

BDO HOLDING B.V.

EINDHOVEN, THE NETHERLANDS

21 APRIL 2022

Annual Accounts 2021
connection

BDO

A FEW WORDS ABOUT THE DESIGN OF THIS REPORT

THE THEME OF THE ANNUAL REPORT FOR 2021 IS *CONNECTION*. THIS THEME IS REFLECTED IN MULTIPLE ASPECTS OF THE GRAPHIC DESIGN OF THIS REPORT.

A COMBINATION OF TWO IMAGES WAS CHOSEN. ONE IMAGE REPRESENTS THE CONNECTION BETWEEN A BDO EMPLOYEE AND HIS/HER CLIENTS AND COLLEAGUES, WHILE THE OTHER IMAGE SHOWS OUR CONNECTION TO SOCIETY. THE FIRST IMAGE SHOWS THAT WE HAVE FOUND NEW WAYS OF CONNECTING WITH ONE ANOTHER WITHOUT THE NEED TO BE TOGETHER IN PERSON AT ALL TIMES. THAT WE HAVE FOUND A HYBRID WAY OF WORKING UNRELATED TO OUR WORKPLACE. THE SECOND IMAGE SHOWS THE SAME BDO EMPLOYEE BUT IN A PRIVATE SETTING, AT THE HEART OF HIS/HER COMMUNITY, CONTRIBUTING TO THE VITALITY OF SOCIETY.

BOTH IMAGES ARE CONNECTED BY A DIAGONAL CUT-OUT. IN ADDITION, THE WORK-RELATED IMAGE HAS A COLOURED OVERLAY IN BDO'S OWN CORPORATE COLOUR. THIS VISUALLY REINFORCES THE CUT-OUT AND EMPHASISES THE INTERCONNECTEDNESS BETWEEN THE WORLDS INSIDE AND OUTSIDE OF BDO, IN BOTH A CORPORATE AND A SOCIAL SENSE. TOGETHER, THEY REPRESENT THE GROWING ATTENTION TO THE WORK-LIFE BALANCE.

FURTHER, VARIOUS GRAPHIC ELEMENTS HAVE BEEN ADDED. THE DIAGONAL LINES ARE INTEGRATED THROUGHOUT THE ENTIRE DESIGN. EVEN THE FONT USED FOR THE TITLE 'CONNECTION' WAS CHOSEN FOR ITS REPRESENTATION OF CONNECTEDNESS. THE ACTUAL CONNECTION BETWEEN TWO OF THE LETTERS IS A SUBTLE GRAPHIC TRANSLATION OF THE THEME.

FURTHER, THE COLOURS USED FOR THE ANNUAL REPORT HAVE BEEN ADJUSTED TO EVOKE A SENSE OF POWER AND COLOUR. THE HARMONY BETWEEN THE COLOURS BDO-RED AND BDO-BURGUNDY/GOLD (BDO/BUSINESS VS PERSONAL/SOCIETY) IN PARTICULAR MAKES THE ENTIRE DESIGN A HARMONISED WHOLE, WHILE THE SUBTLE USE OF GRAPHIC ELEMENTS WITHIN THE COLOURS USED REPRESENTS VITALITY AND BALANCE. ALL THIS WITHOUT LOSING SIGHT OF THE BDO GUIDELINES.

COVER NOTES:

JESSE RUITER IS AUDIT & ASSURANCE MANAGER AND IN HIS SPARE TIME BUDDY OF MITCHELL: A BOY WITH A MENTAL DISABILITY (DOWN'S SYNDROME) TO WHOM FRIENDSHIP IS NOT A GIVEN.

This is an interactive pdf.

You can click on the Contents and various items in this document.

Use the ◀ and ▶ buttons to go to the previous or next page.

You can open the Contents with the menu button ☰.

Contents

Preface 'Connection' _____	4	Outlook _____	44
Highlights 2021 _____	6	Report of the Supervisory Board _____	47
KPIs at a glance _____	8	FINANCIAL STATEMENTS 2021 _____	54
Description of the business environment _____	9	▶ Consolidated balance sheet as at 31 December 2021 _____	55
▶ Our clients _____	9	▶ Consolidated income statement for 2021 _____	56
▶ Our people _____	9	▶ Consolidated cash flow statement for 2021 _____	57
▶ Our suppliers _____	9	▶ Notes to the consolidated financial statements _____	58
▶ Our services _____	9	▶ Accounting policies _____	59
▶ Our visibility _____	11	▶ Notes to the consolidated balance sheet as at 31 December 2021 and the consolidated income statement for 2021 _____	63
Governance _____	12	▶ Events after the reporting date _____	74
REPORT OF THE MANAGEMENT BOARD _____	15	▶ List of participating interests _____	74
External charters and initiatives _____	15	▶ Company-only balance sheet as at 31 December 2021 _____	76
Business model and activities _____	17	▶ Company-only income statement for 2021 _____	77
Principal risks and measures taken _____	18	▶ Notes to the company-only financial statements _____	77
Strategy and control _____	21	▶ Notes to the company-only balance sheet as at 31 December 2021 and the company-only income statement for 2021 _____	78
▶ Our identity _____	21	▶ Other information _____	84
▷ Profile _____	21	▷ Independent auditor's report _____	84
▷ Mission and ambition _____	21	▷ Provisions on the appropriation of result under the Articles of Association _____	84
▷ Vision _____	21	▷ Special control rights under the Articles of Association _____	84
▷ Core values _____	22	About the report _____	89
▶ Policy priorities _____	22	Appendix A - Information on employees and other workers (GRI 102-8) _____	93
▷ Theme definition _____	22	Appendix B - GRI Content Index _____	94
▷ Performance _____	22		
EMPLOYEE RETENTION AND RECRUITMENT _____	22		
DIVERSITY _____	24		
SHARED LEADERSHIP _____	27		
LEARNING ORGANISATION _____	29		
VITALITY _____	30		
CIRCULARITY _____	32		
DELIVERING TOP QUALITY _____	34		
TECHNOLOGICAL INNOVATION _____	39		
CLOSE TO CLIENTS _____	40		
LEADER IN OUR MARKETS _____	41		
FINANCIAL PERFORMANCE _____	42		

The original financial statements were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and Dutch text, the latter will prevail.

connection

When I look back on the past year, the biggest challenge for me and my fellow board members has been to build strong connections with and between our people. The year 2021 was dominated by the COVID pandemic. A long period with many restrictions for all of us. Restrictions that were particularly felt when we set out as an entirely new Management Board with a revised strategic vision ('BDO for people and society 2021-2025'). Connection is crucial when embarking on our new course together, to understand it and to roll up our sleeves to make it a reality. And above all, connection is indispensable in ensuring that everyone within our organisation gets through this challenging period unscathed and in good health.

Despite all of last year's restrictions, I feel we have succeeded in building this connection. We have found new ways of keeping in touch with each other and it is reassuring to know that we can be connected without being together in person at all times. At the same time, the need for face-to-face contact is greater than ever. All the more wonderful it was to be able to meet a very large group of new employees in person in September 2021. Especially for all our new people, starting a new job without direct face-to-face contact has been a major challenge in finding their way around the organisation, getting familiar with our culture and core values, learning and developing, and gaining hands-on experience. The need to be together and literally work together is perhaps greater than ever in this day and age. At the same time, also something good came out of the difficult circumstances under COVID. We are more conscious of our travel movements and our working day planning, exhibiting greater flexibility and paying more attention to maintaining a healthy work-life balance. All these things have shaped our way of working. The COVID pandemic has shown itself to be a major driving force: in the past year, digital infrastructure was overall the means that allowed us to continue our daily lives and work - in one way or another. The experience gained has been integrated into our vision of sustainable ways of working together. Hybrid working, partly from home and partly at the office or the client's office, will be the new standard. When working together, we pay due regard to the individual and to creating an enjoyable working environment. The joy is in the relationships we have with each other and with our clients. Our employees' vitality is key here, in the sense that they should feel they have a healthy work-life balance and feel connected to clients, colleagues and the organisation.

With the theme *Vitality*, we seek to connect with our surroundings as much and as broadly as possible. In our work for clients, we also focus on increasing their vitality (their financial vitality, usually). Based on our clients' requirements, we explore how we can bring together subject matter knowledge from various disciplines to support clients in this process. In 2021, a vitality scan was introduced as part of this approach to assist clients in conducting a targeted analysis of their organisation's vitality. We also support and encourage our employees to contribute specifically to vitality in society. Our employees unselfishly dedicate their knowledge and time to people in society who need a helping hand. We aim to increase these people's vitality to enable them to participate in society. Our BDO Impact Centre coordinates activities to achieve this goal. A prime example is the UAF programme with asylum permit holders, which will be discussed later on in this annual report.

For the first time, this report also contains non-financial KPIs. The primary goal is to explain how we create value for our stakeholders - not just as an accounting and consultancy firm but also as a responsible employer and for society at large. By including these KPIs, we are preparing for the implementation of future legislation on non-financial disclosures that are important to our stakeholders.

We look for connection in everything we do: we need each other more than ever. Our multiform organisation is made up of many different people who serve a great variety of clients, a reflection of our society. Together with others, we want to make sure that our profession creates the very best conditions and parameters for all our people to do their work properly: diverse and inclusive and with the right level of quality. As chair, I strive to optimally connect the BDO inner world with the outside world, both professionally and socially. By focusing particularly on what we have in common: pride in the clients we work for, our organisation and the people giving their very best every day, at the heart of the community. We give professionalism a human face.

Together, we managed to keep into focus our purpose as an organisation in 2021. Our mission 'to add certainty to organisations, businesses and society by delivering top quality anywhere and at any time' will continue to serve as our compass. This is where our relevance lies, both now and in the future. Long-term value creation and safeguarding the public interest are key in that regard.

With much energy and perseverance, our people have given their utmost for this mission under challenging conditions. They stayed connected with each other and with clients and came up with creative solutions to put the continuity of our services first. We are proud of their drive and of how it has enabled us to serve our clients and society. We would like to share this with you in this annual report. I would like to express my appreciation, also on behalf of my fellow directors, to all our colleagues who made a real difference in this exceptional year in the connection with each other, with our clients and with people living in challenging circumstances in our community.

The world around us is in constant flux and the challenges are manifold: disruptive conflicts, problems in supply chains resulting in rising energy and raw material prices and inflation, disconcerting climate developments and a tight labour market. These challenges and threats require a broad view of the many developments in society and what they mean for our main stakeholders and for our own organisation. We will continue to review our strategy and how we can deliver added value based on our mission and vision in the light of these developments.

Eindhoven, the Netherlands, 21 April 2022

On behalf of the BDO Management Board
R.C.M. (René) Nelis - chair



Grand Café
Woningen
Uitgang

CHRIS VAN DEN HAAK (PARTNER)
IS INVOLVED IN THE DEVELOPMENT
OF THE (FREE) ORGANISATIONAL
VITALITY SELF-ASSESSMENT,
WHICH GIVES ORGANISATIONS
INSIGHT INTO THEIR VITALITY.

Highlights 2021

January

BDO has a new Management Board as from 1 January 2021. René Nelis is now CEO and the new chair. Maurice de Kleer was appointed Chief Quality Officer (CQO) with effect from the same date. Together with Leon Jansen, who had already been appointed Chief Financial Officer-Chief Operations Officer (CFO-COO) with effect from 1 September 2020, they form the new BDO Management Board.

BDO launched its annual *Benchmark Nederlandse gemeenten*, which assesses the financial health of all 355 municipalities based on the 2019 financial statements. The study showed that they are facing unprecedented financial challenges and uncertainties. Almost eight out of ten municipalities expect a deficit for 2021, which is estimated to be as much as € 1.3 billion. This threatens to increase the combined deficit of municipalities by a factor of ten compared with 2018.

February

In collaboration with the UAF - a foundation that supports refugees - BDO employees worked as mentors for refugee colleagues. The goal was to improve refugees' job prospects and help them find their niche in Dutch society. The BDO employees were given working hours from the organisation to make this contribution to society.

March

On 18 March, the Management Board presented the 2021-2025 BDO strategy at an online interactive event for all BDO employees. A number of BDO employees discussed the ins and outs of the renewed *BDO Horizon* culture programme, based on their involvement in the underlying projects.

In addition, BDO launched the 'ParentJourney@BDO' working parents programme in March. This initiative helps future parents to combine parenthood and working at BDO by offering workshops, guidance, checklists, information packages and more. This way, we make life just a little bit easier for parents and prospective parents by supporting and facilitating them in the changes to their family situation.

April

The new advisory division *BDO Digital* made its appearance! It is BDO's response to the growing need among organisations for advice and support in their digital transformation. BDO Digital provides services within the risk and finance domain and helps all sorts of organisations, be it medium-sized family businesses or public sector organisations, to remain future-proof and use all the potential that today's technology has to offer.

May

On 29 and 30 May, the first edition of the *BDO Run* took place: a (COVID-proof) sports event for employees and their friends, relatives and relations. Over 1,000 participants put their running shoes on for a sportive weekend in their own area. It reinforced the connection between BDO employees, who had been working mostly from home for over a year due to the coronavirus. Based on its conviction that everyone should be given the opportunity to do sports, BDO donated an amount of € 11,000 to the Jeugdfonds Sport & Cultuur foundation - equal to the number of kilometres run by all participants together.

June

At the end of June, we launched a new family business study of the Erasmus Centre for Family Business (ECFB) in a joint publication with Rabobank. It is the sixth study to be published in this unique partnership. Family businesses often have a long history, which they are proud of, and rightly so. However, tradition should not equal stagnation. The shareholder role in particular should be actively used. But how do you do this? Read the study to find out.

July

BDO reached agreement on the acquisition of ProExc. With this acquisition, BDO has expanded its management consulting activities and its position in various market segments. ProExc operates in the midmarket segment and is active in professional services, trade, wholesale, construction and installation, industry, manufacturing and healthcare.

September

Around 600 of our people accepted the challenge to walk 10,000 steps every day in the context of *Steptember*, a vitality initiative. BDO was well represented in this campaign for the third year in a row. Besides encouraging people to take part in Steptember as a group, BDO offers many other health-improving options, such as company fitness, a bicycle scheme, health checks, courses and e-learning modules.

October

BDO Horizon is the BDO culture programme. Its purpose is to further our strategy by fostering an open, agile, people-oriented and quality-driven culture, based on our core values of Professionalism, Job Satisfaction, Practical Relevance, People Focus and Social Responsibility. At five hybrid/online meetings across the country, colleagues were introduced to BDO Horizon and its regional implementation this month.

November

At BDO, we monitor market developments and our clients' operations from a broad perspective. Based on our strategic pillar 'Social Responsibility', we aim to contribute to employees', clients' and society's vitality. Studying and discussing organisations' vitality with our clients (and prospects) is a natural expression of this. That is why BDO launched the 'Organisational Vitality Self-Assessment'. Clients and prospects can participate free of charge.

As our own in-house studio at the Utrecht office opened its doors, we can now produce our own professional, high-quality audiovisual content - made by and featuring our own BDO staff. The studio's arrival was in part inspired by the growing need for audiovisual productions and resources, which has only become bigger during the coronavirus pandemic.

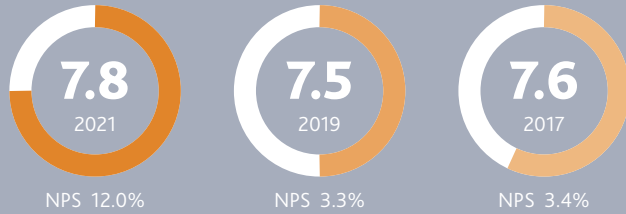
December

BDO is a proud partner of JINC, a non-profit organisation. Under this partnership, BDO employees can mentor children from socio-economically disadvantaged neighbourhoods and improve their job prospects by becoming a trainer or coach. Employees are given working hours from the organisation to contribute to this initiative.

The global BDO network generated € 9.8 billion in revenue in 2021, a 7% increase on 2020 at constant currencies. Worldwide, the headcount grew by 6.8%, rising to 97,292 employees who are based in 1,728 offices in 167 countries and territories.

KPIs at a glance

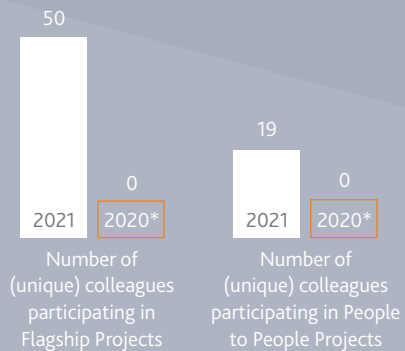
Client satisfaction



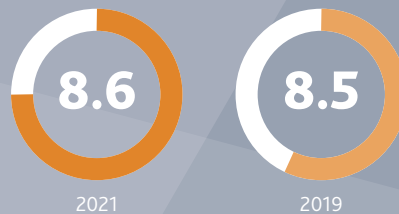
Average number of hours of training

		2021		2020	
		Internal	External	Internal	External
Business	Managers	70.65	6.47	59.33	6.08
	Professionals	70.82	117.07	65.34	113.69
Support & Corporate Services	Managers	11.07	1.34	9.94	0.09
	Professionals	10.34	0.30	6.73	1.46

BDO Impact Centre activities



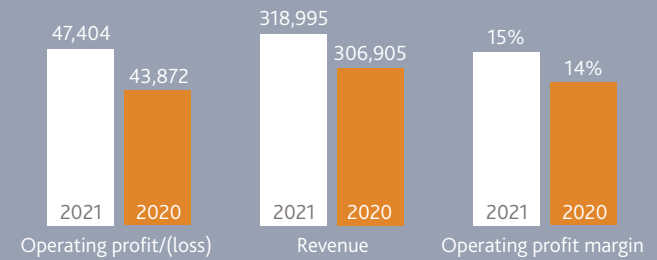
Partners Net Coaching Score



Employees by gender

		2021		2020	
		Men	Women	Men	Women
Business	Partner	162 (87%)	25 (13%)	171 (87%)	26 (13%)
	Manager	543 (64%)	306 (36%)	532 (66%)	276 (34%)
	Professional	601 (54%)	503 (46%)	601 (54%)	517 (46%)
Support & Corporate Services	Partner	3 (30%)	7 (70%)	3 (30%)	7 (70%)
	Manager	63 (52%)	58 (48%)	51 (48%)	56 (52%)
	Professional	54 (14%)	319 (86%)	61 (17%)	299 (83%)

Financial performance (in € 1,000)



Quality monitoring reviews by Line of Service

	2021		2020	
	Adequate	Inadequate	Adequate	Inadequate
Audit & Assurance	30	0	28	14
Accountancy & Business Advisory	45	1	43	4
Tax Consultancy	39	0	47	2

NB For 2021 financial year, 18 files are still in progress.

* 2020 was the year that the BDO Impact Centre was launched; the first projects started in the course of 2021.

Description of the business environment

Our clients

We believe in strong client relationships and in personal, tailor-made solutions. Our clients operate in a wide range of market segments, but they all have a service ask. We offer them solutions so that they can focus on doing business.

Our services are primarily geared towards adding certainty for our clients. Every client is assigned a single point of contact from the start. Irrespective of the area to which the client's questions are related, the single point of contact at BDO handles every question with a team of specialist professionals drawn from our organisation. Thanks to our national and international network, we have the necessary know-how to come up with good solutions for the problems that businesses face.

Our services are characterised by our no-nonsense mentality. We get straight to the heart of the topic and are clear and frank in our approach to matters. We know our clients, the ins and outs of their organisations, and the personal considerations that come into play. During the reporting period, we saw that this is appreciated by our clients and that they remain loyal to BDO. In turn, we are highly appreciative of their loyalty.

Our people

We believe that our people are our key asset, and as such the quality of our employees determines the standard of our services, our development and our growth. Our motto is to concentrate on what you do best. All of our people are unique, as are our clients. Our professionals focus heavily on aspects relating to culture, attitudes and conduct. The human dimension is inherent in all that we do for our clients. We know how to influence culture, attitudes and conduct because we recognise how important these aspects are.

Our auditors and advisers are committed to forging open and trusted relationships with clients. Our people are continuously looking to make connections. Just having knowledge of the client's business is no longer enough. We proactively try to make connections with other organisations in and outside the sector, so that we always have the most up-to-date and valuable input to share with the client.

We are strongly committed to personal talent development. By allowing our people to concentrate on what they do best and enabling them to grow, take on challenges and build a career, we can ensure that the talents of our people are put to the best possible use when they provide services to our clients. Knowledge and expertise are the common thread in our service

provision. Today's need for thinking and acting on your feet comes natural to us. As a network firm, we have a local presence and we can provide businesses with the best possible support in dealing with change.

Our strength lies in the impact we make. We are happy to provide input on strategy, but our pragmatic approach to implementation is what sets us apart.

Our suppliers

As a service organisation, we mainly work with suppliers whose products and services enable us to deliver our own services to the best of our ability, for example office space lessors, lease companies and public transport for our mobility, universities and training institutions, and sellers of office supplies, most of them established in the Netherlands. The *Circularity* section discusses our emissions resulting from the goods and services we purchase from these suppliers. In 2021 we had 2,354 (2020: 2,300) suppliers. This number also includes the suppliers of representation gifts and food and beverages for the various offices.

Our services

We have four Lines of Service:

Audit & Assurance

Society must be able to rely on the figures of businesses and organisations. Rules must have been applied correctly and statutory obligations must have been fulfilled; a business wants to communicate this clearly to its shareholders, investors, employees, suppliers and clients. BDO Audit & Assurance is able to offer such assurance. In addition to audit and attest services, this Line of Service also offers added value thanks to the natural advisory role accountants fulfil. It provides advisory services that are clear and transparent, and are geared to the client's specific organisation and sector. If a company has foreign operations, our international network is available to conduct an efficient, seamless audit of the group as a whole.

Accountancy & Business Advisory

BDO's accountants and business advisers offer assistance to businesses in managing their financial accounts and provide certainty that the figures are accurate and up-to-date. At the same time, they interpret those figures, thus providing new insights and creating opportunities for the client. Smart online solutions are used for accounting processes and a personal adviser is assigned to offer new perspectives. Our accountants compile financial statements and management information, and keep their clients' financial and payroll records using high-quality online and

offline applications. The personalised 'My BDO' environment allows for data exchange and offers businesses easy access to reports, tax returns, and general and sector-specific news items. The platform also supports reporting using XBRL/SBR. The designated personal business adviser acts as a sounding board, coach and critical sparring partner, and takes a proactive approach to offering input on matters ranging from financial return to business succession, HR services, tax planning, estate planning to continuous process improvement.

Tax Consultancy

Our Tax Consultancy Line of Service takes a practical and proactive approach to serving the tax interests of businesses. Tax laws and rules are constantly changing, and tax issues are becoming more and more complex. Moreover, the increase in public attention means that tax planning is, to an increasing extent, becoming a matter of reputation. For businesses, getting a grip on their tax position and planning is more important than ever. BDO steers them through the maze of ever-changing tax rules. Our services go much further than merely arranging for practical tax matters. Our approach is characterised by our broad scope, in which our tax specialists offer proactive input on strategic opportunities in the area of taxation for your business or organisation.

BDO's Tax Consultancy team consists of generalists and specialists. Our generalist advisers offer tax and legal solutions from the broad perspective of business economics or private-law requirements. Rather than offering ready-made products, we provide practical, efficient solutions that are tailored to the client, in consultation with the client's auditors and other partners where appropriate.

Given the complexity of the law, we also have several specialists on offer who focus on one particular domain, including:

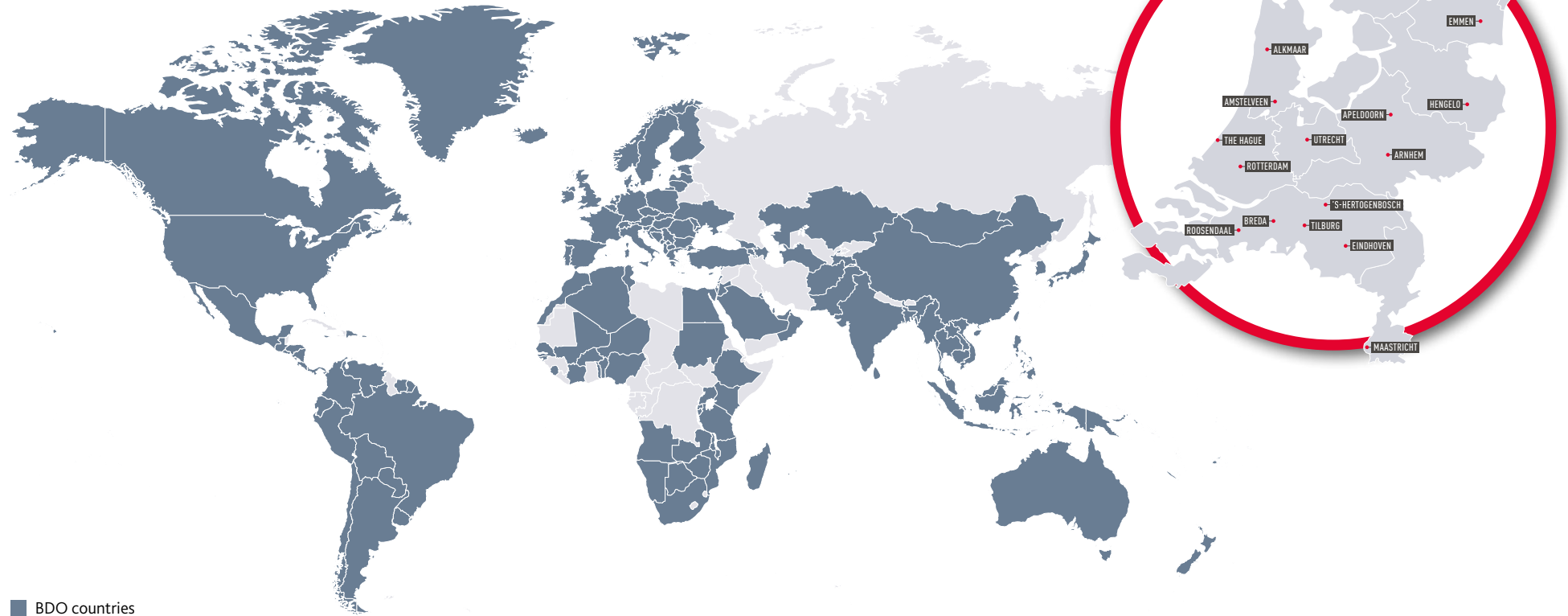
- ▶ VAT and customs
- ▶ payroll tax and social security
- ▶ corporate tax services
- ▶ global outsourcing
- ▶ international tax services
- ▶ real estate valuation services
- ▶ private clients
- ▶ innovation, grants & incentives
- ▶ tax risk management
- ▶ transfer pricing

Advisory

BDO has a team of specialists for key organisational issues. They provide advice and arrange interventions that serve to leverage the business's earnings and performance. Our consultants take a personal, committed approach and offer tailor-made solutions. They have knowledge of the local market and specific industries, and expertise is also contributed by the global BDO network.

