial statements of other entities.
- iii. Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm.
- iv. Revenues from non-audit services to other entities.



Accessibility

In the period under review, BDO relocated several offices to locations close to major railway stations in an effort to improve accessibility for people travelling by public transport, on foot or by bicycle, and reduce its CO₂ footprint.

Jelle Poolman (Assistant Accountant, RLCC, A&B Rotterdam)

6 Engagement performance

Number of engagements

BDO performed 1,155 statutory audits in 2023 (2022: 1,182), of which 86 were at Public Interest Entities (PIEs) (2022: 83). For a list of PIEs audited by BDO in the reporting period, see [annex A](#).

The 2.3% decrease in the number of statutory audits and the simultaneous increase in fee income from statutory audits by nearly 10% reflects our critical thinking in accepting and continuing engagements, in which process we seek as much as possible to accept and continue engagements that are in line with the quality level we aim to achieve in our service provision.

The number of PIE audit clients rose slightly in 2023. There was some client turnover: we accepted 11 new PIE audit clients and eight PIE audit clients left BDO, mainly due to the rotation requirement.

Methodology and technology

Each year, BDO invests in both existing and new auditing methodology and technology. Some of these investments concern the contribution we make to the international network in the development of the BDO Audit Manual, our worldwide methodology, and of the Audit Process Tool (APT), the technology we use to carry out and document our audit engagements. Other investments involve formulating an integrated vision of IT innovations in the audit process and the development and application of concrete tools and applications.

Various technological innovations contribute to improvements in, and simplification of, our audit procedures. The Audit Innovation Team enables the technical implementation of innovations in Dutch auditing practice. HR (change management), the Professional Practice Department (professional knowledge and audit methodology) and the IT key user community (practical application for the business) also play an important role in implementing innovative technology in the audit process.

To ensure that we maximise the potential of Artificial Intelligence (AI) for our organisation, BDO has created the AI Task force. This Task force launched the first in-house AI tool in 2023: BDO ChatPro. This virtual conversation partner can be used in the same way as the public variant of ChatGPT, with the key advantage that BDO ChatPro is more secure because data entered is not shared outside BDO. The tool will be enriched with BDO-specific data so that it can be used even better in day-to-day practice.

Availability of sufficient time, people and resources

The total number of hours spent on audit engagements increased slightly in 2023 compared with 2022, as did the total number of hours worked (by 2.3% and 4.4% respectively) (refer to the tables on the next page). The distribution of hours across different types of audit engagements and other engagements and services was virtually the same as in 2021 for the different job levels.

At 3.3%, the percentage of overtime hours of the total number of contract hours increased slightly in 2023 (2022: 3.1%).

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

2023	Partners	(Sr.) Managers	Other	Total
Overtime	829	18,451	42,284	61,564
% overtime hours/contract hours	0,6%	4,5%	3,2%	3,3%
2022	Partners	(Sr.) Managers	Other	Total
Overtime	1.122	15.613	39.433	56.167
% overtime hours/contract hours	0,8%	4,2%	3,0%	3,1%

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

2023*	PIE audit	%	Non-PIE audit	%	Total	%
Partners	6,580	8.3%	49,097	5.8%	55,677	6.0%
(Senior) Managers	18,682	23.6%	159,501	18.7%	178,184	19.1%
Other team members	54,053	68.1%	644,346	75.5%	698,399	74.9%
Total	79,316	100%	852,943	100%	932,259	100%
2022*	PIE audit	%	Non-PIE audit	%	Total	%
Partners	5,378	7.7%	49,494	5.9%	54,873	6.0%
(Senior) Managers	15,700	22.5%	147,767	17.6%	163,467	17.9%
Other team members	48,626	69.8%	644,595	76.6%	693,222	76.0%
Total	69,705	100%	841,856	100%	911,561	100%

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

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

2023*	PIE audit		Non-PIE audit		Other engagements		Other activities		Total
Partners	6,580	6%	49,097	43%	5,786	5	53,306	46%	114,768
(Senior) Managers	18,682	6%	159,501	49%	27,896	9%	117,556	36%	323,636
Other team members	54,053	6%	644,346	67%	56,769	6%	206,020	21%	961,188
Total	79,316	6%	852,943	61%	90,452	6%	376,882	27%	1,399,593
2022*	PIE audit		Non-PIE audit		Other engagements		Other activities		Total
Partners	5,378	5	49,494	44%	6,914	6%	51,019	45%	112,805
(Senior) Managers	15,700	5	147,767	51%	25,614	9%	101,243	35%	290,324
Other team members	48,626	5	644,595	69%	62,411	7%	181,608	19%	937,241
Total	69,705	5	841,856	63%	94,939	7%	333,870	25%	1,340,370

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

Managing the quality of an engagement

Quality tools

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

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

ETD coaching

The ETD coaching quality control was imposed on 12 engagements in 2023 (2022: 15). Engagement teams were coached during the Engagement Team Discussion (ETD) to make an in-depth study of the structure of the audit and to place focus on key aspects.

	2023	2022
Number of engagements with ETD coaching	12	15

Use of specialists

The total hours spent by IT specialists in audit engagements saw a 12.3% increase to 39,856 hours in 2023 (2022: 35,477 hours). The relative involvement of these specialists remained the same for PIE audit engagements and increased for non-PIE audit engagements compared to 2022.

The total hours spent by other in-house specialists, such as tax specialists and forensic specialists, decreased by 26.1% to 9,181 hours in 2023 (2022: 12,426 hours). The relative involvement of these other specialists in audit engagements fell to 0.9% (2022: 1.3%). We think this is an undesirable development, and launched a project in late 2023 to better facilitate and encourage the use of in-house specialists in audit engagements.



In 2023, the previously issued specific guidance on the cooperation between financial auditors and IT Risk Assurance (ITRA) in conducting financial statement audits was updated. The guidance addresses aspects involving planning, working arrangements, joint responsibilities, quality and reporting on ITRA services as part of the audit. The objective is to harmonise procedures and communications as much as possible, thereby assuring – and improving – the quality and reliability of services on the basis of mutual agreements and principles.