This Line of Service covers a wide range of services, including advice on topics such as cybersecurity, which is essential in view of the latest advances in new technology, artificial intelligence and the internet of things. Despite their different professional backgrounds, our advisers all follow the same basic principle of focusing on the return for the client. People from this Line of Service work together at local and regional level to offer our clients an all-in service. In addition to management from the Lines of Service, the organisation is also centrally managed along the lines of three market domains, i.e. Profit and Public Sector.

Our visibility

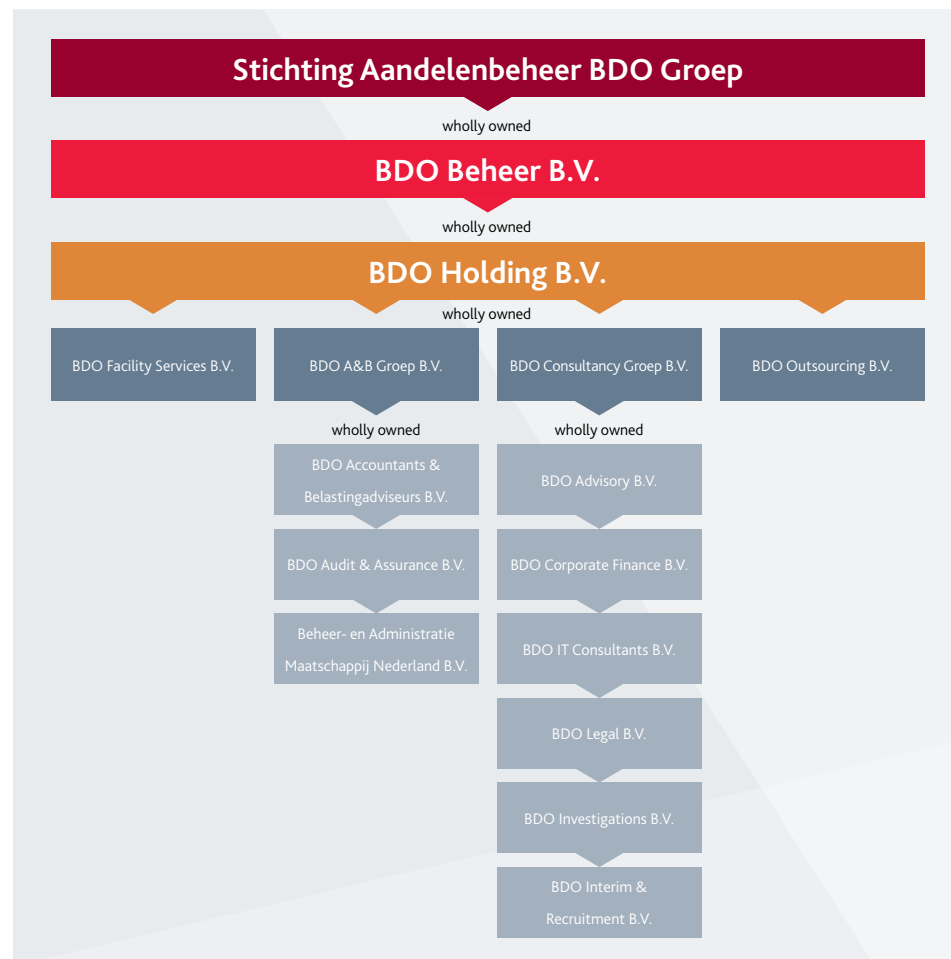


■ BDO countries

BDO IN THE NETHERLANDS		BDO INTERNATIONAL		TOP 5 ACCOUNTING & CONSULTANCY FIRM WORLDWIDE
16 OFFICES	319 m REVENUE 2021	1,728 OFFICES	167 COUNTRIES	
2,600+ PROFESSIONALS	1:14 PARTNER : STAFF	97,000+ PROFESSIONALS	9.8 bn REVENUE 2020-2021	

Governance

The legal structure of the BDO organisation in 2021 is shown in the following chart (only companies with active operations are included):



Corporate structure

BDO Holding B.V. heads a group of related private limited liability companies ('the BDO Group') that together form a professional services provider. The BDO Group is structured along four Lines of Service, i.e. Audit & Assurance, Accountancy & Business Advisory, Tax Consultancy and Advisory.

BDO Audit & Assurance B.V. is responsible for providing audit and assurance services and has a statutory audit licence as referred to in the Audit Firms (Supervision) Act (*Wet toezicht accountants-organisaties*), which allows it to audit public-interest entities, among other enterprises.

BDO Accountants & Belastingadviseurs B.V. offers both accountancy and business advisory services and tax consultancy because they are often provided or purchased as an all-in package.

Advisory services are spread over the different companies that come under the sub-holding company BDO Consultancy Group B.V.

Some activities have been transferred to a separate company due to the specific risks or statutory requirements that are associated with them.

Stichting Aandelenbeheer BDO Groep

Stichting Aandelenbeheer BDO Groep has three bodies, i.e. the Management Board, the Supervisory Board and the Meeting of Participants. The members of the Management Board and the Supervisory Board are appointed by, and report to, the Meeting of Participants. The members of the Management Board of Stichting Aandelenbeheer BDO Groep and the Management Board of BDO Holding B.V. are the same.

Meeting of Participants

Through their professional practice companies, the partners who are affiliated with BDO are holders of depositary receipts for shares that are issued by Stichting Aandelenbeheer BDO Groep. These partners work for specific BDO group companies under a management agreement. As at 31 December 2021, BDO had 65 holders of depositary receipts.

Management Board

There is an uninterrupted governance line within the BDO Group, due to the fact that the managing boards of all group companies are made up of their sole shareholder, as a result of which, from a top-down perspective, the Management Board of the BDO organisation always consists of the members of the Management Board of Stichting Aandelenbeheer BDO Groep, albeit acting in different capacities.

The Management Board of Stichting Aandelenbeheer BDO Groep and the Management Board of BDO Holding B.V. had the following members on 31 December 2021:

- ▶ R.C.M. (René) Nelis (chair)
- ▶ L.M. (Leon) Jansen
- ▶ M.A. (Maurice) de Kleer

Supervisory Board

Besides its general supervisory duties, the Supervisory Board has a number of specific duties relating to BDO Audit & Assurance B.V.

The Supervisory Board had the following members on 31 December 2021:

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

The following person stepped down on 30 September 2021:

- ▶ A.P.H. (Ton) Rutgrink (chair)

For the Report of the Supervisory Board, see page 47 of this annual accounts.

Market segments

BDO's services focus on two market segments, i.e.: 'Profit' and 'Public Sector'. Each market segment has a Head of Market who is responsible for managing their respective segment.

On 31 December 2021, the Heads of Market were:

- ▶ J.M.A. (Jeroen) Brak, Head of Market for Profit
- ▶ C.F. (Chris) van den Haak, Head of Market for Public Sector

Lines of Service

The BDO organisation consists of various operating companies that encompass four Lines of Service: Audit & Assurance, Accountancy & Business Advisory, Tax Consultancy and Advisory.

Each of the companies encompassing a Line of Service (LoS) has a practice director (Head of LoS), who is responsible for the day-to-day management of the activities that come under that LoS. In pursuing the day-to-day policies of the LoS, each practice director is supported by a management team, which consists of the practice director and two other partners/shareholders from the relevant LoS.

On 31 December 2021, BDO's Heads of LoS were:

- ▶ J.H. (Hans) Renckens, Head of Audit for Audit & Assurance
- ▶ N. (Niek) de Haan, Head of Tax for Tax Consultancy
- ▶ E.H.B. (Edwin) Schrijver, Head of Accountancy for Accountancy & Business Advisory
- ▶ J.H. (John) Hijmans, Head of Advisory for Advisory

On 31 December 2021, the following Heads of LoS stepped down:

- ▶ J.H. (Hans) Renckens, Head of Audit
- ▶ J.H. (John) Hijmans, Head of Advisory for Advisory

The following Heads of LoS were appointed with effect from 1 January 2022:

- ▶ M.M.G. (Marcel) Mans, Head of Audit for Audit & Assurance
- ▶ F.J. (Frank) van der Lee, Head of Advisory for Advisory

List of offices

An overview of BDO's offices in the Netherlands is available on our website (www.bdo.nl), which provides information on all offices.

Works Council

The Works Council represents the employee body as a whole; it does not look after the interests of individual employees. Where schemes prove to be problematic for groups of employees, the Works Council takes it upon itself to investigate matters and raise them with the Management Board. Improvements are sought jointly. The interests of the organisation as a whole come first.

The Works Council communicates information within the organisation concerning its activities, discussion topics and initiatives. It is up to the employer to inform employees of developments within the organisation.

At year-end 2021, BDO's Works Council had sixteen members from various Profit Centres and Lines of Service. The Works Council aims for a balanced composition in which every BDO Profit Centre is represented. In the past year, the Works Council had five female and eleven male members.

In order to be able to operate efficiently and effectively, the Works Council has established a number of committees. This allows it to act decisively and adopt a broad scope; individual members do not need to study every matter in great detail. The committees, which are specialised, explore opportunities and threats. They also prepare initiatives for, and supply information to, the Works Council as a whole.

The Works Council met six times in 2021. It also held six consultative meetings with a representative of the Management Board and the HR Director. The Works Council also had two meetings with representatives of the Supervisory Board in 2021. In addition, the members of the Works Council spoke to members of the Management Board and company officials on an informal basis on several occasions.

The topics addressed in the past financial year included the fallout of the COVID pandemic, financial developments, accommodation, pension file, hybrid working (Sustainable Collaboration), revision of A&B formula policy, appointment of Health & Safety Officer, repositioning of Legal, fringe benefits and corporate social responsibility.

REPORT OF THE MANAGEMENT BOARD

External charters and initiatives

BDO is an active participant in society and we are thoroughly aware of our social responsibility. We aim to make a positive impact on people and the environment, convinced as we are that this will lead to future long-term success for BDO, our people and our clients and, consequently, a resilient society. We are committed to sustainability as we:

- ▶ foster our people's talents and vitality
- ▶ reduce our footprint
- ▶ join projects enabling our people to make an impact in society
- ▶ support our clients in achieving their sustainability goals that contribute to the transformation into the new, sustainable economy.

Our efforts are aligned with the 17 United Nations Sustainable Development Goals where possible.



The 17 United Nations Sustainable Development Goals (SDGs)

In 2015, the 193 member states of the United Nations adopted 17 global Sustainable Development Goals (SDGs) to end extreme poverty, inequality, injustice and climate change. BDO aims to contribute to these ambitious goals together with our clients within the context of our profession. For this reason, we have selected a number of SDGs that we will be working towards in the coming years.

SDG 3 - Good health and well-being

Creating a socially committed organisation is done 'from the heart', but is also part of creating a culture focused on delivering quality. In this context, we deliberately choose to encourage our employees to stay fit and healthy. In the long run, everyone benefits from being in constant harmony with their surroundings and we believe we can make a contribution to achieving this. In 2022, we will further fine-tune our vitality policy to actively contribute to our people's well-being.

SDG 4 - Quality education

Quality education gives a positive impetus to the lives of individuals and their surroundings. It also gives them the means to define answers to the major challenges facing us in this world. In addition, SDG 4 aims to promote lifelong learning opportunities for all. This dovetails with our ambition to be a learning organisation. Our training programme aims to increase our organisation's capabilities to change and develop. Specifically, we constantly encourage our employees to learn and develop skills by enrolling in internal or external training programmes. We encourage them to develop their own expertise and know-how and share their knowledge with others, for example at universities or at knowledge sessions at our clients' offices. Our offering of student work placements narrows the gap between education and the job market, ensuring a better match with market demand. In collaboration with JINC, we help young people get acquainted with the job market by introducing them to the business world.

SDG 5 - Gender equality

In our view, the BDO culture should encourage freedom to be different in order to allow every individual at BDO to shine in their own way. Importantly, our people should learn to reflect critically on themselves, on the world around them and on society. The diversity of BDO employees offers opportunities to create stimulating learning environments where they can discover new perspectives and get the opportunity to broaden their horizons. Moreover, diverse perspectives contribute to the quality of our judgement. An inclusive culture creates a sense of community as differences are revealed and accepted. Our diversity policy focuses primarily on creating an inclusive culture and any BDO activities that contribute to making optimum, sustained use of the talents of all employees with their diverse range of characteristics and competences. So they will feel respected and appreciated at BDO.

SDG 8 - Decent work and economic growth

Ethical conduct and responsible business with integrity and in accordance with the law are prerequisites for being a responsible organisation and building a relationship of trust with our clients, business partners and society. We make sure that everyone who works for us can do so in a safe and healthy environment. We take our social responsibility as an employer seriously. We strive for equal work for women and men and people with disabilities. We also aim for equal pay for equal work. With our services to clients, we aim to contribute to the financial health of businesses and organisations that contribute to economic growth.

SDG 10 - Reduced inequalities

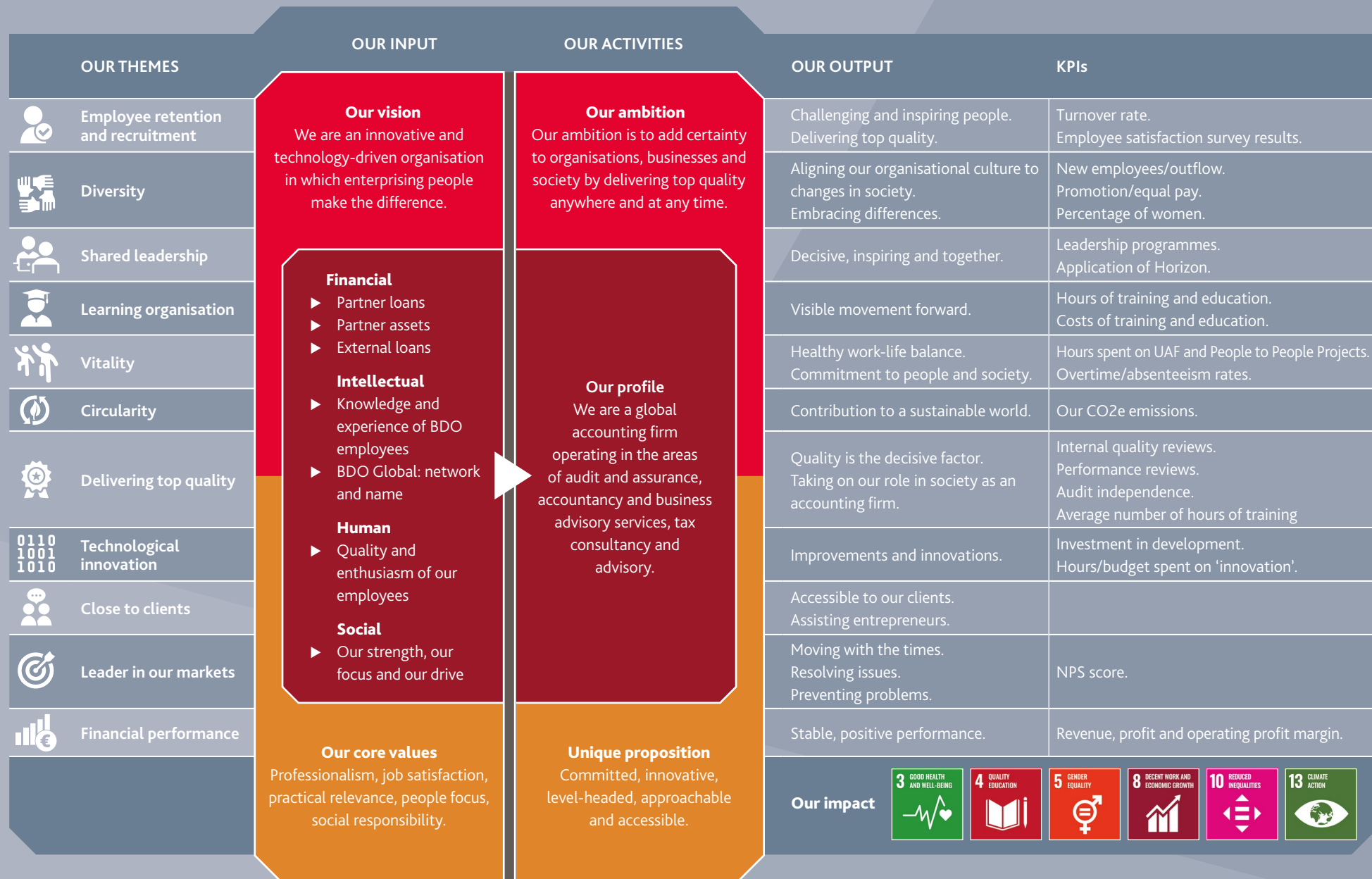
SDG 10 focuses on social, economic and political inclusion of all people on earth. Discriminatory laws and other practices that exacerbate inequality must be eliminated worldwide.

Asylum permit holders in the Netherlands often experience economic inequality due to their poor job prospects. We support and encourage our employees to make a genuine contribution to vitality in society by participating in a mentor programme that we have set up in collaboration with the UAF in 2021 to improve asylum permit holders' job prospects. Through our partnership with the UAF, we also contribute to SDG 17.

SDG 13 - Climate action

BDO Netherlands is committed to BDO Global Network's Net-Zero ambition: to minimise our energy consumption and reduce our carbon emissions to zero by 2035. Compensation will be made for the part that cannot be reduced. At BDO, there will be no general waste by 2035, and from 2035 onwards (at the latest) we will travel completely emission-free. We are implementing various measures to achieve this, such as a sustainable purchasing process and reduced consumption of energy from non-renewable sources. We invest in tomorrow's world by setting up dynamic, sustainable and healthy workplaces. We also promote the use of sustainable means of transport such as bicycles, public transport and electric cars.

Business model and activities | BDO value creation model



Principal risks and measures taken

The objective of the organisation-wide risk assessment is to identify the principal risks that might affect the achievement of objectives and to evaluate the effectiveness of the risk management procedures. The organisational objectives defined in the multi-year plan for 2021-2025 serve as a starting point for the risk assessment. Various stakeholders are involved in the risk assessment, including the Management Board, Heads of LoS, Heads of Markets and Heads of corporate support services. The scope of the risk assessment covers both internal and external risks. Risk details are recorded in a risk register, which describes their probability of occurrence, root causes and consequences, and controls. It has been established that additional controls are required to mitigate the principal risks. The table below shows the key risks identified during the risk assessment performed in 2021, their potential impact and the measures taken to mitigate them.

Risk	Potential impact	Mitigating measures
Inadequate innovation or failure to respond to technological developments and opportunities promptly	<ul style="list-style-type: none"> ▶ Deterioration of competitive edge; risk of falling behind with no chance of catching up ▶ Fall in appeal as employer of choice 	<ul style="list-style-type: none"> ▶ Innovation vision, strategy and structure ▶ Development of a new (international) tools ▶ Standardisation and harmonisation of processes by creating efficient infrastructure (BDO Base), central client desk and Regional Delivery Centres ▶ Governance model with greater focus on developing markets ▶ Business Transformation Managers, Business Alignment Teams ▶ Innovations in product and services portfolio ▶ BDO Digital ▶ Governance and periodic reporting structure ▶ Client satisfaction surveys ▶ Participation in Foundation for Audit Research
Lack of capacity for change	<ul style="list-style-type: none"> ▶ Inadequate understanding of developments in, and the expectations of, society ▶ Inadequate innovation and diversity ▶ Deterioration of competitive edge 	<ul style="list-style-type: none"> ▶ Quality programme <i>BDO Horizon</i> aimed at strengthening quality climate and learning organisation ▶ Involvement of Supervisory Board ▶ <i>Diversity</i> programme including appointment of Head of Diversity ▶ Leadership programme ▶ Business Transformation Managers, Business Alignment Teams ▶ Vision of contemporary interpretation of partner model
Incapacity to recruit, retain and appreciate talented individuals	<ul style="list-style-type: none"> ▶ Threat to delivering high-quality services ▶ Pressure on vitality of organisation ▶ Loss of revenue 	<ul style="list-style-type: none"> ▶ Strategic staff planning ▶ BDO Academy: extensive training programme aimed at professional expertise and skills ▶ Talent management, recruitment and coaching with focus on inclusiveness, diversity and vitality ▶ Leadership programme ▶ <i>Diversity</i> programme including appointment of Head of Diversity

Risk	Potential impact	Mitigating measures
Quality incident due to demonstrable negligence	<ul style="list-style-type: none"> ▶ Notices of liability leading to financial losses ▶ Loss of reputation ▶ Loss of public trust ▶ Loss of clients ▶ Fine imposed by regulator ▶ Loss of licence to operate ▶ Difficulty hiring new talented employees 	<ul style="list-style-type: none"> ▶ Quality programme <i>BDO Horizon</i> aimed at strengthening quality climate and learning organisation ▶ System of quality management and assurance ▶ Professional support by Department of Professional Practice ▶ Preventative and repressive working paper reviews conducted by Practice Review Unit ▶ Quality Council ▶ Quality Support Team ▶ Performance of root cause analyses and preparation of improvement plans ▶ Stringent client and engagement acceptance procedure ▶ Training programme, including mandatory courses ▶ Quality at the forefront of the performance appraisal process ▶ Quality-oriented supervision by Supervisory Board
Long periods of insufficient (investment) budget & financial resilience	<ul style="list-style-type: none"> ▶ Possible failure to future-proof the organisation (quality and technology) ▶ Failure to attract talented staff or outflow of talented staff 	<ul style="list-style-type: none"> ▶ Governance structure ▶ 'Profit appropriation from an organisational perspective' working group on research on sustainable financing methods
Loss of confidential or privacy-sensitive information/ breach of confidentiality and/ or privacy regulations (information security & privacy)	<ul style="list-style-type: none"> ▶ Threat to service continuity ▶ Loss of reputation ▶ Loss of clients ▶ Financial loss due to imposition of fines and/or being held liable 	<ul style="list-style-type: none"> ▶ Information security and data protection policy ▶ Information Security & Privacy Management System ▶ Corporate Information Security & Privacy Officer ▶ Privacy Impact Assessments ▶ External security assessments ▶ Regular training on information security for partners and staff ▶ Disaster recovery plan and business continuity plan
Changing rules and regulations with a major impact on organisation structure and business model, such as legally enforced segregation of audit and advisory services	<ul style="list-style-type: none"> ▶ Costs associated with changing legal structure ▶ Loss of knowledge and specific expertise that are important for delivering high-quality services ▶ Further limitation of full-service offering, meaning that client requirements cannot be met 	<ul style="list-style-type: none"> ▶ Participation in Netherlands Institute of Chartered Accountants' Public Interest Steering Group - change agenda ▶ Participation in the Trailblazers' working group ▶ Internal dialogue and scenario planning



MAIKEL REKELHOF IS PARTNER AT BDO AND TAUGHT A GUEST CLASS TO YOUNG PEOPLE FROM SOCIO-ECONOMICALLY DISADVANTAGED NEIGHBOURHOODS THROUGH THE BDO IMPACT CENTRE IN COLLABORATION WITH JINC.

Strategy and control

Our identity

Profile

BDO is a global top-five accounting and consultancy firm, boasting more than 2,600 skilful and experienced employees in the Netherlands, who are based in 16 offices across the country. BDO has a wide variety of clients, ranging from SMEs, directors/majority shareholders and high-net-worth individuals to large Dutch and international businesses and listed companies, as well as public-sector organisations. This diverse client base calls for a combination of broad knowledge and flexibility on the one hand and customised solutions – in the form of specialist expertise where necessary – on the other.

BDO is part of the global network of autonomous and independent firms that provide professional services under the BDO label. BDO is an informal, accessible and transparent organisation with a pragmatic, no-nonsense mentality. There is room for the human dimension and we are aware of our responsibilities.