The complexity of audit engagements is increasing, and with it the need to use specialists on those engagements. In cooperation with the other Lines of Service (LoSs), we identify how colleagues from those other LoSs can contribute to the quality of audit engagements in a specialist role. In doing so, we take both a subject-specific approach (e.g. knowledge of taxation, fraud or valuation) and a sector-specific approach (e.g. knowledge of specific branches or *industries*).

Consultation procedure

The table below shows the number of requests for formal consultations with the Professional Practice Department. The total number of consultations fell by 5.8% in 2023, landing at 407 (2022: 432).

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

CONSULTATIONS	2023	2022
Alternative wording of auditors' reports	103	136
Regulatory compliance	0	0
Engagement letters and/or reports on assurance engagements other than audit or review engagements (attestation or direct engagements under NV COS 3000A/D)	45	65
Engagement letters and/or reports for third parties in agreed-upon procedures engagements (under NV COS 4400N)	68	83
Presumed or actual error in financial statements*	41	35
External reporting	48	37
Significant going concern risk	44	27
Other	58	49
Total	407	432

* This concerns all consultations on actual or potential error correction based on DAS 150 recorded by PPD. Of these, 29 related to statutory audits (2022: 23). Of these, BVT concluded in 3 cases, as an outcome of the consultation, that the suspicion was not well-founded and actual error correction was not necessary (2022: 0 out of 18). Error correction in the remaining 26 cases took place in 2 cases based on the Senior Officials (Standard Remuneration) Act (WNT) (2022: 5), in 15 cases the recovery could take place within the guidelines of RJ 150 (2022: 15) and 9 cases (also) involved a fundamental error, requiring a notification under section 2:362(6) of the Civil Code (2022: 3).

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

IT SPECIALISTS	2023	%	2022	%
PIE audit	4,177	5.1%	3,693	5.1%
Non-PIE audit	39,856	4.5%	35,477	4.1%

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

OTHER SPECIALISTS	2023	%	2022	%
Audit engagements	9,181	0.9%	12,426	1.3%

Theme-based quality review (TBQR)

A total of 52 TBQRs were conducted and completed for audit engagements in 2023 (2022: 53). A TBQR is a quality review of specific elements during the audit. Most TBQRs pertained to the audit of revenue or sector-specific items, flows or themes.

In 2023 (for the audit of financial year 2022), there was a mandatory IFRS review at 46 (2022: 54) audit engagements. The review procedure proved to have been observed during the audit in all 54 cases.

Number of TBQRs and IFRS reviews

	2023	2022
TBQRs	52	53
IFRS reviews	46	54

Engagement Quality Review (EQR)

A total of 104 EQRs were conducted and completed for audit engagements in 2023 (2022: 105). 14 EQRs were conducted for audit engagements that meet the internal review criteria, other than PIE audits (2022: 19). The percentage of non-PIE audits that were subject to an EQR was 1.3% in 2023 (2022: 1.7%). The decrease in the number of EQRs corresponds to the policy choice to perform more TBQRs and other quality measures than EQRs because a TBQR tends to be a better indicator for the quality risk of the engagement and the appropriate scope of the quality review.

Number of EQRs, required and voluntary

	2023	2022
Listed companies (PIEs)	12	12
Other PIEs	78	74
Voluntary EQRs	14	19
Total	104	105

The standard for hours spent on an EQR is set on a relative scale and ranges between 4% and 6% of the total number of hours. The average number hours spent by EQR reviewers as a percentage of total number of hours spent on statutory audits subject to an EQR was 2023 4.0% (2022: 4.9%).

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

	2023	2022
Average relative hours spent on EQR per engagement	4.0%	4.9%

Support team

Further to the specific circumstances of audit engagements in 2023, which might have affected the integrity of the accounting practice, no support teams were assigned to assist the external auditor and the audit team (2022: 1). Where appropriate, ad hoc guidance of engagement teams was provided by the best-equipped professionals to do so.

Number of engagements with support team assigned

	2023	2022
Number of engagements with support team assigned	0	1

Fraud

In 2023, 80 internal reports were made to the central internal fraud desk. These reports involved suspected fraud, unusual transactions and other irregularities relating to statutory audits (2022: 51). Alertness to circumstances that may indicate issues of fraud and/or other irregularities (such as corruption, unusual transactions or violations of laws and regulations) appears to have increased significantly.

If, during the performance of a statutory audit, the auditor has a reasonable suspicion of a material misstatement of the audit client's financial statements due to fraud, the auditor is required to make a report to the National Investigation Service (forensic accountants desk), unless the audit client is investigating the fraud and takes adequate action to prevent it. In 2023, none of the internal reports led to an external fraud report (2022: 0).

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

	2023	2022
Number of internal reports of fraud and/or irregularities	80	51
Number of external fraud reports	0	0

For audit teams that encounter (suspected) fraud or non-compliance with laws and regulations during engagement execution, a roadmap was made available in 2023 for support. This roadmap shows which activities and actions the accountant must perform based on professional standards and internal BDO regulations from the moment a signal for fraud or non-compliance with laws and regulations is identified.

In 2023, the policy on the use of people with forensic or fraud expertise in the execution of engagements (Forensic Audit Support (FAS)) was clarified. The trigger for deployment of FAS can be risk-driven (because of an increased risk of fraud) or incident-driven (because of a report to the central internal hotline for fraud, unusual transactions and other irregularities). This involves the deployment of people from BDO Digital's Forensics & Technology (F&T) team and people from the BDO Fraud Community:

- ▶ BDO Forensics & Technology has experience in forensic accountancy, forensic data analysis, eDiscovery, cybersecurity and other forensic technologies and provides (advisory) services in the areas of prevention, detection and response with regard to fraud, compliance and cyber risk management.
- ▶ The BDO Fraud Community is formed by A&A colleagues per region who have attended the BDO Fraud Course, supplemented by a delegation from BVT, QRM and F&T.

In mid-2023, the BDO Fraud Panel was expanded and it has taken a more active role in ensuring the quality of engagement execution in terms of identifying and dealing with fraud (risks). The BDO Fraud Panel is multidisciplinary, with representatives from or on behalf of MT A&A, MT A&B, QRM, BVT, Forensics & Technology (F&T) and the BDO Fraud Community. This puts the BDO Fraud Panel in a better position to pool and unify knowledge on tackling fraud and unusual transactions and deploy specific support. The BDO Fraud Panel itself basically does not deal with actual cases, but focuses on, among other things:

- ▶ determining the most appropriate use of the quality measures in engagements to mitigate risks of fraud or other irregularities or to adequately follow up reports made to the central internal fraud hotline, unusual transactions of a potentially material nature;
- ▶ periodically discussing the status of internal reports, the allocation of quality measures (if any), monitoring and possibly adjusting the progress of quality measures and the status of ongoing cases;
- ▶ monitoring current events relating to fraud and related topics (including in the media) that require policy, organisational and/or professional attention; and
- ▶ periodically communicating internally on current affairs and 'lessons learned' from (BDO) case studies.

Professional Practice Department

The total number of professionals in the A&A Professional Practice Department (PPD) increased to 12 in 2023 (2022: 11).

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

	2023	2022
Partners	2	2
Directors	1	1
(Senior) Managers	9	8
Other team members	0	0
Total	12	11

7 Monitoring and remediation

Monitoring compliance with quality controls

The QRM department monitors compliance with the controls that make up the system of quality management on a continuous basis. This task has been delegated to QRM by the Governing Board. QRM operates under the supervision and responsibility of the Compliance Officer. In 2023, the system of quality management was monitored and evaluated in line with ISQM 1 for the first time. The monitoring programme in 2023 consisted of monitoring activities focused on the effective operation of quality measures and the identification and evaluation of any deficiencies in the system of quality management. In early 2024, the Compliance Officer issued a report on QRM's monitoring activities in 2023 to the Governing Board. The statement by the policymakers in this Transparency Report is based, in part, on this report.

The headcount of the QRM department increased to 31 FTE in 2023 (2022: 28).

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

	2023	2022
Partners	3	3
Directors	1	1
(Senior) Managers	13	11
Other team members	14	13
Total	31	28

Supervision of professional services

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

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

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

	2023	2022
COLD REVIEWS	17	27
Satisfactory	11	24
Unsatisfactory	6	3
THEME-BASED QUALITY INSPECTIONS	16	15
Satisfactory	14	15
Unsatisfactory	2	0

In 2023, a new three-year cycle of file reviews started with new focal points being reviewed. New focal points can lead to an initial increase in the number of findings driving new improvements.

In 2023, 6 cold reviews were completed with the outcome 'unsatisfactory' (2022: 3). These included 4 cold reviews that had already started in earlier years (2021 and 2022, respectively) but were only completed in 2023 and 2 cold reviews that were started and completed in 2023. A total of 16 cold reviews were launched in 2023, of which 11 were completed in 2023 (2022: 15 and 11 respectively). Incidentally, 2022 saw an exceptionally high number of cold reviews completed, as a number of reviews started in earlier years had a long lead time and were only completed in 2022 and, at the same time, since 2022 the average lead time of cold reviews has shortened and a higher proportion of reviews are completed within the same year.

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

Quality reviews – international

BDO Global carries out its Quality Assurance Reviews (QARs) every three years in principle. BDO Netherlands was not subject to a QAR in 2023. The last QAR was carried out at the end of 2021.

Root cause analysis

In 2023, 15 (2022: 19) root cause analyses (RCAs) were performed with engagement teams after the relevant engagement had been subject to a cold review. A total of 111 colleagues participated (2022: 114) in the RCA.

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

In addition, as part of the monitoring and remediation process, root cause analyses were conducted on the deficiencies in the system of quality management identified as an outcome of monitoring activities. The identified causes were used to understand why those deficiencies occurred and allowed us to effectively design remedial actions that would prevent the recurrence of those deficiencies in the future.

Success factors – Satisfactory

- 1 **Team composition**
- 2 **Face-to-face coordination in team**
- 3 **Sense of community**
- 4 **Overview, project planning**
- 5 **Questioning and contradicting**

Barrier factors – Unsatisfactory

- 1 **Fresh look**
- 2 **Sufficient time**
- 3 **Sense of community**
- 4 **Coordination at appropriate level (client)**
- 5 **Overview, project planning**

Reports to external supervisory bodies

BDO made a total of 25 notifications to relevant regulators in 2023 (i.c. AFM) (2022: 10).

- ▶ A total of 22 engagements were withdrawn prematurely by the audit client or terminated prematurely by BDO, among other reasons due to bankruptcy of the audit client, due to a laborious and lengthy process in which obtaining required audit evidence ultimately proved impossible, or due to a takeover resulting in an interim change of audit firm.
- ▶ BDO reported three incidents to the AFM in 2023 (2022: 0) in connection with:
 - the draft report received from the FSO (see '[Supervision by the Financial Supervision Office \(FSO\)](#)');
 - interim signals from the investigation into (possible) unauthorised sharing of questions and answers in tests (also referred to as "exam fraud") (see '[Supervision by the Netherlands Authority for the Financial Markets \(AFM\)](#)'); and
 - a violation of the independence policy (see '[Independence](#)').

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

NUMBER OF REPORTS CONCERNING	2023	2022
Change in details for integrity screening of a (co-)policymaker (AFM) (Section 7, Dutch Audit Firms (Supervision) Decree)	0	0
Statutory audit engagements terminated or withdrawn early (Section 13(3), Dutch Audit Firms (Supervision) Decree) (AFM)	22	9
Incidents with serious repercussions for ethical business practices (Section 32(4), Dutch Audit Firms (Supervision) Decree) (AFM)	3	0
Disciplinary complaints filed against external auditors (Section 26(1), Dutch Audit Firms (Supervision) Decree) (AFM)	0	1
Knowledge of a material breach of the laws, regulations or administrative provisions which lay down, where appropriate, the conditions governing authorisation or which specifically govern pursuit of the activities of a PIE (Section 12(1)(a), Regulation (EU) No 537/2014) (DNB)	0	0
Knowledge of a material threat or doubt concerning the continuous functioning of the PIE (Section 12(1)(b), Regulation (EU) No 537/2014) (AFM)	0	0
The issuing or intended issuing of a disclaimer of opinion, an adverse or qualified opinion on the financial statements of a PIE (Section 12(1)(c), Regulation (EU) No 537/2014) (AFM)	0	0
Total	25	10



BDO Ramadan event

Every year, an iftar (a fast-breaking evening meal consumed after sunset during Ramadan) is organised at several BDO offices. Reflection, charity and togetherness are central themes during Ramadan, and many BDO employees were keen to share this with each other. This event provides an excellent opportunity to learn more about other cultures.