We concentrate on enabling employees to develop into advisers who devote all their talents to providing their clients with the highest quality services and building excellent client relationships. BDO owes its existence to the long-term relationships we have developed with our clients.

With 16 locations, we are not only physically close to our clients, we are highly accessible to them too. Clients are assigned a single point of contact at partner level and a fixed team of staff. BDO supports businesses by providing them with excellent advice at a time and place that suits them.

BDO is aware of the impact its services have on society. The scope of our services goes beyond our obligation to the client. Having an independent external auditor perform an audit of financial reporting, particularly with respect to risks that could threaten the continuity of the business, is in the direct interests of institutional investors, private shareholders, employees, authorities and other stakeholders.

Mission and ambition

BDO's mission and ambition is to always act as an independent external auditor and trusted adviser to our clients and society at large by adding certainty to organisations, businesses and society by delivering top quality anywhere and at any time. In our day-to-day conduct of practice, we also focus on diversity, vitality and the social, economic and environmental quality of our local communities.

'Adding certainty to information to aid economic decision-making' and helping our clients achieve their strategic goals are – and will continue to be - the core narrative that underlies all our services. Auditors and advisers foster the financial vitality of individual organisations and contribute to the effectiveness of the economic system. Based on our expertise, knowledge and experience, we can make a valuable contribution and give substance to our role in society, our role in the debate on financial and economic topics, and our role in improving rules and regulations and the related implementation aspects, by persistently adding certainty in an uncertain world.

Vision

We are a data- and technology-driven professional organisation where enterprising people from different backgrounds and proactivity make the difference. We want:

- ▶ to build the very best client relationships in the market defined by us (private and public domains) and help our clients achieve their strategic goals (clients & partners deliverable) based on our core values
- ▶ to be market leaders in the market sectors selected by us (clients & partners deliverable)
- ▶ provide professional growth and development opportunities in a learning environment to enable our partners and associates to reach their potential and realise their dreams (partners & associates deliverable)
- ▶ to lead by example by always acting responsibly and with integrity, and owning our role in society, based on our common values (society deliverable)
- ▶ to be a robust, agile and future-proof organisation that embraces innovation (organisation deliverable)

Core values

BDO employees judge their own and each other's behaviour and want to be judged by others according to shared core values and corresponding behavioural characteristics. The core values constitute our shared moral goals and meaningful ideals that we pursue and value and that motivate us.



PROFESSIONALISM

We are professionals; we stand for top quality, and we are honest, objective, reliable and experts in our field. We are focused on continuous development and improvement.



JOB SATISFACTION

We enjoy our work; we are enthusiastic in our teamwork and are intrinsically motivated to bring out the best in ourselves and others. We are healthy and vibrant.



PRACTICAL RELEVANCE

We provide solutions that are relevant in practice: efficient, effective, technology-driven and situation-tailored. We are proactive and reduce complexity to its essence.



PEOPLE-ORIENTED

We feel a personal connection with the people at our organisation, the people behind our clients and the people in society. We are respectful and always ready to lend a helping hand, and we respect the human dimension. We appreciate the vitality, diversity and inclusiveness of the people around us.



SOCIAL RESPONSIBILITY

We feel socially responsible; we strive for a sustainable and future-proof impact on our environment. We work on connection and trust.

Policy priorities

Theme definition

In 2021, we sat down with a number of stakeholders to discuss our new 2021-2025 strategy and the themes that are most material to them. Unfortunately, the COVID pandemic compelled us to postpone several meetings scheduled for the wider stakeholder engagement to 2022 as face-to-face meetings could not be organised.

We decided to include ten material themes in this report based on the meetings that did go ahead and the topics identified at those meetings as being material. We see this as a first step, which will be given further shape and meaning on the basis of the stakeholder engagement in 2022. Please see 'About the report' for more details about this process. The definitions of the material themes and what we aim to achieve with them are set out in the following sections of this report. For the sake of completeness, we point out that the themes are described in random order and their order does not reflect their level of importance to our organisation.

Since the 2021 financial year is the first year for which we have drafted an integrated annual report, it is not possible in every case to make a comparison between this year's and last year's material themes. That analysis will be included as from the report for the 2022 financial year.

Performance



EMPLOYEE RETENTION AND RECRUITMENT

Theme description

At BDO, people make the difference, and as such the quality and enthusiasm of our people determine the standard of our services, our development and our growth. We will therefore put in every effort to try and retain our talented staff and hire new talented people, which is challenging in today's tight labour market.

Our ambition

We cannot achieve our mission to provide the best service and top quality to our clients without the commitment of our employees. Seeking the optimum connection, deployment, development and appreciation of BDO's human capital in the long run, we will continue to invest in creating an environment that constantly encourages employees to work on their development and make optimum

use of their talents. That is why we focus on themes that promote our people's development and happiness, and that ensure that our people are fit for the future. Our HR processes and course curriculum must tie in seamlessly with these themes. We aim to be a people-oriented, learning organisation in which people are challenged and encouraged to be the best that they can be so that they can constantly deliver the highest standards of quality for themselves, clients and other stakeholders.

In order to keep up our people's engagement, our organisation organised various events, for example:

- ▶ workshops organised for and by BDO employees to make working from home more attractive
- ▶ remote management guidance for supervisors
- ▶ (hybrid) roadshows organised in the autumn to kick off our *Horizon in the Region* programme, which focused on the core value of Job Satisfaction
- ▶ the 'BDO Run', a sporting event for which BDO employees and their friends, relatives and relations across the country put their running shoes on. They ran a great many kilometres, showed splendid performance in sports and forged connections by training and participating together, and collected a nice amount for charity
- ▶ the introduction of 'RadioBDO', a special live broadcast with feel-good music for and by BDO employees

Our performance

Indicators we used to measure our development in this area are the following:

- a. The turnover rate of partners, managers, senior managers and other team members
- b. Employee engagement score

Employee turnover rate

Employee turnover (excluding interns, casual workers and working students)

		2021		2020	
		Men	Women	Men	Women
Business	Partner	4.3%	16.0%	6.4%	3.8%
	Manager	17.9%	12.1%	13.2%	13.4%
	Professional	20.8%	17.5%	18.1%	13.9%
Support & Corporate Services	Partner	0.0%	14.3%	0.0%	0.0%
	Manager	6.3%	6.9%	11.8%	12.5%
	Professional	21.2%	10.7%	15.5%	14.3%

In 2021, we saw an increase in the business turnover rate, primarily in relation to the following categories: Professionals (men and women), Managers (men) and Partners (women). This increase is less pronounced in Support & Corporate Services, and the turnover rate decreased at the Manager level. The COVID pandemic no doubt affected turnover, as the extremely uncertain situation of 2020 made employees less inclined to take major risks by transferring to a different employer, for example.

Reducing unwanted turnover is high on BDO's agenda for 2022: the rate should preferably be lower than this year's.

Employee engagement score

Every year an employee survey is conducted by an external party, based on a questionnaire sent to all employees (excluding temporary workers). The response rate was about 57%. Four questions were asked, which together produced a score on the topic of *engagement*. Engagement is about the degree to which the employees are inspired and energised by their work, as well as their positive relationship with the organisation. Engaged employees find their work meaningful and rewarding, are proud of their job and feel at home at the organisation. They will be more committed to the organisation as they like their work and the organisation so much.

The engagement scores from the employee survey:

2021	2020
7.3	7.5

In 2021, the engagement score dropped from 7.5 to 7.3. This drop is closely related to the impact of the COVID pandemic, a period in which we almost entirely worked from home, schools closed again and we still could not do many of the things we used to do to relax. The second year of COVID was harder on all of us. It created extra pressure for many of our people, in the workplace as well as at home. The greatly valued and all important contact with clients and colleagues was sorely missed. While the great variety of online activities that were organised were appreciated, they could not replace face-to-face contact, which greatly affected engagement at BDO.

This is another aspect we have included in our 'Sustainable Collaboration' policy, which focuses on ways of working that are less bound to any specific time or place - at the office, from home or at a client's organisation. Topics such as team building, networking opportunities, creativity and innovation should continue to play an important role in all this. We will continue to discuss this with our employees in the year ahead in order to stay on top of developments on this front and to understand and to gauge how employees feel about the new hybrid way of working.



Theme description

Being and staying 'fit for the future' also requires our organisation to be a reflection of society.

We strive to be an inclusive organisation:

- ▶ that attracts and retains talented partners and staff who are largely representative of the different perspectives in society
- ▶ that is actively committed to removing implicit and explicit barriers to inclusiveness
- ▶ that actively develops policies, procedures and practices that promote an inclusive culture

In this inclusive culture:

1. Diversity and inclusiveness are relevant and accepted elements
2. Individual talents and backgrounds are seen and used to the full
3. Differences between people strengthen the BDO culture, and
4. Shared leadership fulfils a stimulating role to give shape and meaning to the above aspects

Our ambition

Our goal in this context is to organically align our corporate culture to changes in society, where exclusion based on visible and invisible differences is no longer accepted, but where these differences are embraced in order to make the world (and therefore BDO) just a little more beautiful together. It is really about creating a people-friendly culture where everyone is used to their strengths.

In a people-friendly working environment everyone feels heard and valued, and we are better able to identify client requirements, respond to market developments, make sound decisions and, eventually, be more successful. A team that succeeds in being very diverse is much more capable of conducting a meaningful dialogue. As this creates more alternatives, chances are that an even better solution will be chosen. Only when everyone at BDO feels they can truly be who they are and feels fully accepted will our mission be accomplished.

The ambition to achieve our gender diversity target (20% women at the top by 2025) is laid down in the public *Talent to the Top Charter*.

Our performance

Indicators we used to measure our development in this area are the following:

- ▶ gender ratio, including the development of inflow, advancement, promotion and appointments, and
- ▶ remuneration

Gender ratio

The table below shows the inflow of men and women at the various job levels. It shows that the inflow of women and men during the financial year is fairly similar at the Professional level. The difference is even smaller at the Manager level, where the inflow of women expressed as a percentage almost doubled on last year at the Support & Corporate Services level. There was no inflow at the Partner level in 2021, versus a limited inflow of men in 2020:

New employees (excluding interns, casual workers and working students)

		2021		2020	
		Men	Women	Men	Women
Business	Partner	0.0%	0.0%	1.2%	0.0%
	Manager	6.6%	5.9%	3.6%	5.8%
	Professional	28.0%	20.5%	25.8%	20.5%
Support & Corporate Services	Partner	0.0%	0.0%	0.0%	42.9%
	Manager	14.3%	10.3%	15.7%	5.4%
	Professional	26.9%	15.8%	24.1%	16.7%

The table in the 'Employee retention and recruitment' section (see before) shows the turnover of men and women at the various job levels. It shows that the outflow of women at the Professional and Manager levels was down from 2020 and was also lower than the outflow of men. At the Partner level, it was the other way round. Here the outflow rate was up from 2020 and also exceeded the outflow of men in 2021.

The table below gives an overview of the percentage of women versus men in the total number of promotions within BDO. The share of women who got promoted is slightly lower than that of men, but expressed as a percentage the figures slightly converged in 2021:

Promotions by gender

	2021		2020	
	Men	Women	Men	Women
Total	16.06%	15.84%	16.21%	12.83%

Under the Balanced Distribution of Seats (Management and Supervision) Act (*Wet evenwichtige verdeling van zetels van het bestuur en de raad van commissarissen*), there must be a balanced distribution of men and women among the members of the Management Board and the Supervisory Board. As participants of the *Talent to the Top Charter*, we also voiced the ambition in 2020 to have 20% or more women top executives and senior managers in three to five years' time. At present, two of the five members of BDO's Supervisory Board are women. As the overview of promotions at the top shows, we have unfortunately not yet achieved a balanced ratio between men and women at the top of the organisation. One new equity partner was appointed in 2021, but it was not a woman. Two women were appointed salaried partner. The gender ratio is now as follows:

Employees by gender

		2021		2020	
		Men	Women	Men	Women
Business	Partner	162 (87%)	25 (13%)	171 (87%)	26 (13%)
	Manager	543 (64%)	306 (36%)	532 (66%)	276 (34%)
	Professional	601 (54%)	503 (46%)	601 (54%)	517 (46%)
Support & Corporate Services	Partner	3 (30%)	7 (70%)	3 (30%)	7 (70%)
	Manager	63 (52%)	58 (48%)	51 (48%)	56 (52%)
	Professional	54 (14%)	319 (86%)	61 (17%)	299 (83%)

The following table gives an overview of the number of women and men top executives and senior managers at the organisation who got promoted, both in absolute numbers and expressed as a percentage. The situation of 2021 is compared with that of 2020. The table shows that in 2021 we were still not on track towards having more women in top positions:

Percentage and number of women appointed partner or senior manager

Percentage

	2021		2020	
	Men	Women	Men	Women
Partner (salaried partner -> equity partner)	0.95%	0.00%	2.80%	4.55%
Senior manager (senior manager -> salaried partner)	1.59%	3.08%	2.72%	6.94%

Number

	2021		2020	
	Men	Women	Men	Women
Partner (salaried partner -> equity partner)	1	0	3	1
Senior manager (senior manager -> salaried partner)	3	2	5	5

Various initiatives were organised in 2021 to further our gender diversity goals. Much of the *Diversity & Inclusion* programme is about creating awareness and initiating interventions in the workplace, whether they be large or small. The number of women in management positions is not something that can be changed overnight. It requires long-term investment in cultivating an environment to deliver the next generation of women leaders for the years ahead. This is also where our focus lay in 2021.

For example, we observed that still too many talented women in job grades 5 and 6 (aged 28 to 35) do not advance to higher positions at BDO. A study revealed that there is still progress to be made at BDO by offering flexibility at this life stage - a stage frequently marked by parenthood and additions to the family. With this measure, we can prevent a loss of talent and facilitate and support our people at this stage of their lives. To promote such advancement, we launched the BDO 'ParentJourney@BDO' working parents programme. The programme helps mothers-to-be and fathers-to-be strike a healthy balance between parenthood and working at BDO. It also offers tools and guidance to supervisors to help them make a contribution in this, for example by conducting the right discussions. We have also bundled all work-related information in relation to parenthood in the working parents programme, such as the employment conditions dealing with parenthood (e.g. leave, compensation and special situations). This way, we want to make it a little easier for parents and parents-to-be to combine a changing family situation with work.

As part of our efforts to create a culture that allows everyone to be who they are regardless of gender, background, age, etc., we also explicitly put gender equality in the spotlight to show our commitment and raise awareness with regard to this topic. Selfies of colleagues raising their hands to show their commitment to gender equality were posted on our social media accounts.

Remuneration

In addition, the differences in remuneration were further analysed in 2021. The table below shows the adjusted pay difference between women and men at BDO. In order to determine whether men and women receive equal pay, we studied the pay differences after adjustment for a number of factors that explain the pay. For example, job scale is the most important, in addition to Line of Service, TDP (Talent Development & Performance) appraisals, age, years of service and region. The remaining effect of gender is observed as the adjusted pay difference. The table shows that the adjusted pay difference at BDO is small.

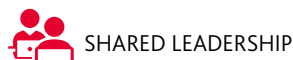
Adjusted pay difference between women and men

	2021	2020
Business	-1.7%	-1.3%
Support & Corporate Services	-0.3%	-0.0%

By the end of 2021, we established that much had changed on the diversity front at every layer of the organisation in the past few years. Broad awareness was created, barriers were removed, a public commitment was issued and the first steps were taken in putting role models in the limelight. Nevertheless, we were forced to conclude that developments are still going too slowly and that, without additional measures, it will be a challenge to achieve our gender diversity goal, as laid down in the public *Talent to the Top Charter* (20% women at the top by 2025). In response, the *Diversity & Inclusion* project team issued advice on potential accelerators, approved by us in early 2022. In 2022, a detailed plan will be made to implement this advice.

It was decided at the end of 2020 to make cultural diversity a key priority in 2021, alongside gender diversity. Adding cultural diversity to our focus seems logical and inevitable, especially in light of the global debate. We believe this will contribute to the conduct and culture that we seek to bring about as part of the 2021-2025 strategy - with our core values informing our actions and with agility, closeness, focus on value, and sustainable employability defining who we are. An open and quality-driven culture that gives people a sense of security and belonging and creates a pleasant working environment where they can excel and work in harmony with their local communities.

In 2021, we started organising local sessions in small, trusted groups to discuss topics of this kind in an open and safe environment, which inspired a number of colleagues to get actively involved in working out further steps. We got in touch with various external networks in relation to this topic, seeking out parties that could join us in our efforts. In addition, proven best practices in respect of cultural diversity were explored. For 2022, we have engaged an external party to advise us on how to implement these best practices at BDO in order to create the inclusive culture we are looking for.



Theme description

We cannot create and consolidate the culture we want to see at BDO without leading by example and setting the right tone at the top. At BDO, our supervisors are important pillars of our open, agile, people-focused and quality-driven culture. We want every supervisor to have self-knowledge and the ability to reflect. We want our supervisors to conduct themselves in ways that promote sustainable collaboration, in which talented people are properly challenged and used to their strengths and are given every opportunity for development. By doing this on a basis of trust and connection, our managers will thus steer towards output and availability. We want our supervisors to show genuine interest in, and give due consideration to, the person behind the professional.

Shared leadership has a deliberate focus at BDO. It is a dynamic, interactive influencing process among individuals within a group with a view to jointly contributing to setting the group's or organisation's goals. Everyone's abilities and talents are used to achieve the best possible results. Shared leadership is about the shift from 'I' to 'we', about motivating and leading each other, regardless of formal hierarchies, to bring out the best of the team. We are convinced that this style of leadership will help us achieve our ambitions within a rapidly changing context. Social developments call for responsiveness and shared expertise, especially in uncertain situations. Effective solutions require the cognitive and practical skills of multiple professionals. We must tap into each other's qualities and expertise and share and integrate them in order to find new and more comprehensive answers. This requires open-mindedness from the entire team, as well as a shared culture of inclusiveness.

We also expect supervisors to be able to initiate and conduct team discussions on the team's responsibility beyond BDO or individual clients, i.e. from the perspective of society. Defining leadership together is the only way to effectively use the qualities available within our organisation and rise to the strategic challenges facing the organisation. Working together on a basis of trust, we believe that freedom should never be a licence for a lack of commitment.

Our ambition

We aim to be a learning organisation where giving feedback to each other is the standard, where partners lead by example to create the envisioned culture, and where employees are not afraid to exhibit leadership in their jobs.

Our performance

An important pillar of leadership at our organisation is the *Horizon* culture programme, the umbrella programme for all initiatives that focus on people, specifically in terms of conduct and culture. In 2021, we assessed the current leadership programme in relation to the objectives for the new strategic period and reviewed our partner vision, in which we also indicated what we expect of BDO partners in terms of leadership. Partners/supervisors are crucial in achieving our strategic objective and steering conduct and culture into the right direction. The leadership programme provides guidance on how to do this: by working on their own leadership, on their team's shared leadership, and on joint efforts to achieve the organisation's goals.

Leadership development is a key driver of the envisioned culture change. As we could organise only a limited number of face-to-face meetings in 2021 due to the COVID pandemic, we were compelled to postpone most of them to 2022. Nevertheless, a number of concluding sessions of the 2020 programme as well as a number of online programmes did go ahead in 2021. The table below shows the number of participants:

	2021	2020
Number of participants in leadership programmes	141	88

A key indicator we use to monitor our partners' leadership development is an employee survey, in which various questions are asked about the partners' leadership qualities. The average of the scores on these questions is expressed as a Net Coaching Score. The table below shows the development of the average score for all partners together:

	2021	2019
Partners Net Coaching Score	8.6	8.5

This shows that the figure in 2021 increased slightly from 2019. No survey was held in 2020.

IN ADDITION TO HIS POSITION AS
MANAGER OF THE PROFESSIONAL
PRACTICE DEPARTMENT,
ARJAN BOSMAN CONTRIBUTES
TO THE LASTING HAPPINESS
OF HIS COURSE MEMBERS
AS A ZEN TEACHER.





Theme description

Long-term investment in employee education and development, now and in the future, is of vital importance in our view. Today's hectic world requires us to be agile and capable of adapting our services to a constantly changing environment by promoting education, development and initiative. No surprise, therefore, that the continuity of being a learning organisation lies at the heart of our vision of learning & development. The people who are part of this and their development process can make or break its success. We need healthy, motivated and competent employees who know where the organisation is heading and want to be on board.

We are working on a culture where learning comes naturally. The emphasis is on sustainable employability, with our supervisors bearing responsibility - within limits - for creating a positive learning environment, showing confidence in their employees and giving them room to grow. We facilitate and encourage personal leadership, because the responsibility for sustainable employability lies primarily with the employees themselves. Learning and development strengthen employees' employability - both inside and outside the BDO organisation. In this context, learning means to enhance the knowledge available and translate it into new and effective behaviour. Development is about integrating new knowledge and new behaviour into the very fabric of the organisation. A learning organisation is therefore not a mere technicality of gaining knowledge. It is strongly related to effective behaviour, constant reflection and successful improvement.

Our ambition

We aim to be a learning organisation where giving feedback to each other is the standard, where partners lead by example to create the envisioned culture, and where employees are not afraid to exhibit leadership in their jobs. The core task towards clients and society is key within our learning organisation, in which every work process, procedure or structure can be called into question if it does not add value.

This requires an organisation where every employee is always looking for ways to improve the shared vision of the future and is willing to initiate and embrace those improvements. An outward-looking organisation, therefore, able to rapidly change tack in response to change and boasting an engaged workforce of team players. Our goal is to be a learning organisation where people and departments are constantly seeking to improve their capacities and processes in order to achieve what they really want. This is directly related to our mission: to constantly deliver top quality.

Our performance

We therefore offer a variety of learning formats (ranging from self-study to individual practical and reflection assignments, joint development assignments and intervision). These formats enable BDO employees to further develop their knowledge, skills and conduct from a safe education setting. In addition to the mandatory elements aimed at gaining professional knowledge, the main learning formats are learning at work and learning from each other. The total number of hours of training and education is an indicator that is easy to monitor and measure. We do not yet have any specific tools to measure learning at work and learning from each other at present. The following table shows how the number of hours of training and education per professional developed from last year:

Average number of hours spent on training and education per professional (internal and external training)

Hours of training per professional

		2021		2020	
		Internal	External	Internal	External
Business	Managers	70.65	6.47	59.33	6.08
	Professionals	70.82	117.07	65.34	113.69
Support & Corporate Services	Managers	11.07	1.34	9.94	0.09
	Professionals	10.34	0.30	6.73	1.46

The average number of hours of training per professional was up from 2020, with a clear increase in hours of in-house training. Due to the COVID measures, many in-house training sessions were cancelled in 2020 as they mostly were held live on site. When the pandemic broke out, BDO explicitly stated that the ongoing development of our professionals is crucial. In 2020, however, we needed time to change our training selection to (live) online sessions, in terms of both content and technology. In 2021, this paid off with an increase in the average number of hours.

Total external costs of training and education

External training and education

	2021	2020
Total costs	€ 4,832,000	€ 4,752,000

External training costs showed a limited increase in 2021. By 2021, external institutions had also found ways to offer training courses within the limits imposed by the COVID measures in place. In addition, there is a stable number of professionals at BDO who follow external training as part of their tax or accounting course.



Theme description

Health and vitality are inextricably linked to the sustainable employability of our people. The quality of our services hinges on the quality and vitality of our employees and partners. Healthy, agile and inspired employees and partners have more positive emotions such as happiness, satisfaction and enthusiasm. They are in better physical and psychological condition. Within our learning organisation, 'lifelong learning and development' is also key in keeping people healthy. Being able to use their talents in their work makes employees happier, sustainably employable and engaged. In this context, we aim to offer them a pleasant and 'safe' environment, where they can work together as a team and with a can-do attitude. We aim for the sustainable employability of our employees of all ages.

In the long run, everyone benefits from being in constant harmony with their surroundings. Aside from our employees' vitality, we also aim to contribute to the vitality of our clients. With a view to organisational vitality, we develop and bring together a separate part of our advisory services into our 'Vitality' client proposition. This includes advisory services to organisations on healthy HR policies, achieving healthy returns, and sustainability. Based on our clients' requirements, we use this proposition purposefully under the heading of vitality by bringing together subject matter knowledge from various disciplines.

As an organisation serving the public interest, we assume responsibility and unselfishly dedicate our employees' knowledge and time to people in society who need a helping hand. Via our BDO Impact Centre, we coordinate and combine our activities to achieve this goal. We support and encourage our employees to contribute specifically to vitality in society. We are thinking not only of time made available to our employees, but also of facilitation in the form of tools and knowledge to effectively contribute to our local community.

Our ambition

We pursue an active vitality policy for employees and partners, embedded in our terms of employment, training courses, events and office locations. Our ambition is to be recognised and appreciated by clients for our vitality services. In terms of society, our wish is to improve the health of people who need a helping hand, to enable them to participate in society.

Our performance

Employees and partners are offered a varied selection of options to promote their vitality. For example, around 850 employees use our company fitness offer every month, which contributes to their physical and mental health. BDO also has a bicycle scheme for its employees and we offer 'Fruit in the Workplace'. During the COVID pandemic, over 1,000 employees forged connections in a physically healthy way at the *BDO Run*. Other examples of promoting vitality are the support offered with homeworking facilities, participation in *Steptember* and health checks. With all these measures, we promote awareness of physical and mental health. (The numbers mentioned have been rounded off.)