External supervision

Supervision by AFM

The AFM stepped up its supervision of PIE (Public Interest Entities) audit firms in 2023. Firstly, the AFM conducted investigations into the quality of fraud risk analysis and the design and operation of the EQR (engagement quality review) procedure. These investigations aimed to strengthen the sector by providing areas for improvement and findings. Furthermore, in 2023, the AFM paid close attention to the investigation into the (possible) unauthorised sharing of questions and answers in tests, several consultations took place in the context of data-driven supervision, and reported incidents (see also [Reports to external regulators](#)) were intensively discussed.

In January 2023, the AFM conducted an investigation at BDO into the quality of the fraud risk analysis for four statutory audits with the 2021 financial year and tested whether that fraud risk analysis complied with the requirements set out in the NV COS. In doing so, the AFM did not investigate whether the external auditors obtained sufficient and appropriate audit evidence in the relevant statutory audits. The AFM has both recognised one or more good practices in all four of the files examined, and pointed out areas for improvement. In addition, the AFM identified findings in three of the four files. The findings predominantly relate to the audit team's failure to identify and evaluate fraud risk factors sufficiently or with sufficient depth. The MT A&A, in cooperation with the Professional Practice Department (BVT), followed up on the findings and recommendations from the AFM report. This will lead to a significant increase in the use of fraud expertise in the audits of financial year 2023.

In mid-2023, the AFM investigated the use of the EQR as quality assurance in the system of quality management. For three selected statutory audits, the AFM assessed the implementation of the EQR and examined a focus area that was also assessed by the EQR officer. Regarding the depth of EQRs performed, the AFM identified good practices in two statutory audits and findings in one statutory audit.

In the latter statutory audit, the AFM had a finding in the focus area examined that was also assessed by the EQR'er: the AFM concluded that the external auditor did not obtain sufficient and appropriate audit evidence and that the EQR'er did not prevent that finding. Furthermore, with regard to the expertise of EQRs, the AFM noted a good practice in the use of EQR teams within BDO and concluded that improvements are possible with regard to the EQRs' assessment of the involvement of the external auditor. The AFM also observed several good practices with regard to the system of quality management used (including the phased implementation of the EQR, the mandatory training for EQRs and the comprehensive recording of the quality assessment in the EQR questionnaire). In 2024, the dialogue between the AFM and PIE audit firms will continue on the required depth of the EQR.

BDO received the final data request from the AFM in September 2023 as part of data-driven supervision. The data query consists of three parts:

- ▶ A questionnaire with data points about the audit organisation (AO list);
- ▶ A questionnaire with data points on each individual statutory audit (WeCo list); and
- ▶ A questionnaire with data points on each individual external auditor.

We were able to partially comply with the AFM's 2023 requests. The AFM's query partly relates to information that we do not (yet) use for internal (quality) control and is therefore not readily available in standardised reports. For the WeCo list in particular, data points have to be derived from different registration systems, while the links between them are not yet complete for all data points and, in the case of group engagements, the registrations take place at different levels of aggregation. We have agreed with the AFM on the ingrowth path leading to data delivery in line with the final data release. This requires significant adjustments in the functionalities of various systems and in the way they are recorded in those systems, and reliable links need to be established between them.

After responding to the exploratory information request in late 2022, the AFM asked us in February 2023 to investigate possible exam fraud within BDO. This request followed the fact that regulators worldwide imposed sanctions on a number of accounting firms for fraud in exams of internal and external training courses. In line with the AFM's request, BDO's Supervisory Board commissioned an internal investigation into the (possible) unauthorised sharing of questions and answers at tests within BDO. The investigation is being conducted in several stages. Periodic consultations take place between the AFM and BDO to discuss the approach of the investigation, progress and (preliminary) outcomes. Interim signals from the investigation prompted BDO to file an incident report with the AFM in November 2023. On April 12, 2024, a member of the MT A&A resigned from the position, after it was revealed during the investigation that the individual did not take corrective action on a report of inappropriate behaviour during an internal e-learning in 2020, when they were not yet a member of the MT. The investigation will continue through 2024.

Supervision by NBA and PCAOB

In 2023, the NBA's Supervisory Board initiated a thematic investigation into the involvement of auditors in the audit of the application for the determination of the Temporary Emergency Bridging Measure for Sustained Employment (NOW1) subsidy scheme at Professional Football Clubs (BVOs). This was in response to signals from which it could be inferred that auditors did not follow the NBA's position on auditing the accountability of the NOW1 grant scheme. To gain insight into compliance with the NBA position in the implementation of the NOW1 scheme, the NBA's research team has prepared a questionnaire to be completed for each BVO. BDO sent a questionnaire to the NBA for ten BVOs. We are awaiting the outcome of the investigation.

In 2023, the Public Company Accounting Oversight Board (PCAOB) did not conduct any file reviews or other investigations.

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

The Central Government Audit Service (ADR) reviewed only one BDO file in 2023 (2022: 8). The review related to the audit of the legality of subsidies granted and did not result in an opinion, only in an interview report.

The Dutch Education Inspectorate did not conduct any investigations at BDO in 2023 (2022: 0).

Number, nature and outcome of file reviews by ADR and Education Inspectorate

NATURE AND OUTCOME	2023	2022
SiSa	0	3
Satisfactory	0	N/A
Unsatisfactory	0	N/A
No findings	0	2
Findings	0	1
Financial statements	0	1
Satisfactory	0	1
Unsatisfactory	0	0
Dutch Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act (WNT)	0	0
Satisfactory	0	0
Unsatisfactory	0	0
Grant	1	2
Satisfactory	N/A	2
Unsatisfactory	N/A	0
Other	0	2
Satisfactory	0	2
Unsatisfactory	0	0
Education	0	0
Satisfactory	0	0
Unsatisfactory	0	0

Supervision by FSO

The Financial Supervision Office (FSO) launched an investigation at BDO in the autumn of 2022 as part of its monitoring of compliance with the Dutch Prevention of Money Laundering and Terrorist Financing Act (Wwft). The investigation is risk-based. It is aimed at establishing whether BDO complied with the AML/CTF legislation when providing services to an audit client. FSO wanted to know more about BDO's client due diligence as part of the client acceptance process (specifically regarding the source of the shareholder's assets) and learn how, during the engagement, BDO kept a focus on potentially unusual transactions (particularly between shareholder and audit client) associated with money laundering. BDO received the BFT's draft report in July 2023. In it, the BFT noted that BDO:

- ▶ has a Wwft policy and related procedures that comply with the requirements of the Wwft;
- ▶ meets the requirements of staff training, awareness and vetting; and
- ▶ correctly filled the compliance and audit functions.

In addition, the FSO reported some breaches in relation to the services provided to the audit client in question, which concern:

- ▶ failure to conduct client due diligence or with sufficient depth and/or failure to record the necessary data in an accessible manner;
- ▶ entering into a business relationship without conducting client due diligence in accordance with the Wwft;
- ▶ failure or inadequate compliance with the monitoring obligation;
- ▶ failing to carry out enhanced customer due diligence or carrying out it with insufficient depth; and
- ▶ failure to report unusual transactions in a timely manner.

The FSO's draft report prompted BDO to file an incident report with the AFM. BDO then communicated its views on the draft report to the FSO, which focused on factual inaccuracies in the draft report, on the one hand, and on the assumptions underlying the draft report and the extent to which we believe they can be based on the Wwft, on the other. The FSO has indicated that the final report will be updated. We have received the final report from the BFT just before the publication of this transparency report and need to further study its contents.



Work/life balance

At BDO, we work independently of location. Instead, employees opt for the most appropriate location based on their work, the colleagues and clients they are working with, and their own personal situation and preferences. This allows them to find the best work/life balance. The possibilities also include working from home.
Karin Kreuger (Management Assistant, 's-Hertogenbosch)

Statement by policymakers

The objective of the BDO system of quality management as a whole is to provide reasonable assurance that:

- ▶ the organisation and the professionals fulfil their responsibilities in accordance with professional standards and applicable requirements in laws and regulations and perform engagements in accordance with such standards and requirements; and
- ▶ the reports and opinions we provide are correct under the circumstances.

Reasonable assurance exists when the system of quality management reduces the risk of not achieving the system of quality management's objectives to an acceptably low level. Reasonable assurance is not absolute assurance because there are inherent limitations to a system of quality management.

In the annual review of the BDO system of quality management, as outlined in this report (including appendices), we have taken into account information gathered on the design, implementation and operation of the system of quality management based on monitoring activities carried out in the period up to 31 December 2023. Monitoring activities include testing the effective operation of quality measures, evaluating outcomes of internal and external inspections of engagements and considering other relevant information obtained about the system of quality management.

We apply professional judgement when evaluating the outcomes of these monitoring activities to determine whether findings, individually or collectively, are assessed as deficiencies in the system of quality management. For all identified deficiencies, root causes were analysed and it was evaluated whether these, individually and in combination with other identified deficiencies, have a serious and/or profound impact on achieving the quality objectives in our system of quality management. Furthermore, we design and implement remedial measures for all identified deficiencies to eliminate those deficiencies, taking into account root causes, and monitor the progress of remediation.

We conducted our evaluation in accordance with ISQM 1 and concluded that BDO's system of quality management provides us reasonable assurance that the objectives of the system of quality management are being achieved as at 31 December 2023.

Based on the above, the policymakers represent that:

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

Eindhoven, 23 April 2024

- ▶ R.C.M. (René) Nelis (chairman of the Governing Board)
- ▶ L.M. (Leon) Jansen (member of the Governing Board, Chief Financial Officer/Chief Operating Officer)
- ▶ M.A. (Maurice) de Kleer (member of the Governing Board, Chief Quality Officer)
- ▶ M.M.G. (Marcel) Mans (titular member of the Governing Board, Head of Audit)



Connection and job satisfaction

At BDO, the function of an office has changed from a fixed place of work to an inspiring meeting space where people can collaborate, share knowledge and work flexibly.

*Mohammad Alfares (Assistant Accountant, RLCC, A&B Tilburg)
and Jelle Poolman (Assistant Accountant, RLCC, A&B Rotterdam)*

A. List of Public Interest Entities

- | | |
|---|---------------------------------------|
| ▶ Almelose Woningstichting 'Beter Wonen' | ▶ OOM Global Care N.V. |
| ▶ Anker Insurance Company N.V. | ▶ OOM Schadeverzekering N.V. |
| ▶ Basf Finance Europe N.V. | ▶ R.K. Housing foundation "Our House" |
| ▶ Bos Fruit Aardappelen Onderlinge verzekeringen BFAO U.A. | ▶ Roche Finance Europe B.V. |
| ▶ Brand New Day Bank N.V. | ▶ Schlumberger Finance B.V. |
| ▶ Cabka N.V. | ▶ Stichting Bo-Ex '91 |
| ▶ ClearBank Europe B.V. | ▶ Stichting Brabantwonen |
| ▶ Conti-Gummi Finance B.V. | ▶ Stichting de Woonmensen |
| ▶ DSV Finance B.V. | ▶ Stichting deltaWonen |
| ▶ EnBW International Finance B.V. | ▶ Stichting Dudok Wonen |
| ▶ Fastned B.V. | ▶ Stichting Elkien |
| ▶ GarantiBank International N.V. | ▶ Stichting Habion |
| ▶ Givaudan Finance Europe B.V. | ▶ Stichting KleurrijkWonen |
| ▶ Hill FL 2022-1 B.V. | ▶ Stichting Leystromen |
| ▶ Kistos NL2 B.V. | ▶ Stichting Nijestee |
| ▶ Mutual Insurance Association 'Munis' (Onderlinge Verzekeringsmaatschappij 'Munis') U.A. | ▶ Stichting Pré Wonen |
| ▶ N.V. Rendo | ▶ Stichting ProWonen |
| ▶ N.V. Schadeverzekeringsmaatschappij Maas Lloyd (Hampden) | ▶ Stichting Sité Woondiensten |
| ▶ N.V. Verzekering Maatschappij 'De Burcht' | ▶ Stichting SSHN |
| ▶ New Amsterdam Invest N.V. | ▶ Stichting Stadgenoot |
| ▶ Onderlinge Verzekerings-Maatschappij 'Noord Nederlandsche P&I Club' U.A. | ▶ Stichting Talis |
| ▶ Onderlinge Verzekeringmaatschappij "SOM" U.A. | ▶ Stichting Thius |