In addition to the above activities, two offices (Amstelveen and The Hague) received a visit as part of the Hazard Identification & Risk Assessment ('HI&RA'), which is mandatory for every organisation. The two locations were assessed by HumanCapitalCare, our occupational health and safety service, on the basis of the statutory HI&RA questionnaires. The results were recorded in the HI&RA, including recommendations.

A key indicator of overall health is the absenteeism rate:

Absenteeism rate

	Net FTE absenteeism rate	Reporting frequency
2021	3.43	1.06
2020	3.45	0.95

HumanCapitalCare reports the net FTE absenteeism rate and the reporting frequency. The net FTE absenteeism rate is the absenteeism rate adjusted for partial reintegration, FTEs and staff average.

BDO's absenteeism rate was 3.43% in 2021, with a reporting frequency of 1.06. The absenteeism rate of 2021 was almost flat on 2020, but reporting frequency was up. This is the effect of the COVID pandemic. In 2020, the absenteeism rate dropped as a result of the COVID measures. As these measures reduced employees' contacts with other people, the number of regular sick reports due to communicable diseases such as the flu went down sharply. Working from home and travelling less also improved the work-life balance in some cases. This decrease did not continue in 2021 - in fact, the opposite happened, as the long-term effects of the COVID pandemic began to take their toll in 2021. The long periods of working only from home, the lack of social contacts and little opportunity for activities and relaxation out of doors caused more health problems of a psychological nature, resulting in more absence.

Given how much importance we attach to vitality, a vitality officer was appointed at the HR department in mid-2021, who will focus entirely on the topic of vitality in the broadest sense of the word. This will give the topic more focus and attention within our HR organisation.

Based on that focus on vitality, the topic has also been incorporated into the broad *BDO Horizon* programme, which will help BDO and our people stay on track towards the envisioned culture. The sub-programme 'Vitality' will be used to foster this culture. Our vision of vitality has also been developed further for the purpose of this sub-programme, in line with our strategic goals. This forms the basis for the roll-out of a vitality policy and programme, to be fleshed out further in 2022. In addition, HumanCapitalCare will again visit a number of locations in 2022 as part of the HI&RA.

Overtime

Overtime in %

	BDO	By Line of Service						
		Audit & Assurance	Accountancy & Business Advisory	Tax Consultancy	Advisory	Payroll Accounting	Support	Corporate Services
2021	1.99	3.20	2.40	0.16	0.35	3.28	1.91	1.11
2020	1.95	3.17	2.19	0.20	0.30	3.90	1.57	1.16

For the sake of the health of our people, BDO pays due regard to the amount of overtime recorded. BDO supervisors check the hourly time sheets every week and follow-up where necessary.

Social engagement

We also support and encourage our employees to contribute specifically to vitality in society. Our employees unselfishly dedicate their knowledge and time to people in society who need a helping hand. We aim to increase these people's vitality to enable them to participate in society. Our BDO Impact Centre coordinates activities to achieve this goal.

In 2021, the BDO Impact Centre launched 'Flagship' and 'People to People' (P2P) Projects. Flagship Projects are projects initiated by the BDO Impact Centre for which BDO employees can apply. People to People Projects are projects proposed to the BDO Impact Centre by BDO employees themselves. In 2021, the first colleagues took part in such projects.

BDO Impact Centre activities

	2021	2020*
Number of (unique) colleagues participating in Flagship Projects	50	0
Number of (unique) colleagues participating in People to People Projects	19	0

* 2020 was the year that the BDO Impact Centre was launched; the first projects started in the course of 2021.

The following sub-projects were organised:

UAF

In the context of supporting and encouraging our employees to specifically contribute to vitality in society, we teamed up with the UAF and set up a mentoring programme in 2021 in order to improve the job prospects of asylum permit holders. The asylum permit holders are students coached by UAF. They receive a BDO mentor under this programme. A plan is drafted based on the individual students' needs, which is then implemented over a period of six months. The coaching is intensive and is intended to help students in the long run, e.g. by finding a job or work placement. This way, they gain access to Dutch society and are better equipped to find their niche here.

In 2021, a total of 33 mentors coached 33 asylum permit holders during two rounds of the mentoring project. Both rounds were deemed very successful by the mentors and mentees. Specifically, 11 asylum permit holders found a job before the end of the rounds. Two of them started working at BDO, one in the Tax Consultancy department in Amstelveen and one in the Audit & Assurance department in Rotterdam. Two mentees wrote their thesis with the help of a BDO employee and thus completed their graduate internship. The others mostly received help and mental support in their studies, in growing their network or in setting up their own business. Aside from the programme's positive impact on asylum permit holders, the programme also means a lot to our employees. The evaluation showed that the BDO employees involved felt that their participation in the programme enabled them to make a real impact on people and society and considered their participation an instructive and valuable experience.

JINC

In 2021, 17 BDO employees signed up for the JINC projects, which help children aged 8 to 16 get off on a good start in the labour market. BDO employees participated in projects to help children from socio-economically disadvantaged backgrounds get acquainted with all sorts of professions, discover their talents and learn how to apply for a job.

People to People (P2P)

In 2021, various social initiatives proposed by BDO employees were approved by the BDO Impact Centre, based on which the organisation allowed employees to use some of their working hours to carry out the relevant work. These initiatives ranged from judging school children's citizenship initiatives to supporting young students in entrepreneurship. They contributed to various Sustainable Development Goals (SDGs) such as quality education (SDG 4), reduced inequalities (SDG 10) and sustainable cities and communities (SDG 11).

CIRCULARITY

Theme description

An important theme in our strategy is sustainability. This also applies to our business operations. This ambition informs our day-to-day work and our investment decisions. We take action to reduce our energy consumption, we are committed to using green energy, we promote online working/ meetings, and we are greening our mobility policy and car fleet, just to name a few examples. We have also joined the Large Enterprises Network, which consists of about 90 organisations that have expressed the shared ambition to create a new economy. We will report on this as well in the coming years. In this report, we take a first step by reporting our efforts to reduce our carbon footprint. While our carbon emissions were not identified as a material theme, we still consider it a theme of such relevance to society that we will nevertheless report on it.

Our ambition

BDO's ambition is to operate on a fully climate-neutral basis by 2035, i.e. no emissions, no waste and as much reuse of materials as possible. Based on our circularity ambition, we seek to minimise the impact of our operations on the environment. In addition, BDO Netherlands is committed to

BDO Global Network's Net-Zero ambition: to minimise our energy consumption and reduce our carbon emissions to zero by 2035. At BDO, there will be no general waste by 2035, and from 2035 onwards (at the latest) we will travel completely emission-free.

Our performance

Carbon dioxide equivalent (CO₂e) emissions are caused by the burning of fossil fuels such as oil, coal and natural gas. BDO's day-to-day operations therefore result in CO₂e emissions, for example emissions caused by building-related consumption of gas, water and light or by BDO's (fossil fuel powered) car fleet.

BDO footprint

	2021		2020	
	Consumption	t CO ₂ e	Consumption	t CO ₂ e
Accommodation				
Electricity	3,710,994 kWh	2,063	4,295,154 kWh	2,388
District heating	6,215 GJ	224	5,685 GJ	204
Gas	264,696 m ³	499	293,914 m ³	554
Water	7,526 m ³	0	11,100 m ³	0
Accommodation total		2,786		3,146
Mobility				
Petrol	1,326,961 l	3,694	1,572,644 l	4,310
Diesel	69,538 l	227	170,482 l	554
LPG	0 l	0	2,445 l	4
Electricity	1,254,087 kWh	596	849,424 kWh	403
Mobility total		4,517		5,271
Total CO₂e		7,302		8,417

Total CO₂e emissions are shown in BDO's CO₂e footprint. Various parties are involved in the creation of BDO's footprint, such as lessors (through which energy contracts are concluded) and lease companies (fuel consumption of company cars). The footprint calculations are determined by using the 2020 and 2021 conversion factors as included on www.co2emissiefactoren.nl.

The table on this page shows that CO₂e emissions in 2021 (7,302,325 kg of CO₂e) was down by around 13% from 2020. The difference in emissions is primarily due to the strong decrease in carbon emissions for mobility. This is partly the result of the increase in the number of electric cars, which rose by 122 to 423 in 2021 (2020: 301). This translates into 26.5% (2020: 19.5%) of the total company car fleet. Even though the COVID pandemic forced many people to work from home, office energy consumption dropped by only 12%, mainly because the offices remained open and changes were made to the climate installations to provide more ventilation, but with the result that they are now much less energy-efficient.

In 2021, various initiatives were taken to reduce CO₂e emissions, for example:

- ▶ Promotion of remote working, forced by COVID
- ▶ Introduction of hybrid working as from 1 September 2021, which reduces travel movements
- ▶ Promotion of the purchase of electric company cars
- ▶ Initial steps in professionalising BDO's footprint and analysing BDO's consumption

CO₂e emissions will probably decrease further in 2022 (based on the above starting points) through the introduction of the mobility pass, analysis of energy consumption and corresponding adjustments, and the promotion of other means of transport and less travel (less, different & cleaner travelling). However, fuel consumption by BDO employees who do not have a company car is not yet clear for 2021. We believe the mobility pass, which will be introduced in 2022, will yield the missing information. This will push up the figure no matter what. We will need to work out how the decrease relates to the addition of this missing information. In addition, the BDO Impact Centre will analyse scope 3 emissions in 2022 to the extent possible, including waste streams, sourcing and air travel. The BDO Impact Centre will also provide more insight into the origins of consumption and the possibilities to reduce total CO₂e emissions in 2022.

Aside from reducing our own carbon emissions, we believe that our services can also contribute to sustainability. For this reason, consultations with all Lines of Service were initiated in 2021, led by the Heads of Markets, to develop propositions on the theme of *Sustainability*. These consultations will continue in 2022 in the form of a *Sustainability* project group to be set up, in which every Line of Service will be represented. This is how we aim to come up with new sustainability propositions, with all Lines of Service closely working together.

DELIVERING TOP QUALITY

Theme description

We believe that aiming for, and achieving, top quality constitutes BDO's licence to operate. The level of trust that society and our clients have in our services is essential to BDO's success as an organisation. For BDO, quality is a decisive factor in the service provision to existing clients and in winning new clients.

In addition, BDO sees it as an important goal to improve the quality of the profession and to restore the reputation of the profession in general. The reputation of the BDO brand is inextricably linked to the trust and role of the auditors and advisers we employ. BDO seeks to be a firm of professionals who act as trusted partners to those around them and who intrinsically want to do 'the right thing' for clients, society and stakeholders.

The extent to which we can achieve this depends on the people we manage to hire, their level of education and their passion and drive to do the right thing every single day and whose mission is to add certainty, for clients, for society *and* for the survival of the profession and the continuity of the firm. We cannot deliver quality if we do not have a sound corporate culture. Culture and conduct affect how the quality policy is enforced and the effectiveness of quality systems.

By delivering top quality anywhere and at any time:

- ▶ we can be successful in the long run
- ▶ we add certainty to information that is used for decision making in economic transactions: by organisations, entrepreneurs and society, and
- ▶ we contribute to our own satisfaction as professionals and the satisfaction of our clients and society, as well as to the trust they place in our organisation and our services

Our ambition

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 legal parameters, to meet the expectations of our key stakeholders with regard to specific services, the service process itself, and our organisation, and that we exceed those expectations wherever possible. In the process, our work and conduct are always guided by our core values: Professionalism, Job Satisfaction, Practical Relevance, People Focus and Social Responsibility.

Our performance

The BDO Quality Policy outlines what we mean by quality and how we manage quality. Its purpose is to contribute to achieving our ambition of delivering top quality anywhere and at any time. The BDO Quality Policy applies to the whole of BDO: all BDO professionals, Lines of Service, markets and services.

In order to measure our top quality, we distinguish between *quality control reviews* (performed during engagements) and *quality monitoring reviews* (performed after completion of an engagement).

Quality control reviews

During the performance of engagements, we use quality control reviews to support the engagement team in delivering the envisioned quality. Such reviews do not lead to any qualification (adequate or inadequate) of the engagement.

The following quality control reviews were performed in 2021:

- ▶ *EQCR (engagement quality control review) at both Audit & Assurance and Accountancy & Business Advisory*
EQCRs are an objective review to determine whether the engagement team could reasonably have reached the opinion and conclusions set out in their draft report. EQCRs are performed for engagements where this is legally required, i.e. in statutory audits of public interest entities (PIEs) and in audits that the QRM department believes meet the review criteria drawn up for that purpose. EQCRs are assigned under the responsibility and management of the Line of Service (LoS) MT. EQCRs are performed by an engagement quality control reviewer: an auditor who is not on the engagement team and therefore does not perform work for the engagement, and who has sufficient, relevant experience and authority to objectively review the engagement team's opinion and conclusions. For Audit & Assurance, EQCRs are in principle performed by an EQCR team of two members: the reviewer and an EQCR team member. For Accountancy & Business Advisory, this can also be one reviewer.
- ▶ *TR (thematic review) at Audit & Assurance*
TRs are an instrument to ensure the quality of specific elements of the engagement in specific circumstances that arise during the performance of the engagement or on the A&A MT's specific instructions. TRs are assigned if no effective review can be performed without a file review. If a material review can be performed remotely, a consultation with the Professional Practice Department (PPD) is generally required.

- ▶ *Group EQCR (group engagement quality control review) at Audit & Assurance*
A Group EQCR is essentially the same as an EQCR. However, we use this category specifically to refer to the review 'imposed' by a group auditor on BDO Netherlands as a component auditor. In that case, only the audit for group purposes is reviewed.

Quality control reviews of Audit & Assurance engagements

	2021	2020
Quality control reviews		
EQCR	101	138
Group EQCR	2	2
TR	54	36
IFR	0	1
Total	157	177

Quality control reviews of Accountancy & Business Advisory engagements

	2021	2020
Quality control reviews		
EQCR	15	36
Total	15	36

The tables above show that the total number of quality control reviews initiated dropped at both the Audit & Assurance and Accountancy & Business Advisory Lines of Service (LoS).

In addition, a shift can be observed at Audit & Assurance from EQCR to TR. Accordingly, the time spent on quality control reviews moved in step with the risks in specific files.

The number of EQCRs assigned at Accountancy & Business Advisory for reasons of 'increased risk' of an engagement is extremely limited. EQCRs are mainly used in this LoS in the accreditation process. An employee from job level 7 registered for this purpose will be assigned an EQCR for the first three files.

Quality monitoring reviews

In order to gain insight into the quality of the audit engagements performed, every partner (or accredited partner) at Audit & Assurance and Accountancy & Business Advisory must be reviewed at least once every three years as a policy rule. The purpose is to monitor the quality of the engagements performed and the effectiveness of the quality instruments used. If quality is found to be inadequate, improvement measures are taken in order to ensure a consistently high level of quality. Following completion of a review round, the process and findings are subjected to extensive evaluation. The results and findings of the reviews are also discussed as part of the Summer Course followed by professionals. Guidance may also be issued based on the findings or the audit approach may be adjusted on particular points. The review method, scope, focus areas, etc., are assessed every year.

Audit & Assurance

The following table shows the development of the results of these reviews at our Audit & Assurance Line of Service (LoS). Aside from the internal reviews, this LoS was also subject to external reviews by the Authority for the Financial Markets (AFM), the Central Government Audit Service (ADR) and the Inspectorate of Education in the exercise of their supervisory task.

The internal reviews can be divided into cold reviews and thematic monitoring reviews (TMR). Both reviews take place after the auditor's report is issued. A cold review focuses on certain focus areas that are decisive for the engagement and leads to an opinion on the entire file. A TMR focuses on the quality of a specific theme in the audit file or the effective operation of a specific theme within the quality management system.

Internal and external quality monitoring reviews of Audit & Assurance engagements

	2021		In progress*	2020	
	Adequate	Inadequate		Adequate	Inadequate
Type of review					
Cold reviews (internal review)	9	0	11	11	9
Thematic monitoring reviews (internal review)	14	0	4	13	5
ADR	7	0	1	3	0
Inspectorate of Education - annual audit	0	0	0	1	0
Total	30	0	16	28	14

* Situation at the end of February 2022

The reviews at Audit & Assurance show that the number of audits meeting the required quality standards increased in absolute terms and the number of audits of inadequate quality decreased in absolute terms. This development reflects the steps taken to raise the level of quality. However, at present a number of reviews for 2021 have not yet been completed, which means that the final percentage for 2021 cannot yet be calculated and no proper comparison with 2020 can be made yet.

On 22 November 2021, BDO received the final investigation report on 'Review of quality improvements: internal quality reviews and quality of statutory audits'. The AFM conducted an investigation into the 'internal quality review' (IQR) quality assurance for the period from 1 January 2020 through 31 December 2020 and reviewed the quality of three statutory audits on which an IQR had been performed in 2020. The AFM concluded that the IQR at BDO provides insight into achieved quality and a boost to the learning organisation. The AFM made this determination based on the objectives formulated by BDO for the IQR as well as on its design and implementation. The AFM looked at the selection of files, the conduct of the investigation, the weighting of findings, the communication, and the remedy. For two of the three statutory audits investigated by the AFM, the IQR resulted in a qualification similar to that of the AFM investigation. In its 9 December 2021 public report 'Grip on quality - Outcomes of the review of internal quality reviews and quality of statutory audits at PIE audit firms', the AFM is positive about how the investigated components - selection, execution, weighting, communication, and remedy - of the IQR were shaped in 2020 by

the PIE audit firms, and largely positive about the insights into quality that IQRs achieved. BDO analysed the causes of the identified differences in qualification and will include the possibilities mentioned by the AFM in its public report to strengthen and update IQRs in the further evaluation and improvement of this quality measure.

Accountancy & Business Advisory

The following table shows the development of the results of these reviews at our Accountancy & Business Advisory Line of Service (LoS). It only covers the results of internal reviews, because no external reviews have been conducted by the Royal Netherlands Institute of Chartered Accountants (NBA) in the past two years.

Internal quality monitoring review of Accountancy & Business Advisory engagements

	2021		In progress	2020	
	Adequate	Inadequate		Adequate	Inadequate
Type of engagement					
Compilation	38	1	2	37	3
Review	3	0	0	2	1
NV COS 4400	4	0	0	4	0
Total	45	1	2	43	4

Accountancy & Business Advisory started transitioning from 'record compilation' to 'risk-based compilation' a number of years ago, which has had a positive impact on quality. The number of findings from the reviews is steadily decreasing.

Tax Consultancy

Internal quality monitoring reviews of Tax Consultancy engagements

At Tax Consultancy, tax adviser peer reviews (TAPR) are in principle performed once every three years. The review targets particular tax advisory practices every year. The practices not covered in any particular year are included in the next review. Self-assessments are used since a few years. The self-assessment is first completed by the practice leader and is then discussed with the reviewer. The self-assessment (a set of roughly 30 questions) gives a picture of the location or unit to be reviewed. The questions are mostly about how quality is ensured and whether the formalities are

properly observed in practice. Team composition, the use of specialists in accordance with the quality manual, and other quality requirements are also examined. After the self-assessment, a review takes place at the location (or unit). Operations are checked based on the self-assessment. In addition, quality is assessed on the basis of a sample of advisory and return files. New in 2021 is the DAC6 compliance check, which will be part of the review in the coming years. The reviewer examines the files, drawn at random, on site. Based on the prescribed checklists with built-in weighting factors, the reviewer reviews the substantive and formal/quality aspects of the files to be reviewed. Completion of these checklists results in 'adequate' or 'inadequate' on each component.

Aside from the internal reviews, international quality reviews from the international network are also performed at BDO Netherlands. No such quality review took place in 2021.

The following table shows the development of the results of these reviews at our Tax Consultancy Line of Service:

Type of review	2021		2020	
	Adequate	Inadequate	Adequate	Inadequate
TAPR	39	0	47	2

The table shows that the files examined were of sound quality in the last few years. Any aspects deemed to be of inadequate quality are usually exceptions to the rule. Quality is improving bit by bit every year. That said, the quality requirements are also becoming more stringent every year. It should be noted that COVID influenced the tax quality review (TAPR) in 2020 and 2021 (review partly performed remotely). Because of the restrictions on office access, the review was performed slightly differently.

Advisory

Quality control of Advisory engagements

Aside from compliance with external and internal rules of client and engagement acceptance, Advisory applies a careful process to control and, where necessary, improve audit quality. This process includes a number of process steps in the preparation, execution and completion phases.

The preparation phase via the 'A Good Start' tool

This phase explicitly addresses the following topics:

- ▶ Putting together the right team for the engagement by the partner responsible. Elements considered include the professional and market expertise required and the level of the work to be performed. Where relevant, the expertise of colleagues from other Lines of Service is called in.
- ▶ Discussing the engagement objective and the steps (action plan) necessary to achieve this objective.
- ▶ Creating a clear division of duties within the team based on expertise, level and availability. All team members are briefed on what is expected of them.
- ▶ Discussing the quality requirements and criteria applicable to the engagement within the team.
- ▶ Making arrangements with team members about the coaching of less experienced team members, timetable/deadlines, and budget monitoring

The execution phase

- ▶ All outgoing documents intended for a client or other external relation are always checked by a senior manager or a partner.
- ▶ The relevant documents may only be released after they have been signed off by a partner.
- ▶ The team members among themselves, as well as the team and the client, regularly discuss how the work is advancing. Where necessary, adjustments are made.
- ▶ Budget monitoring is performed using a budget template.
- ▶ An interim* team evaluation is performed, in which team members evaluate themselves and each other with respect to their contribution to the engagement. Any areas for development and improvement are discussed.

The completion phase

- ▶ A final evaluation is performed with the client orally and in writing, in which matters such as the results achieved and the client's view on the quality of the advice and advisers are discussed and recorded.
- ▶ A concluding team evaluation is performed to evaluate the engagement itself, discuss the results of the aforementioned final evaluation by the client, and evaluate the individual team members' contribution to the engagement. Any areas for development and improvement are identified and discussed.
- ▶ Relevant insights, lessons learned, best practices, tools used, etc., are explained and shared at the quality meeting with other colleagues of the relevant business unit or advisory practice for the purposes of learning from each other and further enhancing the quality delivered by us.

* Depending on the duration of the engagement.

Monitoring of partners' independence/number of independence breaches

As the principle of independence lies at the heart of the auditor's role in society and is a prerequisite for the quality of execution of statutory audits and other assurance engagements, internal policies have been drawn up as part of our quality policy, aimed at ensuring both personal independence and the independence of BDO as an international organisation.

The internal policies are based on the Audit Firms (Supervision) Act (*Wet toezicht accountantsorganisaties*, 'Wta'), the Regulation regarding the Independence of Accountants in the case of Assurance Engagements (*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*, 'ViO'), the Code of Conduct and Professional Practice for Accountants Regulation (*Verordening gedrags- en beroepsregels accountants*, 'VGBA'), the Accounting Bodies Regulation (*Verordening accountantsorganisaties*, 'VAO') and EU Regulation No 537/2014. In addition, in specific cases the independence requirements laid down in the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA) and the independence requirements of the US Securities and Exchange Commission (SEC) and of the Public Company Accounting Oversight Board (PCAOB) apply.

The policies include more detailed rules on convergence of services, financial and business interests, outside positions, fees, long-term involvement, gifts and sponsorship.

A relevant indicator in the context of achieving our quality objectives is the monitoring of our partners' and employees' independence. This monitoring may reveal violations of external and/or internal independence rules, within all our Lines of Service.

The table below compares the number of violations in 2021 and 2020:

Recorded independence violations

	2021	2020
Number of internally identified violations of independence rules	3	2
% of total number of employees	0.2	0.2

In 2021, three independence violations were observed, which is in line with the number of violations in 2020. It came to light during the monitoring of the compliance statements in one case that a

recently hired employee had an outside position as a member of a body charged with the governance of a BDO audit client. This was a violation of independence rules. It came to light in a second case that an entity to which we had initially provided only consultancy services had wrongly not been identified as a PIE in the client records; whereas several partners had a direct financial interest in that entity's parent company, a short-term IT assurance engagement was subsequently accepted and performed. This led to a violation of BDO's internal independence policy, which prohibits BDO partners (regardless of whether they themselves perform work for the relevant client and regardless of which LoS or central corporate services department they work for) and members of the assurance team from holding a (direct or materially indirect) financial interest in an assurance client of BDO or in a third party affiliated with said assurance client. As no financial interests were held by IT Auditors involved with the engagement, the situation did not result in a violation of the applicable laws and regulations (including the Registered IT Auditors Code of Ethics (Reglement Gedragscode Register IT-Auditors)). In a third case, it came to light that a partner had failed to alienate a prohibited direct financial interest in a timely manner, despite an explicit request to that end. The underlying causes were investigated in these three cases and appropriate (remedial) measures were taken in response and for other reasons as well.

Fraud and fraud risks

Auditors and tax advisers play an increasingly important role - in the eyes of society - as 'gatekeepers' of integrity of the Dutch business world. Money laundering, terrorist financing, and certainly fraud and corruption continue to receive a great deal of attention.