▶ Stichting Uwoon

▶ Stichting Vivare

▶ Stichting Viverion

▶ Stichting Viveste

▶ Stichting Waterweg Wonen

▶ Stichting woCom

▶ Stichting Woningcorporatie Het Gooi en Omstreken

▶ Stichting Woonbedrijf SWS.Hhvl

▶ Stichting Woonbron

▶ Stichting Wooncompagnie

▶ Stichting Wooncompas

▶ Stichting Woonforte

▶ Stichting Woongoed Zeeuws-Vlaanderen

▶ Stichting Wooninc.

▶ Stichting Woonkracht10

▶ Stichting Woonopmaat

▶ Stichting Woonschakel West Friesland

▶ Stichting Woonstede

▶ Stichting Woonveste

▶ Stichting Woonwaard Noord-Kennemerland

▶ Stichting Woonwenz

▶ Stichting Woonzorg Nederland

▶ Stichting Ymere

▶ Stichting Zaandams Volkshuisvesting (ZVH)

▶ Stichting Zayaz

▶ Stichtsche Onderlinge Brand-Herverzekering U.A.

▶ Teva Pharmaceutical Finance Netherlands II B.V.

▶ Tiwos, Tilburgse Woonstichting

▶ TVM Verzekeringen N.V.

▶ UK P&I Club N.V.

▶ Vestas Wind Systems Finance B.V.

▶ Westland Infra Netbeheer B.V.

▶ Woningbouwvereniging Bergopwaarts

▶ Woningbouwvereniging De Sleutels

▶ Woningstichting De Woonplaats

▶ Woningstichting Den Helder

▶ Woningstichting Kennemer Wonen

▶ Housing foundation "Ons Huis"

▶ Woningstichting SallandWonen

▶ Woningstichting Sint Joseph Almelo

▶ Woonstichting Stek

▶ Woonstichting Triada

B. List of BDO member firms in EU/EEA

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

COUNTRY	COUNTRY OF ESTABLISHMENT/GEOGRAPHY	NAME OF MEMBER FIRM
FRANCE	France	BDO LES HERBIERS
		BDO FONTENAY LE COMTE
		BDO NANTES
		BDO LES ULIS
		BDO Paris Audit & Advisory
		BDO Méditerranée
GERMANY	Germany	BDO AG Wirtschaftsprüfungsgesellschaft
		BDO Oldenburg GmbH & Co KG Wirtschaftsprüfungsgesellschaft
		BDO DPI AG
		BDO Dr. Daiber Audit GmbH (until 24 April 2023)
		BDO Concunia GmbH Wirtschaftsprüfungsgesellschaft
GIBRALTAR	Gibraltar	BDO Limited
GREECE	Greece	BDO CERTIFIED PUBLIC ACCOUNTANTS S.A.
		BDO Services SA
HUNGARY	Hungary	BDO Hungary Audit Ltd
ICELAND	Iceland	BDO ehf.
IRELAND	Ireland	BDO
ITALY	Italy	BDO Italia S.p.A.
LATVIA	Latvia	BDO Assurance, LLC
LIECHTENSTEIN	Liechtenstein	BDO (Liechtenstein) AG
LITHUANIA	Lithuania	BDO Auditas ir Apskaita, UAB
LUXEMBOURG	Luxembourg	BDO Audit
MALTA	Malta	BDO Malta CPAs
THE NETHERLANDS	The Netherlands	BDO Audit & Assurance B.V.
NORWAY	Norway	BDO AS
POLAND	Poland	BDO Spółka z ograniczoną odpowiedzialnością Sp. K.

COUNTRY	COUNTRY OF ESTABLISHMENT/GEOGRAPHY	NAME OF MEMBER FIRM
PORTUGAL	Portugal	BDO & Associados, SROC, Lda
ROMANIA	Romania	BDO Audit SRL
		BDO Auditors & Accountants SRL
		BDO Auditors and Business Advisors SRL
SLOVAKIA	Slovakia	BDO Audit, spol. s r.o.
SLOVENIA	Slovenia	BDO Revizija d.o.o.
SPAIN	Spain	BDO Auditores, S.L.P.
		BDO Audiberia Abogados y Asesores Tributarios, S.L.P.
SWEDEN	Sweden	BDO AB
		BDO Göteborg AB
		BDO Göteborg Intressenter AB
		BDO Göteborg KB
		BDO Mälardalen AB
		BDO Mälardalen Intressenter AB
		BDO Norr AB
		BDO Norr Intressenter AB
		BDO Stockholm AB
		BDO Sweden AB
		BDO Syd AB
		BDO Syd Intressenter AB

C. List of abbreviations and acronyms

A&A	▶ Audit & Assurance
A&B	▶ Accountancy & Business Advisory
ADR	▶ Dutch Central Government Audit Service
AFM	▶ Netherlands Authority for the Financial Markets (AFM)
AI	▶ Artificial Intelligence
AIT	▶ Audit Innovation Team
AO	▶ Audit firm
AP	▶ Personal Data Authority
APT	▶ Audit Process Tool
AQI	▶ Audit Quality Indicator
GDPR	▶ General Data Protection Regulation
BAM	▶ BDO Audit Manual
BDC	▶ BDO Delivery Center
BDO PRO	▶ BDO Professional Reflection & Development
BFT	▶ Financial Supervision Office
BSO	▶ Business Services and Outsourcing
Bta	▶ Audit Firms (Supervision) Act (Wet toezicht accountantsorganisaties).
B.V.	▶ Private limited liability company
BVO	▶ Paid Football Club
BVT	▶ Professional Practice Department
Dutch Civil Code	▶ Netherlands Civil Code
CAT	▶ Centre for the Audit of Tomorrow