Adequately performing our role on these topics already starts at client and engagement acceptance. We therefore continued our strict client and engagement acceptance policy in 2021. Our capacity and the complexity of and risks attached to engagements are the main criteria in that regard, not to forget the contribution that clients and engagements can make to promoting our quality-oriented culture. Besides additions to the staff of the QRM department's AML/CFT Desk, an 'AML/CFT toolkit' was made available in early 2021 to help professionals comply with the Money Laundering and Terrorist Financing (Prevention) Act (*Wet ter voorkoming van witwassen en financieren van terrorisme*). This toolkit supports collection of the information needed to conduct client due diligence.

We set up a fraud community to further address social expectations in those areas. Forensic specialists will participate in the Engagement Team Discussions at the start of our audits, and will join discussions with the audit client about fraud risks and to assess the audit plan, aimed at

increasing the quality of the fraud risk analysis and responding to those risks with the right audit procedures. Our internal rules require professionals to report fraud, unusual transactions or any other irregularities that they encounter in the performance of their duties. The QRM department has set up a central record system and assesses which reports require follow-up action and what disclosure obligations BDO may have, e.g. the obligation to report an unusual transaction to the Financial Intelligence Unit (FIU). Finally, QRM is working on a database where case studies on fraud and unusual transactions are shared at periodic intervals.

BDO also assumes its responsibility in the public debate on this topic. We have for instance taken part in the 'Audit Opinion Fraud' pilot programme and made a contribution to various working groups and sub-working groups.

For the purpose of ongoing monitoring of (internal and external) fraud risks, BDO has created an organisation-wide risk analysis, including fraud and integrity risks. The analysis defines dozens of potential risks, which are weighed on the basis of likelihood and impact. It reviews the adequacy of our current response for each of these potential risks, considering both the potential consequences and the risk rating (likelihood x impact). Where necessary, an action plan has been drawn up to improve our internal fraud risk controls or ensure they will not drop below their current level of excellence.

Internal Audit is required to report key risks and control issues to senior management and/or the Management Board, including fraud risks. In addition, the internal auditor is expected to assess the effectiveness of governance and risk management and contribute to their improvement. While this does not guarantee that every instance of fraud will be identified, it does increase the organisation's awareness and quality and the likelihood that cases of fraud will be detected.

Please refer to our [Transparency Report](#) for more information about this topic.

0110 1001 1010 TECHNOLOGICAL INNOVATION

Theme description

The environment in which BDO operates is in a state of flux and changes are coming at the firm thick and fast. This calls for an agile organisation with a focus on innovation and the right use of technology within our services. Technology, in combination with professional and market knowledge, is an essential component of our future business model. Innovation will enable us to respond to developments and opportunities when they arise, enhancing our agility as an organisation and strengthening our continuity. This reflects the international driver 'leading through innovation'.

In the never-ending process of technological innovation, it is important not to lose sight of the connection between technology and people. Not only smart use of the technology available, but also proactive advice based on the data we have.

In innovation, we are guided by market input (client requirements), technological advances, our employees and our investment appetite. As a data-driven organisation, we want our staff to primarily base their reasoning on the value of the data they use rather than on the processes they are used to following.

Our ambition

Our ambition is to be regarded as an organisation that operates from a strong IT basis and is innovative in applying IT in its services. Our digital mentality, agility and training options for our people should ensure effective use of technology to improve our services.

Our performance

In the past few years, our innovation initiatives were mostly initiated by our Lines of Service, supported by our Digital Technology Services department. In the area of integration of innovation initiatives, great strides were made in the spring of 2021 with the introduction of BDO Digital.

With BDO Digital, the driver of innovation, we make optimum use of technology in order to achieve:

- ▶ our own organisation's innovation ambitions, aimed at enriching existing services/propositions with technology and developing new services/propositions for our markets and our services
- ▶ our objective to help clients in their own digital challenges/transformation

With the introduction of BDO Digital, we have combined our (advisory and audit) knowledge and experience on IT and digitisation. We have gained a wide range of services in technology, e.g. cloud services, data analytics and cybersecurity. Whole new disciplines to complement our familiar services.

Last year, as part of this development, we also organised webinars on BDO Digital themes to introduce our people to all technological services, ranging from digital transformation to cloud and digital finance. This initiative neatly coincided with the campaigns from the Horizon 'Learning & Development' programme linked to the BDO strategy. Through this programme, we aim to enrich our offer of training courses with technological knowledge and skills for BDO employees.

All Lines of Service are increasingly working with digital tools and data analysis. Through a smart combination of data and the automation of these data transformations, various activities can be performed automatically or valuable data can be unlocked by means of data analysis. In 2021, all practices adopted analysis tools. The audit practice, for example, worked on Advantage Next Gen, which can be used to perform audit engagements more effectively and efficiently. This will be fine-tuned further in 2022, including through the introduction of a platform with data-driven solutions (apps) for business issues. The purpose of the apps is to make the work of BDO professionals and/or clients easier and more efficient, e.g. by means of efficient and uniform ways to perform work in relation of documentation, automatic generation of advisory products for relations, performance of routine work and support in analysis and assessment of (external) data sources. The tax advisory practice continued the digitisation of the Tax Control Framework and its various digital checklists. A major project for the joint practices of Accountancy & Business Advisory and Tax Consultancy concerns the further digitisation of the year-end process and simple tax returns.

We gained a wealth of experience in the area of Robotic Process Automation in the past period. Different types of robot have now been developed, including for data migration, data processing, integrity checks and for the client creation process.

Also in 2021, an in-house studio was built to broadcast webinars and live streams for internal as well as external audiences, make recordings, produce videos and record podcasts.

At the beginning of 2022, further steps will be taken to gain more insight into uses and expenditures in respect of innovation and optimisation. In addition, the use of the new data-driven products/services introduced by BDO Digital will be measured. In 2022, we will specifically monitor the results of BDO Digital in this way.



Theme description

We focus on the person behind the client in our services and explore what added value we can all offer our clients. With our integrated full-service approach and operational excellence, we work on the basis of client requirements and client relationships instead of merely our own services. BDO's culture and way of working facilitate our closeness to clients. BDO stands out as a local knowledge partner because of our excellent full-service proposition for clients and prospects and our multidisciplinary teams.

All actions are directed at delivering quality service and increasing client satisfaction and client return, based on a proactive and people-focused approach. We have dedicated professionals for each segment; these specialists know all the ins and outs of their respective market segment. BDO intends to continue to set itself apart as an accounting firm that is large enough to be able to deliver top quality anywhere and at any time to clients in the Profit and Public Sector markets. Within the SMEs & Family Businesses segment, we aim to continue to be part of the networks in the regions where we operate, with units in which employees and clients alike feel comfortable and which visibly retain a human dimension. We are finding that the fact that our firm is of adequate, yet manageable scale strongly appeals to the labour market and to our clients.

Our ambition

Clients see BDO as a single organisation that is close to them and that takes their interests to heart.

Our performance

In 2021, we initiated the transition to a structure with four larger regions, with offices close to the regions' economic hubs. The collaborative efforts within the regions are aimed at optimising client services and streamlining teamwork between people. In addition, we started the further shift in data access and analysis to enable regional advisory teams to proactively give clients data-based advice by means of our integrated services. In 2021, these regional advisory teams were further developed. In 2022, we will specifically monitor the results of this shift and measure its effect on our services.

Theme description

We can use our services most effectively at businesses and institutions in both the public and the private domains that consider us a strategic partner on a broad front, be it at the board or supervisory level or at the operational level. We focus on types of client that are good match for us in terms of size, complexity and risk. Creating a unique market proposition in respect of the businesses and institutions described requires a crystal-clear view of these clients' requirements and wishes, as well as a thorough understanding of our own strengths and weaknesses and a clear focus on the opportunities out there. It forces us to make explicit choices on what clients would be a good match for us and what characteristics and services would give us a unique competitive edge. Only the distinction perceived by clients determines whether we can achieve our ambition to stand out from our peers. In our role as trusted adviser, we are uniquely positioned to get into focus what they perceive as distinctive and where we can be leaders in client services in the industries and sectors selected within the Profit and Public Sector market segments.

Our ambition

We strive for a unique, distinctive market position in our strategic segments in the profit and non-profit markets, where we can contribute to our clients' strategic objectives in the broadest sense possible.

Our performance

A key indicator to measure the success of our unique service offering is client satisfaction. In collaboration with research agency Markteffect, BDO conducted a client satisfaction survey in February 2021, in which 645 clients participated.

	2021	2019	2017
Client satisfaction	7.8	7.5	7.6
NPS	12.0%	3.3%	3.4%

The results of the 2021 client survey show a positive trend: both client satisfaction and, in particular, the NPS were up from previous measurements.

Client satisfaction rose to a respectable 7.8. The last time we measured client satisfaction was in 2019. Then the score was 7.5. Accordingly, we are moving towards 8, which is frequently mentioned as a benchmark in the market. Looking at what clients value especially in our services, we score particularly high on 'reliability' and 'client friendliness'. What we still need to work on in particular are our proactivity and speed of response. As these aspects are also considered more important than average, they are closely linked to satisfaction.

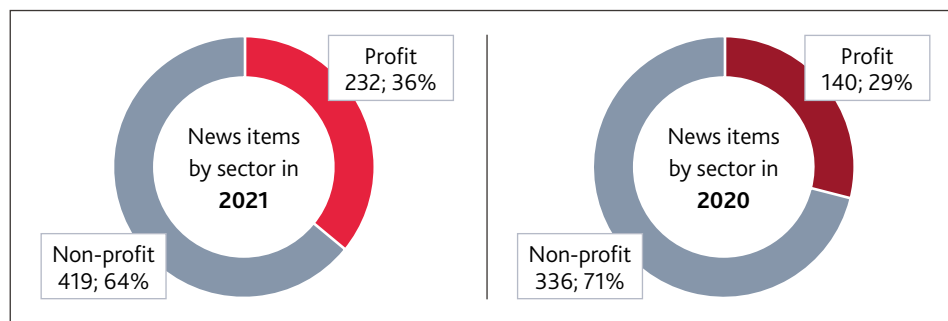
Aside from client satisfaction, the survey also enquired into whether clients would recommend BDO to others. This is expressed in the Net Promoter Score (NPS). NPS is the percentage of promoters (clients who give 9 or 10 on recommendation) less the percentage of detractors (clients who give 6 or less on recommendation). We are extremely proud that BDO managed to raise its score from 3.3% in 2019 (and 3.4% in 2017) to an impressive NPS of 12% in 2021. 'Expertise', 'reliability' and 'pleasant collaboration' are frequently cited reasons for recommending us. 'Price', 'organisation size' and 'frequent staff changes' are the main reasons for not doing so.

Looking at what respondents consider very important and what we can further improve to achieve an 8 (benchmark), we mention a number of soft skills - proactivity/active input, speed of response/follow-up and transparency. Last year, we put the results on the agenda of the management teams of our Lines of Service and discussed the results, including necessary actions. The management teams discussed all this with their service teams and deliberated what tools would be needed to further improve our results and achieve our ambition.

Another indicator we track to measure our progress in achieving our ambition is media exposure. Sharing knowledge and vision in the form of thought leadership and, as a result, being seen as an expert/thought leader in a specific area of expertise, market or theme contribute to achieving our objective.

BDO is active in both the Profit and Public Sectors. Within the Public Sector, BDO introduced an industry focus a number of years ago. In terms of thought leadership, this translates into annual benchmarks for various industries such as the hospitals benchmark, the university hospitals benchmark and the municipalities benchmark, for example. On the Profit front, BDO intends to adopt the same strategy and recently selected the focus industries. There, too, we will create specific content for those markets in the year ahead.

Media exposure in 2021 versus 2020



	2021	2020
News items for Profit and Non-profit	651	476
<i>FP value</i> This is the euro value that is assigned to a news item after the content analysis. It is calculated as follows: millimetre value x score (content analysis) = free publicity value.	€ 1,636,237	€ 881,585

The above analysis made with the Monalyse tool provides insight into the media value of these thought leadership items. This analysis shows that two-thirds of the news items (earned media) are thought leadership items in the Public Sector. It also shows that BDO received more media attention in 2021 than in 2020, with news items in both markets. The free publicity value of these news items amounts to € 1.6 million.

 FINANCIAL PERFORMANCE

Theme description

Just like a person's functioning is rooted in good health, it is important for businesses and organisations to start from a financially healthy situation. Controlled financial growth enables us to attract and retain good partners and employees and to invest in the development of our organisation and our people, in the optimisation of our quality standards and in the further development of our digital and other resources with a view to offering excellent service to our clients.

Our ambition

We aim to be a sustainable organisation in consistently good financial health with scope for investment and the ability to offer competitive remuneration for employees as well as partners.

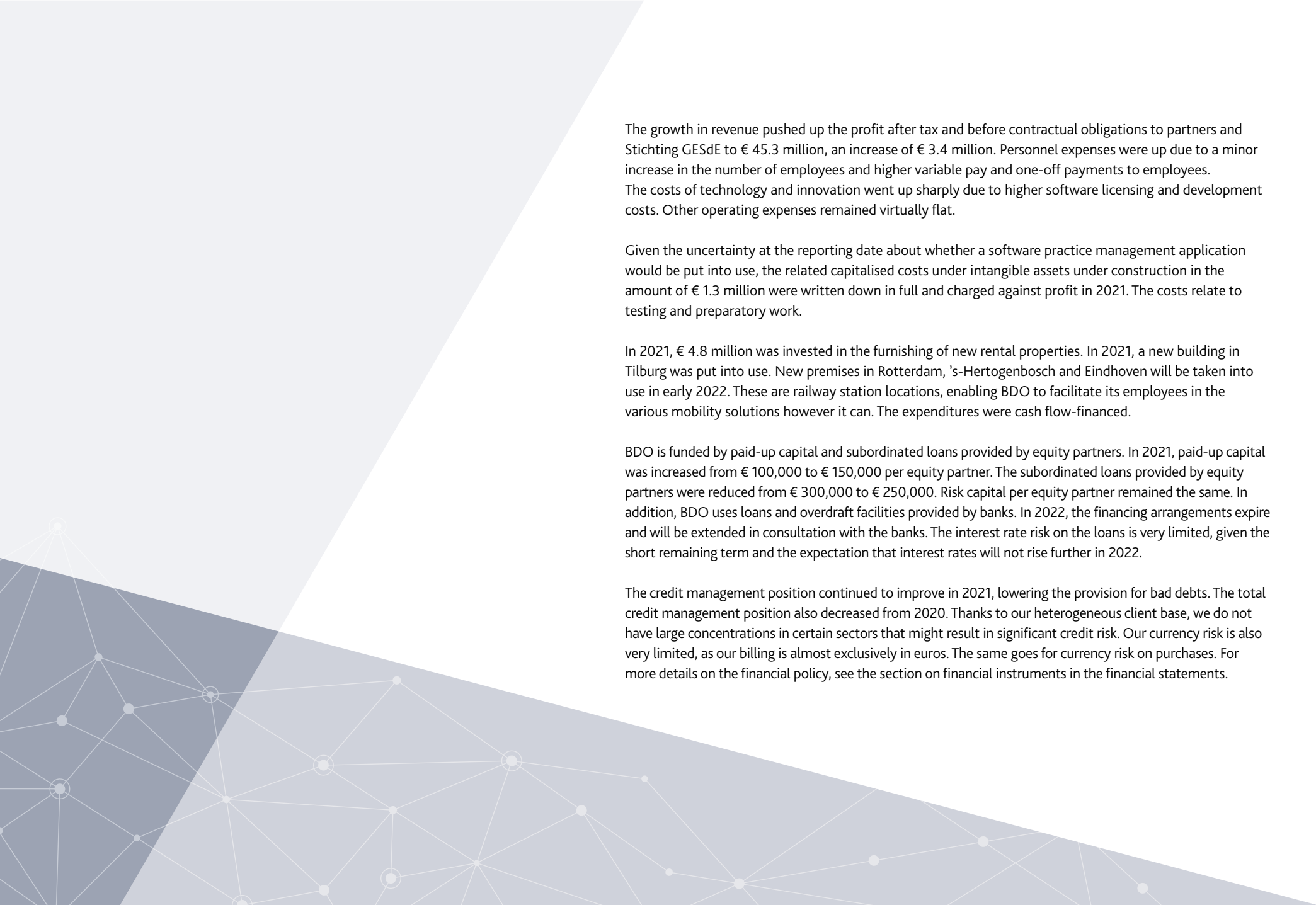
Our performance

The unpredictability of how the COVID situation would progress made 2021 a year of major economic uncertainty. Nevertheless, demand for our services increased and we ended the year with a 3.9% increase in revenue. Profits also increased further in 2021.

Advisory in particular posted strong revenue growth, with revenue up nearly 24%. BDO Digital was successfully launched in 2021. Further, demand for legal and corporate finance services increased among both existing clients and prospects.

At Audit & Assurance, the temporary Emergency Bridging Measure for Sustained Employment (Noodmaatregel Overbrugging Werkgelegenheid, 'NOW') issued by the Ministry of Social Affairs and Employment created additional work.

Revenue was flat at Tax Consultancy, but dropped by 4% at Accountancy & Business Advisory. The average number of employees stayed more or less the same at all Lines of Service, except for Advisory, where many new advisers were hired to handle the growth in revenue.



The growth in revenue pushed up the profit after tax and before contractual obligations to partners and Stichting GESdE to € 45.3 million, an increase of € 3.4 million. Personnel expenses were up due to a minor increase in the number of employees and higher variable pay and one-off payments to employees. The costs of technology and innovation went up sharply due to higher software licensing and development costs. Other operating expenses remained virtually flat.

Given the uncertainty at the reporting date about whether a software practice management application would be put into use, the related capitalised costs under intangible assets under construction in the amount of € 1.3 million were written down in full and charged against profit in 2021. The costs relate to testing and preparatory work.

In 2021, € 4.8 million was invested in the furnishing of new rental properties. In 2021, a new building in Tilburg was put into use. New premises in Rotterdam, 's-Hertogenbosch and Eindhoven will be taken into use in early 2022. These are railway station locations, enabling BDO to facilitate its employees in the various mobility solutions however it can. The expenditures were cash flow-financed.

BDO is funded by paid-up capital and subordinated loans provided by equity partners. In 2021, paid-up capital was increased from € 100,000 to € 150,000 per equity partner. The subordinated loans provided by equity partners were reduced from € 300,000 to € 250,000. Risk capital per equity partner remained the same. In addition, BDO uses loans and overdraft facilities provided by banks. In 2022, the financing arrangements expire and will be extended in consultation with the banks. The interest rate risk on the loans is very limited, given the short remaining term and the expectation that interest rates will not rise further in 2022.

The credit management position continued to improve in 2021, lowering the provision for bad debts. The total credit management position also decreased from 2020. Thanks to our heterogeneous client base, we do not have large concentrations in certain sectors that might result in significant credit risk. Our currency risk is also very limited, as our billing is almost exclusively in euros. The same goes for currency risk on purchases. For more details on the financial policy, see the section on financial instruments in the financial statements.

Outlook

We closed our 2020 report on a cautiously optimistic note, expecting a return to normalcy in the second half of 2021 as the vaccination programme got underway. The year under review has proven how difficult it still is to make a sound estimation of the future in times of uncertainty. The extremely rapid spread of the Omicron strain created unrest and prompted new, stricter measures to keep hospitalisation numbers manageable. At the time of writing, things are looking up on the COVID front. However, new concerns have arisen as a result of the Russian-Ukrainian war. While this war is already having a huge impact on the people of Ukraine, its effects will be felt across the globe. Expectations are that one to five million refugees will flee to Europe. Aside from the humanitarian catastrophe that is playing out, this war will also have tremendous economic consequences. The sanctions will impact imports from and exports to Russia and Belarus. Inflation is rising as energy and raw material prices go up, which will also exert upward pressure on wage growth. There are also concerns about the availability of energy, raw materials, cybersecurity and, the most worrying scenario of all, a spread of the war into Europe. No one knows how real this threat is, but we can see it is creating uncertainty and anxiety. These external circumstances make it difficult to look ahead, but based on current insights and the strength of the economy, we believe we will be able to grow our revenue in 2022 as well. Nevertheless, the end of COVID restrictions, higher inflation and a tight labour market will push up wage and other costs. As this increase will probably exceed revenue growth, we do not expect to be able to match 2021 earnings in 2022.

Looking at our clients, we are happy to observe that most of them got through the past two years relatively unscathed, also thanks to COVID aid packages in some cases. The impact of the COVID pandemic on our own services is therefore limited. If we disregard the uncertain impact of the above developments, the outlook is positive as the economy is picking up and corporate investment is increasing. This is fuelling the demand for financial, legal and advisory services. At the same time, growing demand for sustainability and data driven knowledge is boosting advisory activities in our industry. It is therefore to be expected that revenue will at least reach the same level if we can continue to attract sufficient people.

The greatest challenge on our way to growth is the shortage of staff caused by the tight labour market. Nevertheless, our distinctive labour market position still enables us to hire new recruits and grow our workforce. We believe we will be able to continue along this course in 2022. Particularly challenging is to attract people with three to five years' experience. We will keep investing greatly in our new recruits to train them to become professionals and in developing the talents of our other professionals. We offer a wide range of courses to continuously improve their knowledge and skills. The focus on quality is paramount in this context; specific programmes, such as *Horizon* and

Leadership in Motion, ensure the delivery of top quality in conduct and culture. In 2021 we launched a new labour market campaign: 'It all adds up: BDO is your professional match'. This campaign revolves around the personal stories of BDO employees. No one else can tell you better what it is like to work at BDO.

Aside from investment in our people, a partial solution to the shortage of staff may also be found in further standardisation, automation and more regional concentration of work. The automation and robotisation of routine duties and compliance work in all our practices will continue. In 2022, a major part of this work will be performed from four regional Delivery Centres, which will also serve as a good initial training hub for our new workers before they transfer to our practices. This also enables in-house training of people from other industries. The smart software we already use, combined with tailored training on the job, supported by theoretical knowledge, offers opportunities that were previously more difficult to fill.

But the number of support tools is also increasing in our regular practices. IT has become an integral part of our profession, and we must therefore develop it further in order to keep the profession interesting to our young accountants and advisers. Our young employees are able and willing to apply various forms of data analysis in their work, for example, and give their input on these developments. Investing in IT knowledge is important in that regard. Almost all of our R&D activities focus on automation and are initiated from a data-driven philosophy in which we can approach all data centrally on the basis of our own taxonomy. This enables us to make more relevant and up-to-date analyses, further integrate processes and generate all requisite reports automatically, such as returns and financial statements. BDO Global will also continue to invest in the ongoing development of its own international BDO Audit Process Tool (BDO APT), so that it meets the new auditing standards. Our ever growing dependence on software, networks and data links also calls for investment in keeping our cyber resilience, privacy protection and risk management up to scratch. The number of people at our organisation dealing with these topics is increasing.

Delivering top quality will continue to be our mission in 2022 and a key driver of investment, in addition to the investments in people and IT. While great strides have been made in quality improvement in recent years, the process needs our unabated attention throughout our organisation, extending to all professions that are part of it. Tax advisers, too, are increasingly expected to assume their role in society by monitoring the integrity of Dutch businesses. The DAC6 Directive, which entered into force on 25 June 2018, requires all EU Member States to introduce an

BDO MANAGEMENT BOARD (LEFT TO RIGHT): LEON JANSEN, RENÉ NELIS (CHAIR) AND MAURICE DE KLEER



obligation to report to the tax authorities certain advice on 'arrangements' of an international/cross-border nature that meet certain 'hallmarks'. In addition, auditors and tax advisers play an increasingly important role - in the eyes of society - as 'gatekeepers' of integrity of the Dutch business world. Money laundering, terrorist financing, fraud and corruption continue to receive a great deal of attention. The revised Money Laundering and Terrorist Financing (Prevention) Act (*Wet ter voorkoming van witwassen en financieren van terrorisme*, 'Wwft') and BDO's AML/CFT risk policy based on it require us to investigate the integrity of our clients and prospects, be alert to red flags and, where necessary, report unusual transactions to the appropriate authorities. The highly current developments in Ukraine and the related international sanctions imposed on Russia, which may also affect BDO and BDO clients, highlight the social interrelatedness and responsibility of our services. Such external developments underline the importance of robust quality, risk and compliance management and ensuring that the organisation is properly in control at every level.

Also our own and our clients' transition to a higher level of sustainability and value creation is on the agenda for the years ahead. A useful tool in that regard is integrated thinking, which means looking at a company's financial and non-financial value creation for the organisation as well as society in the short, medium and long term. The integrated report not only helps companies gain insight into value creation over time, but is also an effective instrument for lenders' investment decisions. It strengthens the internal organisation and the relationship with stakeholders and provides more insight into risks and opportunities. In this annual report, we have made a start with integrated reporting. We will take further steps in the years ahead and will also guide and advise our clients in this.

There are plenty of challenges and opportunities on our path. The further course of the disconcerting developments in the world will be decisive for the next steps we can and must take. What we do know is that there is not much that our BDO 'family' cannot handle, either in the Netherlands or beyond. We saw this also in the response of our colleagues around the world to what is happening to our colleagues in Ukraine at the moment. We are impressed by their sense of community and desire to help however they can, inspired by our core values - a feeling we hope will never go away.

Eindhoven, the Netherlands, 21 April 2022

BDO Management Board

- ▶ R.C.M. (René) Nelis (chair)
- ▶ L.M. (Leon) Jansen
- ▶ M.A. (Maurice) de Kleer

Report of the Supervisory Board

2021 was the fifth full year in which BDO had a Supervisory Board. Our role is to supervise the Management Board and BDO's general management. This supervision extends to the audit and advisory practices, and the synergies and challenges that come with the coexistence of these practices within BDO. As a result, our duties and responsibilities cover firm-wide aspects. We supervise the policies pursued by the Management Board, particularly when it comes to achieving the firm's objectives, the strategy and the risks associated with the business activities, the internal risk management and control systems, and financial reporting. Long-term value creation and safeguarding the public interest are key in that regard.

In addition to exercising supervision, the Supervisory Board also has an advisory role. In this role, we act as a sparring partner to the Management Board when considering the development and implementation of policy in key areas and major projects or investments. Experience, expertise and competencies gained by members of the Supervisory Board in other sectors help to offer the Management Board a broader perspective and new insights.

In performing our duties, we make allowance for the interests of BDO and we safeguard the interests of BDO's stakeholders. One of our primary responsibilities is to protect the public interest by ensuring the independence, quality and integrity of BDO. We are confident that a focus on the public interest will lead to the creation and protection of these values for all of BDO's stakeholders.

The key tool in protecting the public interest is the monitoring of the achievement of strategic goals, quality, corporate culture, conduct and the independence of the organisation. We challenge, and offer constructive feedback to, the Management Board in these and other areas.

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 amendments that have been made to the Audit Firms (Supervision) Act (*Wet toezicht accountants-organisaties*, 'Wta').

To fulfil our broad public role, the Supervisory Board is made up of external members who have gained a wide range of experience and knowledge in their past and current positions.

This report describes how we supervised the Management Board of BDO and the general situation at BDO in the reporting period.

Developments in 2021

Just like the preceding year, the year 2021 too was dominated by the COVID-19 pandemic and its effects. It was a year of lockdowns, a slow start of the vaccination programme and a new variant of the virus rearing its head, along with all the uncertainty this entailed. We appreciate the resilience and perseverance exhibited by the BDO organisation in yet another difficult year and the way our people managed to not only deal with their own challenges in their everyday lives but also support our clients in the challenges they were facing. We complimented the Management Board on the transparent manner in which it fulfilled its role in this respect while bringing everyone together and focusing on the well-being of partners and employees in a year in which remote working stretched everyone's flexibility and stamina to the very limit.

As BDO's clients luckily also proved their resilience last year, the financial impact of COVID-19 remained limited for BDO. The audit requests for government assistance (the NOW scheme) placed high demands on the audit department, also in view of the level of detail required of NOW audits.

Continuity of service was not at risk for even a moment in 2021. The first signs are appearing that, thanks to the vaccination programme and a COVID-19 strain that keeps hospitalisations and, more importantly, ICU admissions within manageable bounds, we can slowly start deliberating a world in which COVID-19 will have a place without altogether disrupting society. This will create more opportunities for on-site training, client meetings and other matters put on the shelf for now. Costs will rise accordingly. It is gratifying to see that the Management Board is actively considering how to translate the changes brought about by the crisis into a vision of a new hybrid way of working, under the heading of 'Sustainable Collaboration'. The strengths of the familiar, pre-COVID way of working are to be combined with the new insights and developments of the period behind us. We also shared our input and will continue to follow the developments in this area and reflect on ways we can support the Management Board by looking in from the outside.

2021 was also the Management Board's first year of management in its new composition. We are happy to conclude that the Management Board members expediently set to work on further detailing the new strategic plan for the period of 2021-2025. The term of office of the Head of Audit, Hans Renckens, ended on 31 December 2021 due to his retirement. It has been wonderful working with him and we greatly appreciate his efforts on the topic of quality at Audit & Assurance in the past few years. Last year we initiated a procedure to find a successor. Marcel Mans started as the new Head of Audit on 1 January 2022.

SUPERVISORY BOARD (LEFT TO RIGHT):
DANNY VAN DER EIJK (CHAIR), HELEEN KUIJTEN-KOENEN, DENNIS RAITHEL,
BERNADETTE LANGIUS (VICE-CHAIR) AND ENGELHARDT ROBBE



The Supervisory Board likewise exercised its supervisory role in a new composition in 2021. Danny van der Eijk succeeded Ton Rutgrink, who laid down his gavel and stepped down as chair on 30 September 2021. Engelhardt Robbe and Heleen Kuijten-Koenen formally joined the BDO Supervisory Board with effect from 24 November 2021. As a result, we returned to full strength in 2021. We would like to thank Ton Rutgrink, who served as chair of the Supervisory Board for more than five years. We are grateful to Ton Rutgrink for his constructive input and contribution and the important role he played in the transition from a Supervisory Committee to a Supervisory Board. He leaves behind an organisation in which the supervisory role is now further embedded.

Key themes and decisions in 2021

In addition to focusing on BDO's ability to continue as a going concern in the reporting period, the Supervisory Board honed in on a number of key topics involving the strategic objectives for 2021:

1. Strategy and long-term value creation

We advise the Management Board on the firm's long-term vision and strategy and monitor the transposition of strategy into concrete policy. We were closely involved in the transposition of strategy into the annual plans for 2021 through our scheduled meetings with the Management Board. In October 2021 a strategy session was held with the Management Board, in addition to the scheduled meetings, to discuss in detail the revised vision on partners in light of the 2021-2025 Strategy. The discussions particularly focused on talent management, inheritance planning, partner development and partner remuneration. On the topic of longer term strategy and value creation, BDO's initiation of regular external stakeholder engagement was also discussed. As the Supervisory Board, we monitor on the basis of internal supervision whether BDO's strategic commitments are consistently being implemented and the trust of stakeholders is consistently being sought so as to achieve long-term value creation together with the Management Board. We are pleased to see that stakeholder engagement will also be integrated into BDO's annual report, as reflection will create improved insight into the major issues in society and stakeholders' expectations of BDO. We support BDO's ambition to involve stakeholders more closely in matters that contribute to defining BDO's mission and vision and how they can perform their role in society most effectively.

2. Quality and social relevance

As the Supervisory Board, we encourage and monitor efforts to take organisational quality to the next level. A key aspect of the BDO strategy is the persistent pursuit of quality improvements. BDO has put this at the heart of its mission: 'delivering top quality anywhere and at any time'. In 2021, particular attention was given to updating the BDO Quality Policy and integrating the A&A Line of Service quality manual into the overarching BDO Quality Policy. We also deliberated with the Management Board on how to translate the notion of top quality, as defined in the 2021-2025 strategic vision, to the Accountancy & Business Advisory, Tax Consultancy and Advisory Lines of Service. All of this contributes to the quality improvements that BDO wants to implement in its organisation. The goal is to make annual improvements to the design and execution of the quality system by performing the Plan Do Check Act (PDCA) cycle. In this context, the quality management system and the quality indicators used to monitor the progress made in implementing the quality agenda were also discussed.

In the context of quality monitoring, we sat down with the policy-makers of Audit & Assurance B.V. in 2021 to discuss the quality projects focusing on improving audit effectiveness and control of project-based working in teams and redefining practice management in order to take quality to the next level. How to deploy new IT applications in the audit practice was also discussed.

Together with the Management Board, we also look explicitly at external developments in society and the expectations external stakeholders have of BDO's service provision. Professional services providers, and accounting firms in particular, attract a lot of public attention, not just because of the professional quality of their services and the nature of their service provision, but increasingly also because of how these organisations operate. A standing item on the joint agenda are the developments in the accounting profession. BDO actively participates in public and sector discussions such as the Public Interest Steering Group, Foundation for Auditing Research and consultations from AFM, NBA and Trailblazers. BDO is actively involved in the Trailblazers working groups that provide support to the committees by putting forward suggestions that are meant to drive quality improvements throughout the accountancy sector. The development of audit quality

indicators was also discussed. Another standing item on the joint agenda are the results of internal and external quality reviews and the follow-up of these reviews. The AFM investigated the quality of statutory audits, internal quality reviews and internal supervision in 2021. In its 9 December 2021 sector report 'Grip on quality', the AFM indicated with regard to the six PIE audit firms that it was largely positive about the insights into quality that internal quality reviews (IQR) achieved and about the design and execution of IQRs in 2020. Further, BDO boasts positive conclusions from other supervisory bodies such as NOREA (the professional association for IT auditors in the Netherlands) and the ADR (Central Government Audit Service), and the BDO International Quality Review was completed with positive results. We conclude that BDO is still making good progress in quality improvement and that areas for further improvement have been identified.

In the discussions with the AFM, we also expressly considered the (co-)management of quality development from the role of supervisor. In this context, the Supervisory Board decided to set up a separate *Quality and Public Interest Committee*, which will enable more frequent and more in-depth discussions about quality development at BDO.

3. Culture and conduct

An accounting firm cannot deliver quality if it does not have a sound corporate culture. In 2021, BDO explored how the organisation-wide *BDO Horizon* culture programme can be streamlined with strategic objectives, focusing in particular on three types of conduct, which are a translation of BDO's core values. Five sub-programmes of BDO Horizon are used to encourage such conduct. We were pleased to see that BDO Horizon will play a pivotal role in the new strategy in the coming years as the basis for achieving the strategy for 2021-2025 and the culture that BDO seeks to create. We believe such a programme to be very important, since culture and conduct are two decisive factors in an organisation's quality policy and impact the effectiveness of quality structures. Another positive aspect, in our opinion, is that BDO Horizon links up the programmes that contribute to culture and conduct, such as *Leadership in Motion* and *Diversity & Inclusion*. This will push the organisation into a single direction, with the different programmes keeping their own focus areas. Leadership development is a key driver of the envisioned culture development, and optimal implementation of the Diversity & Inclusion policy enables people to analyse and act from a broader perspective and think critically about themselves, the world around them, and society at large.

While we appreciate the good progress made in 2021 to promote diversity, we share the BDO Management Board's view that further acceleration is needed to make greater strides towards achieving the objective of having at least 20% women in partner and senior management level roles by 2025. We will follow the measures taken in this context to see whether they achieve sufficient traction. It is a standing item on the agenda of the meetings between the Remuneration & Appointment Committee and the Management Board.

We encourage diversity in culture and conduct, and will monitor the effectiveness of the measures that are taken.

4. Transformation and innovation

The challenge that BDO faces within all its Lines of Service is guaranteeing its continued existence in the long term by harnessing developments in society and changes in rules and regulations. BDO is undergoing a transformation at different levels, both in terms of the nature of its service provision and in terms of underlying processes. The environment in which BDO operates is in a state of flux and changes are coming at the firm thick and fast. This calls for an agile organisation with a focus on innovation and the right use of technology within our services. Technology, in combination with professional and market knowledge, has become an essential component of BDO's business model.

We monitored developments involving BDO Base, the new ERP system, in 2021. The go-live of this programme was postponed yet again in 2021. We expressed our concern as the technical aspects necessary and the training programme still fail to materialise. We are informed regularly of the status of the project and will continue to monitor it, focusing specifically on what this means for a number of processes that are dependent on the go-live.

In 2021, the new business unit BDO Digital started operations. This business unit will serve as a pillar to uphold the strategic direction for BDO's further growth as a data-driven organisation. The goal is to create a BDO-wide bundling of digital knowledge, skills and resources to optimally support the markets' ambitions from the market segments and the Lines of Service, and to maximise the return on technology investments. In addition, technology-driven advisory services are offered to clients. With these types of initiatives, BDO is working towards future-proofing its operations by creating greater execution power and more opportunities for innovation.

Other topics

Other topics that came up in the meetings with the Management Board in the reporting period were:

- ▶ Status of internal and external quality reviews
- ▶ Status of key projects within the scope of the Management Board's Annual Plan for 2020
- ▶ Financial performance (actual and budgeted)
- ▶ Management information and non-financial KPIs
- ▶ QRM quarterly reports (updates on independence, claims, risk management, regulations, etc.)
- ▶ Assessment of strategic risks
- ▶ Claims and risks
- ▶ Information security & privacy
- ▶ Exit monitoring of partners and staff in key positions
- ▶ Monitoring of compliance with key policies and processes
- ▶ Evaluation of remuneration policy for policy-makers
- ▶ Performance appraisal of policy-makers
- ▶ Remuneration policy for partners and staff
- ▶ Assessment and remuneration of assurance partners
- ▶ Termination of management agreements with equity partners
- ▶ Monitoring of internal auditors' induction period;
- ▶ Performance appraisal of Compliance Officer and annual report of Quality & Risk Management

Decisions taken by Supervisory Board

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

- ▶ Approval of annual report, including the financial statements 2020
- ▶ Approval of transparency report for 2020
- ▶ Appointment of auditor for audit of financial statements for 2021
- ▶ Changes to job-specific appendices to profile of Supervisory Board
- ▶ Approval of the budget for 2022
- ▶ Decision on variable remuneration of Management Board members and Head of Audit for 2020
- ▶ Approval of policy for external studies involving policy-makers
- ▶ Approval of nomination of independent external auditor
- ▶ Approval of performance appraisal and remuneration of Compliance Officer

Meetings and attendance of members of Supervisory Board

The Supervisory Board met six (6) times for scheduled meetings in 2021, first with only the members of the Supervisory Board in attendance and then with the members of the Management Board joining. The Head of Audit always joins these meetings to weigh in on agenda items relating to Audit & Assurance B.V. and the interactions with the Authority for the Financial Markets (AFM) and professional associations. No Supervisory Board members were absent from these meetings. In addition, a strategic session of the Supervisory Board and the Management Board was held in October 2021.

Further, the Supervisory Board and the Management Board held various informal sessions and conference calls. These were discussions between the two chairs as well as between Management Board members and committee chairs about specific developments in the committees' portfolios. The Supervisory Board also met with the Works Council and with partners during partner sessions. At a meeting on 18 September 2021, the Supervisory Board and the equity partners jointly deliberated on how to create sustainability in the relationship between Supervisory Board and equity partners. These meetings provide the Supervisory Board with important input and help it to perform its role within BDO as well as possible.

Other activities

The Supervisory Board has two standing committees: the Audit Committee and the Remuneration & Appointment Committee. These committees have an advisory role within the Supervisory Board and have been instituted by, and are made up of, members of the Supervisory Board. There was no separate committee for Public Interest supervision in 2021; this was assigned to the entire Supervisory Board.

The *Audit Committee* focuses on finance and accountability, internal and external audits, and risks. This committee reviews the budget and the integrated annual report, including the financial statements. The Audit Committee meets regularly with the persons responsible for the internal audit, risk management and finance, and holds annual meetings with the independent external auditor to discuss the audit plan, the audit approach, the board report and the management letter. In addition, the developments in the areas of risk management and information security are discussed, as well as pending claims and the potential risks they pose, both financially and in terms of reputation and integrity. In 2021, the Committee particularly focused on the new internal auditor and the creation of the internal audit charter and the internal audit plan. This Committee met three times in 2021. The attendance rate was 100%.

The *Remuneration & Appointment Committee* makes proposals for the remuneration of BDO policy-makers. It supervises the appointment process and the nomination of new members of the Management Board for the Supervisory Board. This Committee also supervises the effectiveness of the performance management system and the appointment process of new partners in the Audit & Assurance practice. All aspects involving employee development and satisfaction in relation to the quality policy were discussed in 2021 as well. The new Head of HR was also a topic of consideration. This Committee met twice in 2021. The attendance rate was 100%.

At the end of 2021, the Supervisory Board decided to add a third committee: the *Quality and Public Interest Committee*. This Committee's duties focus in particular on the quality control system and risk management and the policy on statutory and regulatory compliance, integrity and ethics, including codes of conduct and internal procedures. The Committee also looks at procedures for the handling of complaints and reports in the context of the BDO Group's complaint and whistleblowing procedure, (potential) reputational and integrity risks, including those as a result of claims and disciplinary issues and partner cases that could have an impact on quality and integrity. The Committee also advises other committees and the Supervisory Board on relevant aspects of topics that intersect with quality, risk, integrity and reputation, including: BDO strategy, the budget, investments, remuneration policy, appointments, and the suspension and dismissal of external auditors. The Committee is also involved in the dialogue with regulators and focuses on other matters in line with actions taken in the Public Interest and external reports not covered by the supervision exercised by other committees. The Committee will start its activities in 2022.

The Supervisory Board also interacted directly with the AFM in the reporting period, for instance about the AFM's review of internal supervision at BDO.

Performance appraisal and remuneration of Supervisory Board and Management Board members

Self-assessment of Supervisory Board

Each year, we evaluate the collective performance of the Supervisory Board and that of the individual members. In view of the change in composition, it was decided in December 2021 not to perform an extensive self-assessment but instead to look back in a more evaluating sense at the lessons learned in recent years and discuss the wishes of the Supervisory Board in its new composition regarding its collaboration. It also considered the points that compelled heightened attention or high priority further to the previous evaluation.

One specific element that was addressed at the time was the composition of the Supervisory Board and the value the Supervisory Board attaches to having five members to allow for a balanced division of duties and have two members on each committee. This was implemented in 2021 and, in this context, the committees and the representation of the Supervisory Board members in these committees were discussed as well.

Another point of attention was the support provided to the Supervisory Board and the importance of making sufficient time available to that end. This led to the reinforcement of the Board Secretariat with a Secretary specifically assigned to the Supervisory Board in early 2022.

The last point of attention from the previous evaluation was the relationship with key internal stakeholders, equity partners in particular. Based on the results of the 2021 meeting held jointly with the Management Board, the proposals that emerged from that meeting were examined. A number of concrete actions were formulated to improve communications with that group and provide them with more pertinent information during the year on how the Supervisory Board exercises its supervisory role.

Remuneration of Supervisory Board members

The members of the Supervisory Board receive a fee, which has been set by the Meeting of Participants. For details on our remuneration, we refer to the financial statements.

Performance appraisal and remuneration of Management Board members

We also conducted performance appraisal interviews with the individual members of the Management Board at the beginning of 2022. In these interviews, we discussed whether the objectives for 2021 had been achieved. The targets that had been agreed with the Management Board regarding the specific focus areas of the individual Management Board members served as a basis for these interviews. Following this, we set the variable remuneration for 2021 of the day-to-day policy-makers of the accounting firm and/or the hierarchically highest-ranking body, including the members of the Management Board, early in 2022.

Independence

Our duties and powers, as described in the Rules of Procedure, determine the position of the members of the Supervisory Board under the applicable independence rules. The members must be independent both in fact and in appearance. The BDO Compliance Officer monitors the personal and financial independence of the members of the Supervisory Board.

In 2021, monitoring took place in respect of the conditions put in place to ensure the independence of Supervisory Board members from the BDO organisation. Based on these conditions, Supervisory Board members are expected to take the required precautions to avoid having financial interests or maintaining relationships that have been banned or restricted under the independence regulations.

All members of the Supervisory Board qualified as independent in accordance with the aforementioned rules and regulations at the end of the reporting period.

Training and education

The members of the Supervisory Board did not take specific courses in 2021 due to the outbreak of COVID-19, the greater time commitment that was expected from the three remaining members to cover for the two members who had stepped down and the developments in the appointment of new members. They will catch up in 2022 as far as the in-depth training on *Fraud Prevention* is concerned.

Financial statements

The annual accounts and the financial statements for 2021 were prepared by the Management Board. The financial statements have been audited by Mazars, our independent external auditor. Their independent auditor's report has been included in this annual report. The audit findings were discussed with the Audit Committee in the presence of the full Supervisory Board and Management Board. The Supervisory Board subsequently approved the annual report and the financial statements for 2021 at the meeting with the Management Board on 12 April 2022.

Transparency Report

BDO's policy-makers discussed the 2021 Transparency Report with us. In our opinion, the report and its tone of voice are in line with our impression of the past year and accurately reflect the relevant topics and developments that were presented to us in the past year and that we have monitored.

Summary

We were happy to see that BDO employees managed to keep up the good work in the reporting period, which posed challenges like never before. Within just a few short weeks, the firm had in place a COVID policy that prioritised the health and safety of employees, clients and suppliers. Working from home was facilitated promptly to create the best possible environment for everyone to continue their work and clients received support in overcoming the challenges they faced. A number of initiatives were launched to awaken a great sense of community, which helped everyone get through this difficult year. Thanks to tight cost control as well as solidarity, commitment and adaptability, BDO managed to deliver an excellent performance in the reporting period.

In conclusion, we would say that the Management Board worked well with the Supervisory Board in the past year and that we look forward to collaborating with the new Management Board, which took up office in 2021.

Outlook

Given the high vaccination rate and the less pathogenic new COVID-19 variant, we are cautiously optimistic that a return to normalcy might be in the cards for 2022. Although the world has reopened as far as COVID 19 is concerned, a new threat has arisen in the meantime, the threat of war and destruction that began with Russia's invasion of Ukraine. It is currently unclear how this situation will develop and what impact it will have on the rest of the world, the Netherlands, and BDO.

Over the past two years, we have seen that BDO and its employees are resilient in times of crisis and prepared to roll up their sleeves when faced with challenges. We will support the BDO Management Board in rising to these challenges.

Eindhoven, the Netherlands, 21 April 2022

Supervisory Board

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



FINANCIAL STATEMENTS 2021

BDO HOLDING B.V.

IN ADDITION TO HER POSITION AS SR MANAGER, EVELINE BAKKER CHAIRS A WOMEN'S BUSINESS CLUB THAT HELPS WOMEN GROW THEIR NETWORK AND EXCHANGE KNOWLEDGE.

Consolidated balance sheet as at 31 December 2021 (after profit appropriation)

(amounts in € 1,000)

			31 December 2021	31 December 2020
ASSETS				
Fixed assets				
Intangible fixed assets	1	534		2,403
Tangible fixed assets	2	18,015		17,735
Financial fixed assets	3	21,299		24,899
			39,848	45,037
Current assets				
Receivables	4	21,928		22,705
Revenue not yet invoiced	5	14,820		13,108
Other receivables, prepayments and accrued income	6	7,477		8,505
Cash and cash equivalents		26,873		26,288
			71,098	70,606
Total assets			110,946	115,643
EQUITY AND LIABILITIES				
Group equity	7		9,000	9,000
Provisions	8		5,146	5,947
Long-term liabilities				
Loans from and debts to partners	9	16,000		20,100
Borrowings from credit institutions	10	-		15,000
			16,000	35,100
Current liabilities				
Borrowings from credit institutions	10	13,500		-
Trade payables		3,712		4,532
Current accounts with partners	9	18,994		18,462
Taxes and social security contributions		17,785		22,712
Other current liabilities, accruals and deferred income	11	26,809		19,890
			80,800	65,596
Total equity and liabilities			110,946	115,643

Consolidated income statement for 2021 (1 January to 31 December)

(amounts in € 1,000)

		2021		2020	
Net revenues	12	318,995		306,905	
Other operating income	13	205		215	
Total operating income			319,200		307,120
Cost of subcontracted work and other external charges		14,537		14,005	
Salaries and wages	14	148,775		143,464	
Social security contributions and pensions	15	35,737		36,130	
Amortisation intangible fixed assets	1	559		651	
Depreciation tangible fixed assets	2	4,561		4,160	
Other changes in value of tangible and intangible fixed assets	1	1,310		734	
Other operating expenses	16	66,317		64,104	
Total operating expenses			271,796		263,248
Operating profit			47,404		43,872
Finance income and expense	17		(2,101)		(1,949)
Result before tax			45,303		41,923
Income tax	18		(2)		(47)
Contractual obligations to partners and Stichting GESdE	19		(45,301)		(41,876)
Result after tax			-		-

Consolidated cash flow statement for 2021 (1 January to 31 December)

(amounts in € 1,000)

			2021	2020
Operating profit/(loss)			47,404	43,872
Adjustments for:				
-Amortisation, depreciation and impairment	1-2	6,430		5,545
-Gains/(losses) on disposals	1-2	63		396
-Changes in provisions	8	(801)		71
			5,692	6,012
Changes in working capital:				
-Movements in receivables	4-6	93		3,794
-Movements in current liabilities	11	1,215		3,096
			1,308	6,890
Net cash generated from operations			54,404	56,774
Interest received	17	380		454
Interest paid	17	(2,455)		(2,407)
Income tax	18	(1)		(98)
			(2,076)	(2,051)
Cash flow from/(used in) operating activities			52,328	54,723
Acquisition of associate	1	-		(136)
Investments in intangible fixed assets	1	(35)		(487)
Investments in tangible fixed assets	2	(4,949)		(5,083)
Investments in financial fixed assets	3	(400)		(820)
Disposal of intangible fixed assets	1	-		-
Disposal of tangible fixed assets	2	10		7
Disposal of financial fixed assets	3	4,000		7,993
Cash flow from/(used in) investing activities			(1,374)	1,474
Partner fees under General Provisions	9-19	(44,769)		(33,813)
Withdrawal/redemption of long-term liabilities	9	(5,600)		(600)
Cash flow from/(used in) financing activities			(50,369)	(34,413)
Increase/(decrease) in cash			585	21,784
Cash and cash equivalents at 1 January			26,288	4,504
Cash and cash equivalents at 31 December			26,873	26,288

Notes to the consolidated financial statements

Activities

The activities of BDO Holding B.V. and its related group companies, are comprised of conducting statutory and voluntary audits, review and compilation engagements, and providing tax and other advisory services, including human resource, legal, business control, corporate finance, cybersecurity and IT services. The activities are performed by and for account of the group companies of BDO Holding B.V. BDO Holding B.V. does not provide any financial services itself; it acts as the holding company.