CAT-NL	▶ Centre for the Audit of Tomorrow - The Netherlands
CBB	▶ Trade and Industry Appeals Tribunal
CEA	▶ Commission on Accountancy Education Learning Outcomes
CEO	▶ Chief Executive Officer
CFO	▶ Chief Financial Officer
CISA	▶ Certified Information Systems Auditor
CISPO	▶ Corporate Information Security & Privacy Officer
CMS	▶ Conflict Management System
COI	▶ Conflict of interest
COO	▶ Chief Operating Officer
CQO	▶ Chief Quality Officer
CSDDD	▶ Corporate Sustainability Due Diligence Directive
CSRD	▶ Corporate Sustainability Reporting Directive
DNB	▶ The Dutch Central Bank
DTS	▶ Digital Technology Services
EEA	▶ European Economic Area
EIL	▶ Ethics & Independence Leader
EIP	▶ Engagement Inspection Program
EMS	▶ Entity Management System
EP	▶ Equity partner
ESG	▶ Environmental, social and governance
ETD	▶ Engagement Team Discussion

EU	▶ European Union
F&O	▶ Finance & Operations
F&T	▶ Forensics & Technology
FAR	▶ Foundation for Auditing Research
FAS	▶ Forensic Audit Support
FCNC	▶ Fraud, corruption and non-compliance
FEC	▶ Financial-economic crime
FIU	▶ Financial Intelligence Unit
Fte	▶ Full-time equivalent
HAAQM	▶ Head of Audit & Accounting Quality Management
HMR	▶ Head of Monitoring & Remediation
HR	▶ Human resources
ICT	▶ Information & Communication Technology
IESBA	▶ International Ethics Standards Board for Accountants
IFRS	▶ International Financial Reporting Standards
IKO	▶ Internal quality review
ISA	▶ International Standards on Auditing
ISMS	▶ Information security management system.
ISO	▶ International Standards Organisation
ISPMS	▶ Information Security & Privacy Management System
ISQM	▶ International Standard on Quality Management
IT	▶ Information Technology

ITRA	▶ IT Risk Assurance
KBF	▶ Function focused on quality or professional development
KPI	▶ Key Performance Indicator
L&O	▶ Learning & Development
LoS	▶ Line of service
MOT	▶ Unusual transaction report
MT	▶ Management team
MT A&A	▶ Audit & Assurance Management Team
NBA	▶ Netherlands Institute of Chartered Accountants
NIS	▶ Network and Information Security
NOREA	▶ Dutch Association of Registered EDP Auditors
NOW scheme	▶ Temporary Emergency Measure Bridging for Employment
N.V.	▶ Public limited company
NV COS	▶ Detailed requirements for auditing and other standards
NV PE	▶ Further rules on continuing education
EQR	▶ Engagement Quality Review
EQR'er	▶ Engagement Quality Review Officer
PCAOB	▶ Public Company Accounting Oversight Board
PDP	▶ Professional Development Programme
PE	▶ Lifelong learning
PES	▶ Pre-employment screening
PIE	▶ Public Interest Entity

PRC ▶ Practice Review Committee

QAR ▶ Quality Assurance Review

QRM ▶ Quality & Risk Management

RA ▶ Chartered accountant

RCA ▶ Root Cause Analysis

RE ▶ Registered EDP auditor

RPA ▶ What is Robotic Process Automation?

RPL ▶ Regional Practice Leader

BoD ▶ Governing Board

SB ▶ Supervisory Board

RJ ▶ Accounting Standards Board

SEC ▶ Securities and Exchange Commission

SiSa ▶ Single information Single audit

SP ▶ Salary partner

SPP ▶ Strategic workforce planning

SRA ▶ Collaborating Chartered Accountants and Accounting Consultants

TBQI ▶ Theme-based quality inspection

TBQR ▶ Theme-based quality review

TOJ ▶ Training on the Job

TOP ▶ Talent Development & Performance

TOPP ▶ Talent Development & Performance for Partners

U.A. ▶ Excluded Liability

UAVG ▶ General Data Protection Regulation Implementation Act

VAO ▶ Dutch Accounting Bodies Regulation

VGBA ▶ Dutch Code of Conduct and Professional Practice for Accountants Regulation

ViO ▶ Regulation regarding the Independence of Accountants in the case of Assurance Engagements

WeCo ▶ Statutory audit

WNT ▶ Dutch Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act

Wta ▶ Audit Firms (Supervision) Act

Wwft ▶ Money Laundering and Terrorist Financing (Prevention) Act

D. Legal framework

The subject matter of this Transparency Report is governed by statutory requirements. The tables below provide an overview of those statutory requirements and shows where the elements in question are addressed in this Transparency Report.

ARTICLE 13(2) OF REGULATION (EU) NO 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 16 APRIL 2014		CHAPTER
a.	A description of the legal structure and ownership of the audit firm.	BDO System of quality management > Organisational structure > Legal structure
b.	Where the statutory auditor or the audit firm is a member of a network:	
	i. a description of the network and the legal and structural arrangements in the network;	BDO System of quality management > Organisational structure > International network
	ii. the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network;	Annex B: List of BDO member firms in EU/EEA
	iii. the countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business;	
	iv. the total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements.	Quality in 2023 > Organisational Structure > Key figures - BDO Global
c.	A description of the governance structure of the audit firm	BDO System of quality management > Organisational structure > Legal structure, Organisational structure
d.	A description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning.	Description of set-up: BDO system of quality management Description of changes and effectiveness: Quality in 2023 Statement: Quality in 2023 > Statement by policymakers
e.	An indication of when the last quality assurance review referred to in Article 26 was carried out.	Quality in 2023 > External supervision > Supervision by AFM
f.	a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year	Annex A: List of Public Interest Entities
g.	a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted	Quality in 2023 > Statement by policymakers
h.	a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC	Quality in 2023 > Statement by policymakers
i.	information concerning the basis for the partners' remuneration in audit firms	BDO system of quality management > Our people > Assessment and remuneration of external auditors
j.	a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7)	BDO system of quality management > Ethical standards > Integrity and independence > Sustainable client relationships
k.	where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories:	Quality in 2023 > Acceptance and continuance of client relationships and engagements > Revenue
	i. revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity;	
	ii. revenues from the statutory audit of annual and consolidated financial statements of other entities;	
	iii. revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and	
	iv. revenues from non-audit services to other entities.	