BDO Holding B.V. has its registered office at Dr. Holtropaan 23, 5652 XR Eindhoven, the Netherlands, and is entered in the Trade Register under number 17129358.

International network

BDO Holding B.V. is a member firm of BDO International, a global network of accounting and consulting firms. Each member firm is a legally independent entity operating under the 'BDO' brand or a related designation. BDO Holding B.V. cannot, on the mere ground that it is a member firm of BDO International, be held liable for the actions and obligations of other member firms. The fee that is paid to BDO International is included in other operating expenses.

Group structure

BDO Beheer B.V. administrates the shares in BDO Holding B.V. for Stichting Aandelenbeheer BDO Groep. Stichting Aandelenbeheer BDO Groep issues depository receipts for shares to the partners' professional practice companies that have concluded management agreements with BDO Holding B.V. These management agreements stipulate that the company offers the services of the owner-professional practitioner to the group companies to be designated by BDO Holding B.V. The professional practitioners are hereinafter referred to as partners.

Stichting GESdE

Until 1 January 2005, the legal predecessor of BDO Holding B.V. used a system of goodwill set-off upon a partner's entry to, and exit from, the firm. This system has been abolished. Within this scope, Stichting GESdE was established, the object of which is to acquire, manage and settle existing goodwill claims for the benefit of the partners entitled to goodwill. BDO Holding B.V. owes Stichting GESdE a fee for the financing of remaining goodwill claims until year-end 2026. Discounted at 2%, this fee is expected to amount to € 28.4 million.

Stichting GESdE is not consolidated, since it is controlled by the partners entitled to goodwill rather than by BDO Holding B.V.

Stichting Aandelenbeheer BDO Groep

Stichting Aandelenbeheer BDO Groep exercises the voting, claiming and other rights attaching to the shares in the capital of BDO Holding B.V. It does so in its own name, but for the benefit of the partners. The object of Stichting Aandelenbeheer is to secure continuity of management and policy at BDO Holding B.V. and to protect the interests of all stakeholders in BDO Holding B.V. and its related enterprises. Stichting Aandelenbeheer BDO Groep does not engage in any other (economic) activities and is not a subsidiary or group company of BDO Holding B.V., as a result of which it is not consolidated.

Accounting policies

General

Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements for consolidated financial statements included in Part 9 of Book 2 of the Netherlands Civil Code. Unless indicated otherwise, assets and liabilities are stated at the amounts at which they were acquired or incurred. Borrowings and payables are initially measured at fair value and subsequently at amortised cost. All amounts disclosed in the financial statements are denominated in thousands of euros unless stated otherwise.

Use of estimates

The preparation of the financial statements in conformity with the generally accepted financial reporting requirements requires management to make estimates and assumptions that affect the items reported in the financial statements. Actual earnings may differ from these estimates.

The estimates and underlying assumptions are tested on an ongoing basis. A revised estimate is recognised in the period in which the estimate is revised and in future periods impacted by the revision.

The principal estimates and judgments mainly concern provisions. These include estimates and assumptions used in determining provisions for revenue to be invoiced and bad debts. The estimates used to determine the provisions for employee benefits mainly involve interest rates, as well as occupational disability and retention rates.

For the purposes of determining the provision for professional liability, any claims and disputes are assessed based on fact and legal advice is sought where needed. In addition, in determining

the carrying amounts of intangible fixed assets and tangible fixed assets, use is made of estimates of amortisation and depreciation periods, which are based on the expected technical and useful lives of the assets in question and any residual value.

Foreign currencies

Income and expenses denominated in foreign currencies are translated at the rates of exchange at the transaction date. Receivables and payables are translated at the rates of exchange at the reporting date. Any resulting gains and losses are taken to the income statement and recognised within finance income and expense.

Basis of consolidation

The consolidated financial statements include the financial information of BDO Holding B.V. and its related group companies in which it holds a direct or indirect majority interest, or otherwise controls the financial and operating policies. In accordance with Section 414, Part 9 of Book 2 of the Netherlands Civil Code, we have listed all consolidated legal entities on page 74 of these Annual Accounts.

The group companies are fully consolidated and intercompany balances and transactions are eliminated, using the accounting policies described below. The financial results of newly acquired and sold companies are consolidated from the date that effective control is transferred until the date that such effective control is lost, respectively. Given that the financial information of BDO Holding B.V. is disclosed in the consolidated financial statements, the company-only consolidated income statement in accordance with Section 402, Part 9 of Book 2 of the Netherlands Civil Code is presented in an abbreviated form.

Going concern

These financial statements have been prepared based on the company's ability to continue as a going concern. BDO has

proven its agility and flexibility as an organisation during the COVID-19 pandemic. Hybrid working enabled BDO to continue its services to clients while consistently delivering a high level of quality. Both revenue and earnings increased in the reporting period. The lifting of restrictive measures now that the pandemic is abating will probably have a neutral effect on revenue movements in 2022.

Cash flow statement

The consolidated cash flow statement has been prepared using the indirect method. Cash and cash equivalents disclosed in the cash flow statement are comprised of bank overdrafts. Movements in borrowings from credit institutions are recognised within current liabilities. Interest paid and received, and income tax are recognised within cash flows from operating activities. The profit share is recognised in the cash flow statement within cash flows from financing activities.

Accounting policies for the balance sheet

General

Assets are recognised in the statement of financial position when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Liabilities are recognised when it is probably that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Financial instruments

Financial instruments are comprised of receivables, cash and cash equivalents, subordinated loans, trade payables, debts to affiliated parties and other debts. The accounting policies for these items are specified on an item-by-item basis below. No use is made of derivative financial instruments.

Intangible fixed assets

This item concerns the external costs for the implementation of standard software used by BDO Holding B.V. and its group companies. It also includes goodwill paid for acquisitions. The capitalised costs are recognised at cost net of accumulated amortisation and impairment.

Amortisation of software is calculated using the straight-line method based on an asset's estimated useful life from the moment it is put into use. Capitalised costs include costs charged by third parties for the setting up and implementing of standard software.

At the acquisition date, goodwill is measured at the difference between the acquisition price and the fair value of the identifiable assets and liabilities. Goodwill is amortised on a straight-line basis using estimated useful life and making allowance for impairment losses where applicable. The expected useful life is assessed annually and adjusted where required.

Tangible fixed assets

Tangible fixed assets are stated at cost net of accumulated depreciation. Depreciation is calculated using the straight-line method based on estimated useful life and expected residual value. In the year of purchase, assets are depreciated from the moment they are put into use. Assets under construction are not depreciated. Maintenance costs are capitalised only if they extend an asset's useful life.

Financial fixed assets

Financial fixed assets include participating interests, receivables to participating interests, provided loans and other long-term receivables. Participating interests in which BDO Holding B.V. has the power to exercise significant control over financial and operating policies are stated at net asset value. Participating interests in which no significant control can be exercised on financial and operating policies are stated at the lower of

acquisition price or fair value. Loans receivable are measured at amortised cost net of a provision for bad debts where necessary.

Impairment of fixed assets

Each year, it is evaluated whether there are any indications of an intangible fixed asset, a tangible fixed asset or a financial fixed asset being subject to impairment. An asset is considered to be impaired if its carrying amount exceeds its recoverable amount. Any impaired asset is written down to its recoverable amount, with the loss being expensed through the income statement in the form of other changes in the value of intangible, tangible and/or financial fixed assets.

Revenue not yet invoiced

This item comprises services provided to clients that have yet to be billed. They are measured at expected realisable value, net of progress billings. Profit is recognised based on the percentage-of-completion method. Where necessary, a provision is formed for expected losses.

Receivables

Current assets include receivables that, by their very nature, fall due within one year. Upon initial recognition, receivables are measured at fair value. They are subsequently measured at amortised cost. Allowance is made for any bad debts in their measurement at the reporting date.

Cash and cash equivalents

Unless indicated otherwise, cash and cash equivalents are at the company's free disposal.

Equity

Financial instruments qualifying as equity instruments based on economic reality are presented as a component of equity. Payments to holders of these instruments are deducted from equity, net of any related income tax benefits.

Provisions

Provisions are formed for obligations, losses and risks present on the reporting date, the extent of which is uncertain but can be reliably estimated. Provisions are measured at present value if the time value of money is material. If it is not, provisions are stated at the amount at which they were incurred.

Employee benefits

The provision for jubilee benefits was calculated based on an actuarial interest rate of 1.0% (2020: 0.5%), making allowance for retention rate, period of service and age. The retention rates have been estimated on the basis of historical data. Staff who have completed 12.5, 25 and 40 years of continuous employment receive a long-service bonus. In addition they have been entitled to a fixed bonus for every five years they remain in service (this does not apply to their 25 and 40-year anniversaries with the firm).

A provision has been formed for expected non-productivity of employees who suffer from chronic illnesses at the reporting date. This provision is designed to cover the associated costs for up to two years after the first notice of sick leave and is measured at present value.

Other provisions

The provision for professional liability was formed for estimated obligations by virtue of claims expected or lodged but not yet settled, at year end.

The provision for professional liability for each insured claim is measured at the estimate of the obligations to be settled with third parties, including any external legal fees. If the expected payment from an insurance company cannot be estimated and has, as such, not been recognised as a separate asset, the provision for the claim in question is capped at the uninsurable risk.

The provision for professional liability for other claims is measured at the estimate of the obligations to be settled with third parties, including any external legal fees.

The provision for unoccupied buildings was formed for buildings that are almost fully unoccupied and for reinstatement at the end of the lease that are for BDO's account. The provision has been determined based on rentals attributable to unoccupied buildings during the likely period of vacancy, net of any income from subletting.

Payables and other liabilities

This item relates to liabilities that fall due in more than one year. Liabilities falling due in less than one year are classified as current. Non-current liabilities include loans from partners that have been subordinated to the bank. These loans are repaid upon termination of the respective management agreements with BDO Holding B.V.

Accounting policies for the income statement

General

Income and expenses are allocated to the year to which they relate. Gains are recognised if and when they have been realised on the reporting date. Income is realised if it is measurable and collection is probable. Losses and risks originating from before the end of the financial year are recognised if and when they were known before the consolidated financial statements were prepared.

Net revenues

Net revenues are comprised of income from services to third parties, including the costs of work contracted out and other external expenses billed to them, and movements in services yet to be billed, exclusive of VAT.

Revenue from services is recognised by reference to the extent to which these services have been performed.

When it is probable that total contract costs will exceed total contract revenues, expected losses are immediately charged against revenue in the income statement.

Operating expenses

Costs are determined on a historical basis and allocated to the reporting period to which they relate.

Other operating expenses include costs associated with operating leases. These costs are recognised through the income statement on a straight-line basis over the lease period.

Financial income and expense

Financial income and expense is recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities in question. In determining the interest expense, allowance is made for recognised transaction costs for loans received.

Pensions

BDO offers a defined contribution plan. The scheme has been contracted directly from an insurance company, and pension costs are recognised based on the defined contributions. The defined contribution is dependent on an employee's age. Pensionable earnings are based on an employee's gross salary less a state pension offset of € 15,583 (2020: € 15,178). Pensionable earnings have been capped at € 112,189 (2020: € 110,111).

The pension obligation is made up of premiums payable to the pension administrator. These premiums are recognised through the income statement. Contributions due but not yet paid are recognised as current liabilities.

BDO is under no legal or constructive obligation if the insurance company should suffer a shortfall.

At year-end 2021 (and 2020), the company had no pension receivables and payables over and above the annual premiums payable to the pension insurer.

Taxation

The result after contractual obligations to Stichting GESdE of BDO Holding B.V. is attributable to the partners' professional practice companies through the management agreements; these companies are liable to pay tax on this result. The company's autonomous corporate income tax liability is limited. Tax on income that is taxable in the hands of BDO Holding B.V. is calculated at the prevailing rates.

Profit

Under the General Provisions governing the partners, profit for the year is determined by deducting the variable management fees, including the fee payable to Stichting GESdE, from result before tax.

For the purposes of transparency, these fees are disclosed separately as the last item in the income statement under Section 362(4), Part 9 of Book 2 of the Netherlands Civil Code, although this is contrary to the provisions of the Dutch Financial Statements Formats Decree ("Besluit modellen jaarrekening").



IN ADDITION TO HIS POSITION
AS SR ASSISTANT ACCOUNTANT,
BAS PERSOON IS ASSISTANT REFEREE
IN PROFESSIONAL FOOTBALL.

Notes to the consolidated balance sheet as at 31 December 2021 and the consolidated income statement for 2021 (in € 1,000, unless stated otherwise)

1 INTANGIBLE FIXED ASSETS

The carrying amounts at the reporting date can be broken down as follows:

	31 December 2021		31 December 2020	
Goodwill	384		877	
Software	150		216	
Assets under construction and prepaid	-		1,310	
		534		2,403

Movements in intangible fixed assets were as follows in 2021:

	Goodwill	Software	Assets under construction and prepaid	Total 2021	Total 2020
Balance at 1 Januari					
Cost	1,883	2,576	1,997	6,456	10,240
Accumulated amortisation and impairment	(1,006)	(2,360)	(687)	(4,053)	(7,052)
	877	216	1,310	2,403	3,188
Movements in the reporting period					
Investments	-	-	-	-	600
Disposals (at cost)	(403)	-	-	(403)	(4,384)
Disposals (accumulated amortisation)	403	-	-	403	4,384
Amortisation	(493)	(66)	-	(559)	(651)
Impairment	-	-	(1,310)	(1,310)	(734)
	(493)	(66)	(1,310)	(1,869)	(785)
Balance at 31 December					
Cost	1,480	2,576	1,997	6,053	6,456
Accumulated amortisation and impairment	(1,096)	(2,426)	(1,997)	(5,519)	(4,053)
	384	150	-	534	2,403
Amortisation rate	33.3%	20%	N/A		

The goodwill disposal concerns the fully amortised goodwill of acquisitions that have been integrated into the BDO organisation.

Assets under construction include the external costs for the design and implementation of new standard software. Given the uncertainty as to whether the new software will be taken into use, along with the likelihood that the economic benefits initially calculated for the use of this software will not materialise, capitalised costs were charged to profit in full at year-end 2021.

2 TANGIBLE FIXED ASSETS

The carrying amounts at the reporting date can be broken down as follows:

	31 December 2021		31 December 2020	
Leasehold improvements	9,047		10,640	
Furniture, fixtures and fittings	3,383		3,592	
Hardware	1,942		3,487	
Assets under construction and prepaid	3,643		16	
		18,015		17,735

Movements in tangible fixed assets were as follows in 2021:

	Leasehold improvements	Furniture, fixtures and fittings	Hardware	Assets under construction and prepaid	Total 2021	Total 2020
Balance at 1 January						
Cost	24,501	8,722	8,264	16	41,503	39,593
Accumulated depreciation	(13,861)	(5,130)	(4,777)	-	(23,768)	(22,340)
	10,640	3,592	3,487	16	17,735	17,253
Movements in the reporting period						
Investments	564	566	144	3,640	4,914	5,059
Reallocation	-	-	-	-	-	(14)
Transferred to in use	13	-	-	(13)	-	-
Disposals (cost)	(2,462)	(1,296)	(147)	-	(3,905)	(3,135)
Disposals (accumulated depreciation)	2,568	1,132	132	-	3,832	2,732
Depreciation	(2,276)	(611)	(1,674)	-	(4,561)	(4,160)
	(1,593)	(209)	(1,545)	3,627	280	482
Balance at 31 December						
Cost	22,616	7,992	8,261	3,643	42,512	41,503
Accumulated depreciation	(13,569)	(4,609)	(6,319)	-	(24,497)	(23,768)
	9,047	3,383	1,942	3,643	18,015	17,735
Depreciation rate	10%-20%	10%-20%	20%-33.3%	N/A		

The carrying amounts of tangible fixed assets do not significantly differ from their fair values. Assets under construction are mainly comprised of expenditures on leasehold improvements. At year-end 2021, the firm had assumed investment obligations for leasehold improvements in the sum of € 5.7 million (year-end 2020: € 0.0 million).

3 FINANCIAL FIXED ASSETS

The carrying amounts at the reporting date can be broken down as follows:

	31 December 2021		31 December 2020	
Loan to Stichting GESdE	15,000		15,000	
Credit account with Stichting GESdE	5,717		6,385	
Loan to Stichting Aandelenbeheer BDO Groep	-		2,200	
Loans to partners	91		253	
Other receivables	491		1,061	
		21,299		24,899

The loan to Stichting GESdE is a subordinated 30-year interest-only loan. It was granted in 2005. We believe it will be fully redeemed by year-end 2026.

Half of the loan bears a fixed interest rate of 2.7% per annum. The other half is subject to floating interest and the interest rate was 1.4% on average in 2021 (2020: 1.5%).

Stichting GESdE has a long-term credit account facility with BDO Holding B.V. The facility runs until 31 December 2034 at the latest. The credit account facility is subject to floating interest. The interest rate was 0.6% on average in 2021 (2020: 0.7%).

The loan to Stichting Aandelenbeheer BDO Groep was repaid in full in 2021.

Loans to partners are repaid within 2 years. The average interest rate on the loans to partners was 5.0% in 2021 (2020: 5.0%)

Other receivables include prepaid licence and other fees falling due in more than one year (year-end 2021: € 0.5 million).

Movements in financial fixed assets were as follows in 2021:

	Loan to Stichting GESdE	Credit account with Stichting GESdE	Loan to Stichting Aandelenbeheer BDO Groep	Loans to partners	Other receivables	Total 2021	Total 2020
Balance at 1 January	15,000	6,385	2,200	253	1,061	24,899	32,072
Movements in the reporting period							
Loans granted and prepayments	-	-	400	-	-	400	820
Redemptions	-	(668)	(2,600)	(162)	(570)	(4,000)	(7,993)
Balance at 31 December	15,000	5,717	-	91	491	21,299	24,899

4 TRADE RECEIVABLES

	31 December 2021		31 December 2020	
Trade receivables	23,490		24,812	
Provision for bad debts	(1,562)		(2,107)	
		21,928		22,705

Receivables from third parties of BDO Holding B.V. and its subsidiaries have been encumbered with a first right of pledge to the banks. A second right of pledge on these receivables was granted to Stichting GESdE.

5 REVENUES NOT YET INVOICED

	31 December 2021		31 December 2020	
Services provided to clients	30,334		26,820	
Advance billings to clients	(11,063)		(10,317)	
Provision for billable receivables	(4,451)		(3,395)	
		14,820		13,108

6 OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

	31 December 2021		31 December 2020	
Pension receivables	14		1,033	
Other receivables	423		47	
Prepayments and accrued income	7,040		7,425	
		7,477		8,505

Pension receivables in 2020 related to prepaid premiums for January 2021. Other receivables include a loan to the international BDO network (balance at year-end 2021: € 0.4 million). The loan, which carries an interest rate of 5%, will be repaid by year-end 2022 at the latest. Prepayments and accrued income are comprised mainly of prepaid expenses.

7 GROUP EQUITY

For details on equity, see the notes to the company-only balance sheet at 31 December 2021. A statement of comprehensive income has not been included given that the group's comprehensive income corresponds to profit for the year; the same procedure was followed in the financial statements for 2020.

8 PROVISIONS

	31 December 2021		31 December 2020	
Provision for employee benefits	4,281		4,134	
Other provisions	865		1,813	
		5,146		5,947

Movements in provisions were as follows in 2021:

	Provision for employee benefits	Other provisions	Total 2021	Total 2020
Balance at 1 January	4,134	1,813	5,947	5,876
Movements in the reporting period				
Withdrawn	(1,538)	(1,232)	(2,770)	(2,222)
Allocated	3,477	660	4,137	3,875
Released	(1,792)	(376)	(2,168)	(1,582)
Balance at 31 December	4,281	865	5,146	5,947

Employee benefits

This item comprises provisions for jubilee benefits and chronic illness.

Other provisions

This item relates to a provision for professional liability and a provision for the vacancy of office buildings, including expected cost of repairs (€ 178,000) to be incurred at the end of the agreed lease.

The provisions are expected to be released over time as follows:

	2021	2020
< 1 year	1,355	2,145
1- 5 years	2,222	2,003
≥ 5 years	1,569	1,799
	5,146	5,947

9 LOANS FROM AND DEBTS TO PARTNERS

Loans from current and former partners can be broken down as follows:

	31 December 2021		31 December 2020	
Long-term (subordinated) loans				
-Partners	16,000		20,100	
		16,000		20,100
Current accounts				
-Partners	14,288		12,518	
-Former partners	4,706		5,944	
		18,994		18,462
		34,994		38,562

(Subordinated) loans from partners

A partner who enters into a management agreement with BDO Holding B.V. is with effect from 1 January 2022 required to issue a subordinated loan of € 250,000 (2021 and 2020 respectively: € 300,000) to the company. The loans from partners are subordinated to any of the company's current and future bank debts. The average interest rate on the subordinated loans from partners was 5.0% in 2021 (2020: 5.0%). As the terms of these subordinated loans are linked to the partners' entry into, or exit from, the firm, they are mainly of a long-term nature.

Movements in long-term (subordinated) loans were as follows in 2021:

	2021	2020
Balance at 1 January	20,100	20,700
Movements in the reporting period		
Loans received upon entry to the firm	300	1,500
Repayments upon exit from the firm	(1,200)	(2,100)
Repayment in connection with reduction of loan amount	(3,200)	-
	16,000	20,100

Current accounts with current and former partners

The average interest rate on the current balances was 5.0% in 2021 (2020: 5.0%).

10 BORROWINGS FROM CREDIT INSTITUTIONS

This item relates to two equal long-term loans contracted for the financing of Stichting GESdE. Loan 1 bears a fixed interest rate of 2.7% on average per annum (2020: 2.7%). Loan 2 is subject to a floating interest rate of 1.4% on average (2020: 1.5%). The remaining term to maturity of the two loans is 0.5 years after which the loans must be repaid. As security for these long-term loans as well as for the existing credit facilities, a right of first pledge has been issued to the bank on the third-party receivables of BDO Holding B.V. and its subsidiaries.

11 OTHER CURRENT LIABILITIES AND ACCRUALS AND DEFERRED INCOME

	31 December 2021		31 December 2020	
Obligations to employees	21,122		16,517	
Other debts	379		406	
Accruals and deferred income	4,608		2,967	
Stichting Aandelenbeheer BDO Groep	700		-	
		26,809		19,890

Obligations to employees are made up of leave day and overtime pay-outs, holiday allowance, other benefits and redundancy costs.

Accruals and deferred income are comprised mainly of costs payable in relation to the current financial year.

The debt to Stichting Aandelenbeheer BDO Groep relates to the foundation's excess cash, which has been transferred to BDO. This loan carries no interest

FINANCIAL INSTRUMENTS

General

As part of its ordinary activities, BDO Holding B.V. makes use of a variety of financial instruments that exposure the firm to credit, interest rate and liquidity risks. To manage these risks, BDO Holding B.V. has defined a policy that includes a system of limits and procedures.

Credit risk

In order to manage its credit risk, the company continually monitors and reviews its credit risk exposure. Receivables do not contain major concentrations of credit risk.

Currency risk

The company hardly incurs any currency risk since the cash flows from operating and financing activities are denominated mainly in euros.

Interest rate risk

BDO Holding B.V. incurs interest rate risk on its interest-bearing receivables and debts due to variable-rate agreements. Due to the amount of the interest-bearing receivables and the remaining term of the interest-bearing debts, the interest rate risk is very limited. Interest rate risk is also incurred on cash resources maintained.

Liquidity risk

The liquidity position is monitored by using liquidity forecasts. The liquidity risk is highly limited given that the operations generate sufficient cash to meet the obligations. BDO has also taken out additional overdraft with the banks. BDO monitors that it complies with the provisions of the relevant loan covenants.

Fair value

The fair value of financial instruments recognised in the statement of financial position within financial fixed assets, receivables, cash and cash equivalents and current and non-current liabilities approximates their carrying amount.

COMMITMENTS AND CONTINGENCIES

Fiscal unity

Together with its wholly owned subsidiaries, BDO Holding B.V. forms a fiscal unity for income tax and VAT purposes. BDO Holding B.V. heads up the fiscal unity and is jointly and severally liable for the VAT and corporate income tax debts of the fiscal unity as a whole.

Lease and rental obligations

BDO Holding B.V. has assumed long-term obligations for the lease of buildings, as well as contracting operating leases for cars. These obligations can be broken down as follows:

	2021	2020
< 1 year	16,326	17,739
1 - 5 years	32,731	33,154
≥ 5 years	16,459	15,686

Other operating expenses include an amount of € 13.7 million for operating lease expenses (2020: € 13.6 million).

Guarantees

Receivables from third parties have been encumbered with a first right of pledge to the banks in the form of security for the loans and overdraft facilities issued to BDO Holding B.V. In addition, BDO Holding B.V. has issued a negative pledge as well as a pari passu statement to the banks in question. For the purposes of providing security for meeting its obligations to the partners entitled to goodwill and Stichting GESdE, BDO Holding B.V. has issued a second pledge to Stichting GESdE on all its claims against third parties.

The issued bank guarantees amounted to € 78,000 at year-end 2021 (2020: € 78,000).

Claims

Claims have been lodged against the legal entities belonging to the Dutch BDO firm on account of alleged failure to properly perform their work. A defence is being mounted against these claims. BDO Holding B.V. has adequate insurance cover for professional liability.