ARTICLE 34I(2) OF DUTCH AUDIT FIRMS (SUPERVISION) DECREE		CHAPTER
a.	The manner in which the body has fulfilled its role in respect of all duties and responsibilities assigned to it.	Report of the Supervisory Board
b.	The attendance rate of the individual members of the body responsible for internal supervision at the body's meetings.	Report of the Supervisory Board > Meetings and attendance of members of Supervisory Board
c.	The subject matter of the main findings, discussions and decision-making of the body.	Report of the Supervisory Board
d.	The manner in which the evaluation referred to in Article 34h was carried out and how the outcomes of the evaluation are followed up.	Report of the Supervisory Board > Self-assessment of Supervisory Board

NBA GUIDANCE 1135: PUBLICATION OF QUALITY FACTORS		CHAPTER
Input: investments in quality, people, time available for audit engagements, technology and methodology (via network or otherwise)		
Leverage on the audit engagements by expressing the number of hours spent by partners/directors as a percentage of total number of hours spent.		Quality in 2023 > Engagement performance > Capacity planning > <i>Average ratio of hours per partner, senior manager, manager and other team members (leverage), by PIE and non-PIE</i>
The number of hours per FTE (full-time equivalent) spent on audit engagements, respectively on other engagements in total and by function.		Quality in 2023 > Engagement performance > Capacity planning > <i>Number and percentage of hours of partners, (senior) managers and other team members devoted to audit engagements (PIE and non-PIE), other engagements, internal activities</i>
The investments in technology and methodology for the benefit of the audit conducted by the audit firm, whether independently or through its contribution to the development as part of a network. The investments must be identified as a percentage of the audit revenue on an annual basis.		Quality in 2023 > Engagement performance > Methodology and technology
The average number of hours spent on training and education per employee (internal and external training).		Quality in 2023 > Our people > Development and continuing professional development > <i>Average number of hours (internal and external) training and education divided into partners, (senior) managers and other team members (in FTEs)</i>
Staff turnover, addressing the relevant characteristics based on which the organisation monitors the ratio of staff turnover, such as turnover by job level and years of experience, or by differentiating between key talents and other professionals.		Quality in 2023 > Our people > Staffing > <i>Turnover rate among partners, senior managers, managers and other team members</i>
Outcomes of employee satisfaction surveys on aspects related to coaching and audit quality.		Quality in 2023 > Culture and leadership

NBA GUIDANCE 1135: PUBLICATION OF QUALITY FACTORS	CHAPTER
Process: insight into key measures and how their implementation is monitored	
Number of FTEs or hours spent on audit support (PPD, Compliance and Independence), expressed as a percentage of total number of FTEs or audit hours.	PPD: Quality in 2023 > Engagement performance > Professional Practice Department > <i>Number of partners, directors, senior managers, managers and other team members in A&A PPD (in FTEs)</i> Compliance and Independence (QRM): Quality in 2023 > Monitoring and evaluation > Monitoring compliance with quality controls > <i>Number of partners, directors, senior managers, managers and other team members with a focus on compliance and risk management (in FTEs)</i>
Number of consultations on reporting and audit issues as a percentage of number of audit engagements.	Quality in 2023 > Engagement performance > Managing the quality of an engagement > Consultation procedure > <i>Number of requests for formal consultation on reporting and audit submitted to PPD</i>
Number of engagement quality reviews (EQRs) and other quality reviews performed prior to issuing an auditor's report as a percentage of statutory audits, broken down by required and voluntary EQRs.	Quality in 2023 > Engagement performance > Managing the quality of an engagement > Engagement Quality Review (EQR) > <i>Number of EQRs, broken down by required and voluntary EQRs</i>
Number of hours spent on EQRs and other quality reviews prior to issuing an auditor's report as a percentage of total number of hours spent on audit engagements subject to a quality review, broken down by required and voluntary EQRs.	Quality in 2023 > Engagement performance > Managing the quality of an engagement > Engagement Quality Review (EQR) > <i>Number of hours spent on EQRs as a percentage of total number of hours spent on audit engagements subject to an EQR</i>
Percentage of hours spent by IT specialists and other specialists on audit engagements (broken down by specialists governed by Standard 620), by PIE and non-PIE.	Quality in 2023 > Engagement performance > Managing the quality of an engagement > Use of specialists > <i>Number/percentage of hours spent on audit engagements by IT and other internal specialists (by PIE and non-PIE)</i>

NBA GUIDANCE 1135: PUBLICATION OF QUALITY FACTORS	CHAPTER
Output: insight into the effects of system controls	
Number of internal and external quality reviews performed after issuing an auditor' report, as a percentage of total number of issued auditor's reports, and the outcomes of these quality reviews.	Quality in 2023 > Monitoring and evaluation > Supervision of professional services > <i>Number of cold reviews and theme-based quality reviews performed, including outcomes</i>
Number of internally reported violations of independence rules, as a percentage of total number of employees.	Quality in 2023 > Ethical standards > Integrity and independence > Independence > <i>Number of internally identified breaches of independence rules</i>
Number of fundamental errors that were corrected, where the financial statements containing the error were audited by the organisation, as a percentage of number of issued auditor's reports.	Quality in 2023 > Engagement performance > Managing the quality of an engagement > Consultation procedure > <i>Number of requests for formal consultation on reporting and audit submitted to PPD</i>

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