Where considered necessary, a provision is formed for an amount corresponding with the estimate of the obligations to be settled with third parties, including any external legal fees.

Transfer of accrued employee pension benefits

Up to and including 2011, employees who joined the company before 9 July 2008 were governed by an average-pay scheme. An average contribution was paid to Stichting Pensioenfonds BDO Camps-Obers Accountants & Adviseurs to finance this scheme. This average-pay scheme was converted into a defined contribution scheme on 1 January 2012. At the time of the switch to the defined contribution scheme, Stichting Pensioenfonds BDO CampsObers Accountants & Adviseurs paid up the members' entitlements, but left them behind with the reinsurer. As a result, the employer assumed the obligation to pay any difference arising from a shortfall between the commuted value and the statutory transfer value. This situation may occur upon termination of employment, when employees invoke their statutory right to transfer of accrued benefits. The scale of this obligation cannot be reasonably estimated, which is why it has not been recognised in the balance sheet as at 31 December 2021. The costs associated with transfers of accrued benefits during the reporting period have been recognised within pension costs. These costs amounted to € 0 in 2021 (2020: € 11,000).

Allowance Stichting GESdE

As regards the fee owed to the Stichting GESdE for the funding of goodwill payments, reference should be made to page 58.

12 NET REVENUES

The net revenues can be broken down as follows by segment:

	2021		2020	
		%		%
Audit & Assurance	120,142	38	114,200	37
Accountancy & Business Advisory	77,394	24	80,678	26
Tax Consultancy	76,497	24	75,741	25
Advisory	44,962	14	36,286	12
	318,995	100	306,905	100

Virtually all revenue (96%) was generated in the Netherlands.

13 OTHER OPERATING INCOME

Other operating income includes attendance fees for BDO events and fees received for outside activities.

14 SALARIES AND WAGES

	2021	2020
Salaries	148,775	143,464

Headcount

	2021	2020
Average headcount (in FTEs)		
-Equity Partners	68	76
-Professionals	2,019	1,993
-Support staff	442	429
	2,529	2,498

No FTEs were employed abroad during the year (2020: 1 FTE).

15 SOCIAL SECURITY CONTRIBUTIONS AND PENSIONS

	2021	2020
Social charges	20,392	20,787
Pension costs	15,345	15,343
	35,737	36,130

16 OTHER OPERATING EXPENSES

	2021	2020
Accommodation expenses	10,419	11,066
Other personnel expenses	14,285	12,324
General expenses	8,355	7,732
Mobility expenses	20,152	19,707
Technology and innovation expenses	10,026	9,157
Other expenses	3,080	4,118
	66,317	64,104

No R&D costs were capitalised or recognised through the income statement.

Audit fees which relate to the audit of the financial statements by Mazars Accountants N.V., amounted to € 150,000 in 2021 (2020: € 147,500). Mazars Accountants N.V. also charged € 23,600 in fees for other assurance procedures. These fees have been recognised within general expenses.

17 FINANCIAL INCOME AND EXPENSE

	2021	2020
Interest received	380	454
Interest paid	(2,481)	(2,403)
	(2,101)	(1,949)

Interest received relates to interest on (credit account) loans to Stichting GESdE and partners.

Interest paid concerns the fees owed for (subordinated) loans provided by partners and banks and the negative interest owed on the cash resources maintained.

18 INCOME TAX

The entire profit is taxable in the hands of the partners' professional practice companies. As a result, the nominal tax rate of 25% does not correspond to the effective tax rate of 0% used in the financial statements (2020: 0%). The 'income tax in 2020' item related to a participating interest that qualified as an autonomous taxpayer up to 1 April 2020.

19 CONTRACTUAL OBLIGATIONS TO PARTNERS AND STICHTING GESDE

The professional practice companies operated by the partners who are affiliated with BDO Holding B.V. charge a management fee for providing the services of the professional practitioner. This fee is recognised within salaries and wages. The partners are required to put this management fee towards their pension build-up and supplementary insurance.

Under the General Provisions of BDO Holding B.V., the partners' professional practice companies are entitled to the full result of BDO Holding B.V., net of the fixed portion of the management fee, the fee payable to Stichting GESdE and the interest due on the subordinated loans provided by partners. The remaining result is distributed based on the number of awarded profit points using a lockstep system.

	2021	2020
Result after tax before contractual obligations	45,301	41,876
Fixed management fee (recognised within salaries and wages)	8,931	9,800
Distributable profit	54,232	51,676
Fee paid to Stichting GESdE	(7,493)	(7,918)
Fee paid to former partners	(2,767)	(2,096)
Partner fees	(43,972)	(41,662)
	-	-
Average number of partners (in FTEs)	68	76
Average management fee per partner (fixed and variable)	643	549

In addition to their management fee, the partners in BDO Holding B.V. receive interest on the subordinated loan and the current accounts. This interest, which stood at € 1.8 million in 2021, has been recognised within interest paid (2020: € 1.9 million).

The expense allowances paid to partners in 2021, which are designed to cover car and miscellaneous expenses, amounted to € 2.3 million in 2021. They have been recognised within other operating expenses (2020: € 2.6 million).

Events after the reporting date

There were no events after the reporting date that are relevant to BDO's financial position.

List of participating interests

Unless indicated otherwise, BDO Holding B.V. wholly owns the following consolidated participating interests. All participating interests have their registered offices in the Netherlands. Arteria Consulting B.V. was wound up in 2021.

BDO A&B Groep B.V.*

- ▶ BDO Accountants & Belastingadviseurs B.V. Eindhoven
- ▶ BDO Audit & Assurance B.V. Eindhoven
- ▶ BDO BAMN B.V. Eindhoven

BDO Consultancy Groep B.V.*

- ▶ BDO Advisory B.V. Eindhoven
- ▶ BDO Corporate Finance B.V. Eindhoven
- ▶ BDO IT Consultants B.V. Eindhoven
- ▶ BDO Investigations B.V. Eindhoven
- ▶ BDO Legal B.V. Eindhoven
- ▶ BDO Interim & Recruitment B.V. Eindhoven

BDO Outsourcing B.V.*

Eindhoven

BDO Facility Services B.V.*

Eindhoven

** Held directly by BDO Holding B.V.*

JOEP VAN KEULEN (SR ASSISTANT ACCOUNTANT)
HAS BEEN MATCHED WITH A HIGHLY EDUCATED
SYRIAN REFUGEE BY THE BDO IMPACT CENTRE
TO HELP HIM GAIN ACCESS TO THE
DUTCH LABOUR MARKET.



Company-only balance sheet as at 31 December 2021 (after result appropriation)

(amounts in € 1,000)

			31 December 2021	31 December 2020
ASSETS				
Fixed assets				
Intangible fixed assets	1	150		1,526
Tangible fixed assets	2	4,126		3,843
Financial fixed assets	3	23,811		27,472
			28,087	32,841
Current assets				
Receivables		1,634		172
Receivables from group companies		20,506		22,616
Other receivables, prepayments and accrued income	4	6,554		7,693
Cash and cash equivalents		23,654		24,912
			52,348	55,393
Total assets			80,435	88,234
EQUITY AND LIABILITIES				
Equity				
Issued share capital	5		9,000	9,000
Provisions				
	6		1,070	1,506
Long-term liabilities				
Partner loans	7	16,000		20,100
Borrowings from credit institutions		-		15,000
			16,000	35,100
Current liabilities				
Borrowings from credit institutions		13,500		-
Trade payables		2,442		2,944
Payables to group companies		99		99
Current account with partners	7	18,994		18,462
Tax and social security contributions		13,193		16,931
Other current liabilities, accruals and deferred income	8	6,137		4,192
			54,365	42,628
Total equity and liabilities			80,435	88,234

Company-only income statement for 2021 (1 January to 31 December)

(amounts in € 1,000)

	2021		2020	
Share of profit/(loss) of participating interests	37,809		33,956	
Other income	7,494		7,923	
Profit/(loss) before tax		45,303		41,879
Income tax expense		(2)		(3)
Contractual obligations to partners and Stichting GESdE		(45,301)		(41,876)
Profit/(loss) for the year		-		-

Notes to the company-only financial statements

Activities

BDO Holding B.V. heads up a group of related parties providing professional services. BDO Holding B.V. serves exclusively as a holding company of its related parties and does not itself provide any financial services.

BDO Holding B.V. has its registered office at Dr. Holtropaan 23, 5652 XR, Eindhoven, The Netherlands, and is entered in the Trade Register under number 17129358.

Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements for company-only financial statements included in Part 9 of Book 2 of the Netherlands Civil Code.

Given that the financial information of BDO Holding B.V. is disclosed in the consolidated financial statements, the company-only income statement in accordance with Section 402, Part 9 of Book 2 of the Netherlands Civil Code is presented in an abbreviated form.

Accounting policies for the balance sheet

Unless stated otherwise, the accounting policies for the company-only balance sheet and the company-only income statement are the same as those for the consolidated balance sheet and income statement.

Participating interests in which BDO Holding B.V. has the power to exercise significant control over financial and operating policies are stated at net asset value.

Participating interests with an equity deficit are carried at nil. Other long-term interests that must be regarded as part of the net investment in the participating interest are also taken into account in the valuation. A provision is formed if the company is fully or partially liable for the debts of the participating interest in question, or is obliged in practice to enable the participating interest (in respect of its share) to pay its debts.

A factor taken into account in determining the size of this provision is value adjustments for uncollectibility already deducted from receivables due from the participating interest.

Participating interests in which no significant control can be exercised over the operating and financial policies are stated at the lower of acquisition price or fair value.

Notes to the company-only balance sheet as at 31 December 2021 and the company-only income statement for 2021 (in € thousands, unless stated otherwise)

1 INTANGIBLE FIXED ASSETS

The carrying amounts at the reporting date can be broken down as follows:

	31 December 2021		31 December 2020	
Goodwill	-		-	
Software	150		216	
Assets under construction and prepaid	-		1,310	
		150		1,526

Movements in intangible fixed assets were as follows in 2021:

	Goodwill	Software	Assets under construction and prepaid	Total 2021	Total 2020
Balance at 1 January					
Cost	403	2,576	1,997	4,976	8,896
Accumulated amortisation and impairment	(403)	(2,360)	(687)	(3,450)	(6,952)
	-	216	1,310	1,526	1,944
Movements in the reporting period					
Investments	-	-	-	-	464
Disposals (at cost)	(403)	-	-	(403)	(4,384)
Disposals (accumulated amortisation)	403	-	-	403	4,384
Amortisation	-	(66)	-	(66)	(148)
Impairment	-	-	(1,310)	(1,310)	(734)
	-	(66)	(1,310)	(1,376)	(418)
Balance at 31 December					
Cost	-	2,576	1,997	4,573	4,976
Accumulated amortisation and impairment	-	(2,426)	(1,997)	(4,423)	(3,450)
	-	150	-	150	1,526

Amortisation rate	20%	20%	N/A		
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The goodwill involves the purchase price of acquired practices.

Assets under construction include the external costs for the design and implementation of new standard software. Given the uncertainty as to whether the new software will be taken into use, along with the likelihood that the economic benefits initially calculated for the use of this software will not materialise, capitalised costs were charged to profit in full at year-end 2021.

2 TANGIBLE FIXED ASSETS

The carrying amounts at the reporting date can be broken down as follows:

	31 December 2021		31 December 2020	
Leasehold improvements	17		124	
Furniture, fixtures and fittings	233		228	
Hardware	1,941		3,487	
Assets under construction and prepaid	1,935		4	
		4,126		3,843

Movements in tangible fixed assets were as follows in 2021:

	Leasehold improvements	Furniture, fixtures and fittings	Hardware	Assets under construction and prepaid	Total 2021	Total 2020
Balance at 1 January						
Cost	2,327	1,238	8,264	4	11,833	10,932
Accumulated depreciation	(2,203)	(1,010)	(4,777)	-	(7,990)	(6,288)
	124	228	3,487	4	3,843	4,644
Movements in the reporting period						
Investments	44	51	144	1,931	2,170	1,047
Disposals (cost)	-	2	132	-	134	(146)
Disposals (accumulated depreciation)	-	(2)	(148)	-	(150)	140
Depreciation	(151)	(46)	(1,674)	-	(1,871)	(1,842)
	(107)	5	(1,546)	1,931	283	(801)
Balance at 31 December						
Cost	2,371	1,291	8,540	1,935	14,137	11,833
Accumulated depreciation	(2,354)	(1,058)	(6,599)	-	(10,011)	(7,990)
	17	233	1,941	1,935	4,126	3,843
Depreciation rate	10%-20%	10%-20%	20%-33.3%	N/A		

The carrying amounts of tangible fixed assets do not significantly differ from their fair values. Assets under construction are mainly comprised of expenditures on leasehold improvements.

3 FINANCIAL FIXED ASSETS

The carrying amounts at the reporting date can be broken down as follows:

	31 December 2021		31 December 2020	
Loan to Stichting GESdE	15,000		15,000	
Credit account with Stichting GESdE	5,717		6,385	
Loan to Stichting Aandelenbeheer BDO Groep	-		2,200	
Participations in group companies	2,600		2,600	
Loans to partners	91		253	
Other receivables	403		1,034	
		23,811		27,472

The loan to Stichting GESdE is a subordinated 30-year interest-only loan. It was granted in 2005. We believe it will be fully redeemed by year-end 2026. Half of the loan bears a fixed interest rate of 2.7% per annum. The other half is subject to floating interest and the interest rate was 1.4% on average in 2021 (2020: 1.5%). Stichting GESdE has a long-term credit account facility with BDO Holding B.V. The facility runs until 31 December 2034 at the latest. The credit account facility is subject to floating interest. The interest rate was 0.6% on average in 2021 (2020: 0.7%). The loan to Stichting Aandelenbeheer BDO Groep was repaid in full in 2021. To that end, the partners made an additional capital contribution to Stichting Aandelenbeheer BDO Groep, which it used to repay its debt to BDO Holding B.V.

Loans to partners are repaid within 2 years. The average interest rate on the loans to partners was 5.0% in 2021 (2020: 5.0%).

Other receivables include prepaid licence and other fees falling due in more than one year (year-end 2021: € 0.4 million).

Movements in financial fixed assets were as follows in 2021:

	Loan to Stichting GESdE	Credit account with Stichting GESdE	Loan to Stichting Aandelenbeheer BDO Groep	Participations in group companies	Loans to partners	Other receivables	Total 2021	Total 2020
Balance at 1 January	15,000	6,385	2,200	2,600	253	1,034	27,472	34,890
Movements in the reporting period								
Reclassification of participating interest	-	-	-	-	-	-	-	(275)
Share of profit/(loss) in participating interests	-	-	-	37,809	-	-	37,809	33,956
Interim dividend	-	-	-	(36,232)	-	-	(36,232)	(35,332)
(Provision for) loans to group companies	-	-	-	(1,577)	-	-	(1,577)	2,581
Provision for loans to associates	-	-	-	-	-	-	-	(1,205)
Loans granted and prepayments	-	-	400	-	-	(1)	399	820
Redemptions	-	(668)	(2,600)	-	(162)	(630)	(4,060)	(7,963)
Balance at 31 December	15,000	5,717	0	2,600	91	403	23,811	27,472

4 OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

	31 December 2021		31 December 2020	
Pension receivables	13		1,030	
Other receivables	494		224	
Prepayments and accrued income	6,047		6,439	
		6,554		7,693

Pension receivables in 2020 related to prepaid premiums for January 2021.

Other receivables include a loan to the international BDO network (balance at year-end 2021: € 0.4 million). The loan, which carries an interest rate of 5%, will be repaid by year-end 2022 at the latest. Prepayments and accrued income are comprised mainly of prepaid expenses.

5 EQUITY

The company's issued and paid-up share capital amounted to € 9.0 million at year-end 2021; it consisted of 8,100 Class A shares, 450 Class B shares and 450 Class C shares with a nominal value of € 1,000 per share. The Class A shares entitle their holders to the profit of BDO Holding B.V. only. The Class B and C shares entitle their holders to the proceeds of the sale of BDO Holding B.V. There were no changes in the reporting period.

6 PROVISIONS

	31 December 2021		31 December 2020	
Provision for employee benefits	393		422	
Other provisions	677		1,084	
		1,070		1,506

Movements in provisions were as follows in 2021:

	Provision for employee benefits	Other provisions	Total 2021	Total 2020
Balance at 1 January	422	1,084	1,506	2,858
Movements in the reporting period				
Withdrawn	(193)	(663)	(856)	(494)
Allocated	342	628	970	887
Released	(178)	(372)	(550)	(1,745)
Balance at 31 December	393	677	1,070	1,506

Provision for employee benefits

This item comprises provisions for jubilee benefits and chronic illness.

Other provisions

This item relates to a provision for professional liability and a provision for the vacancy of office buildings, including expected cost of repairs (€ 178,000) to be incurred at the end of the agreed lease.

The provision for employee benefits and other provisions are expected to be released over time as follows:

	2021	2020
< 1 year	110	679
1- 5 years	829	695
≥ 5 years	131	132
	1,070	1,506

7 LOANS FROM AND DEBTS TO PARTNERS

Loans from current and former partners can be broken down as follows:

	31 December 2021		31 December 2020	
Long-term (subordinated) loans				
-Partners	16,000		20,100	
		16,000		20,100
Current accounts				
-Partners	14,288		12,518	
-Former partners	4,706		5,944	
		18,994		18,462
		34,994		38,562

(Subordinated) loans from partners

A partner who enters into a management agreement with BDO Holding B.V. is with effect from 1 January 2022 required to issue a subordinated loan of € 250,000 (2021 and 2020 respectively: € 300,000) to the company. The loans from partners are subordinated to any of the company's current and future bank debts. The average interest rate on the subordinated loans from partners was 5.0% in 2021 (2020: 5.0%). As the terms of these subordinated loans are linked to the partners' entry into, or exit from, the firm, they are mainly of a long-term nature.

Movements in long-term subordinated loans were as follows in 2021:

	2021	2020
Balance at 1 January	20,100	20,700
Movements in the reporting period		
Loans received upon entry to the firm	300	1,500
Repayments upon exit from the firm	(1,200)	(2,100)
Repayment in connection with reduction of loan amount	(3,200)	-
	16,000	20,100

Current accounts with current and former partners

The average interest rate on the current balances was 5.0% in 2021 (2020: 5.0%).

8 OTHER CURRENT LIABILITIES AND ACCRUALS AND DEFERRED INCOME

	31 December 2021		31 December 2020	
Obligations to employees	2,322		2,295	
Other debts	379		406	
Accruals and deferred income	2,736		1,491	
Stichting Aandelenbeheer BDO Groep	700		-	
		6,137		4,192

Obligations to employees are made up of leave day and overtime pay-outs, holiday allowance, other benefits and redundancy costs.

Accruals and deferred income are comprised mainly of costs payable in relation to the current financial year.

The debt to Stichting Aandelenbeheer BDO Groep relates to the foundation's excess cash, which has been transferred to BDO. This loan carries no interest.

COMMITMENTS AND CONTINGENCIES

Fiscal unity

Together with its wholly owned subsidiaries, the company forms a fiscal unity for income tax and VAT purposes. The company heads up the fiscal unity and is jointly and severally liable for the VAT and corporate income tax debts of the fiscal unity as a whole.

Other commitments and contingencies

BDO Holding B.V. has issued a statement of joint and several liability for the debts incurred by BDO Accountants & Belastingadviseurs B.V., BDO Audit & Assurance B.V. and BDO Advisory B.V. in accordance with Section 403, Part 9 of Book 2 of the Netherlands Civil Code.

For the purposes of providing security for meeting its obligations to Stichting GESdE, BDO Holding B.V. has issued a first pledge to Stichting GESdE on its shares in group companies.

Headcount

BDO Holding B.V. had 227 employees (in FTEs) on average in 2021 (2020: 217). None of these employees worked abroad.

Remuneration of Management Board members

The Supervisory Board based its determination of executive pay on the remuneration policy as adopted on 31 May 2018. The Management Board members received the following remuneration for their management activities in 2021.

	2021	2020
Remuneration of Management Board members	1,980	1,534
FTEs	3.0	2.3

In addition, the Management Board members were paid an amount of € 106,000 in expense allowances in 2021 (2020: € 79,000). The former Management Board members received remuneration of € 1.5 million in 2021.

Remuneration of Supervisory Board members

The members of the Supervisory Board received a total remuneration of € 330,000 in 2021 (2020: € 200,000).

Eindhoven, the Netherlands, 21 April 2022

The Management Board of BDO Holding B.V.

- ▶ R.C.M. Nelis, chair
- ▶ L.M. Jansen
- ▶ M.A. de Kleer

The Supervisory Board

- ▶ D.A. van der Eijk, chair
- ▶ B.J.M. Langius, vice-chair
- ▶ H.L. Kuijten-Koenen
- ▶ D.J. Raithel
- ▶ E.M. Robbe

Other information

Independent auditor's report

For this purpose, reference is made to the report on page 85.

Provisions on the appropriation of result under the Articles of Association

Article 20 of the Articles of Association of BDO Holding B.V. reads as follows:

- ▶ The company shall not distribute any profit to shareholders and other beneficiaries to distributable profit unless its equity exceeds the equity that is required to be maintained by law. The company shall follow up on resolutions to distribute profit passed by the General Meeting only subject to the Management Board's consent. The Management Board shall not refuse its consent of a profit distribution unless it knows or ought to reasonably foresee that the company would be unable to pay its debts due after such distribution.
- ▶ Profit shall be at the disposal of the General Meeting.

For details on issued shares, see the notes to equity in the company-only balance sheet at 31 December 2021.

Special control rights under the Articles of Association

No special control rights exist under the Articles of Association of BDO Holding B.V.

Independent auditor's report

To: The shareholders and supervisory board of BDO Holding B.V.

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of BDO Holding B.V. based in Eindhoven.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of BDO Holding B.V. as at 31 December 2021 and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the consolidated and company balance sheet as at 31 December 2021;
2. the consolidated and company profit and loss account for 2021; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of BDO Holding B.V. in accordance with the Wet toezicht accountants-organisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Audit response to the risks of fraud and non-compliance with laws and regulations

The entity's internal control over risks of fraud

We have identified and assessed the risks of material misstatements in the financial statements due to fraud. In our audit we have obtained an understanding of the entity and its environment, the components of the internal control system, including the process for identifying risks and how management responds to the risks of fraud and monitors the internal control system and how the supervisory board exercises oversight over these processes, as well as the outcomes thereof.

The Quality Risk Management department has set up a risk assessment, which has been approved by management. In this assessment also fraud and integrity risks are identified including the likelihood of occurrence, the impact and the internal controls to mitigate these risks. We refer to the report of the management board, pages 38 and 39, in which management reflects on the risk assessment process and the outcomes.

Our fraud risk assessment

As part of our process to identify risks of material misstatements in the financial statements due to fraud we identified fraud risk factors with respect to financial reporting fraud, misappropriation of assets and corruption and bribery. We evaluated if those factors indicate that a risk of material misstatement in the financial statements is present. We have identified the following fraud risks:

Risk of fraud in revenue recognition

BDO is a project organisation and as such revenue recognition is mainly determined by the valuation of the balance sheet account revenue not yet invoiced, including the related provision hereon. These positions are inherent subject to estimates and judgements. The estimates of the percentage-of-completion and project result are crucial in this.

Our audit includes, among other things, the following procedures:

- ▶ Evaluating the design and implementation of the internal controls over the valuation of projects and the determination of the percentage-of-completion and project result;
- ▶ Substantive testing procedures on open projects regarding the timing of revenue recognition and the valuation of the revenues not yet invoiced. We have tested items in the population of projects that display certain characteristics and also selected projects based on a sample;
- ▶ As part of the substantive testing procedures we analysed the forecasted project results and verified if necessary provisions are formed;
- ▶ Substantive audit procedures with respect to the written hours by employees;
- ▶ Substantive audit procedures with respect to the hourly rates;
- ▶ Substantive audit procedures on credit notes.

Risk of fraud related to management override of controls

In all our audits we pay attention to the risk related to management override of controls. We have performed the following procedures:

- ▶ Evaluating the design and implementation of the internal controls that mitigate fraud risks, such as processes related to the processing and recording of journal entries and the preparation of the financial statements;
- ▶ Testing of recorded journal entries and other adjustments made during the preparation of the financial statements;
- ▶ Evaluating whether judgements and decisions made by management regarding the significant estimates indicate a possible bias, among others by performing back-testing of previous accounting estimates. We have identified the impairment of software, the provision for bad debts and the provision for claims as significant estimates;
- ▶ Evaluate significant transactions outside the normal course of business. We have concluded that no significant transactions outside the normal course of business occurred.

Furthermore we evaluated whether the selection and application of accounting policies by the entity, may be indicative of fraudulent financial reporting. In addition, we incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud and non-compliance.

We considered available information and made enquiries of management and the supervisory board and other relevant officers, such as Internal Audit, the risk manager and the in-house counsel.

Non-compliance with laws and regulations

We have obtained an understanding of the laws and regulations relevant for the entity. We have identified laws and regulations that have an indirect effect on the financial statements, such as laws and regulations with respect to the audit profession and audit firms, including the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), Besluit toezicht accountantsorganisaties (Bta, Audit firms supervision decree), Wet op het accountantsberoep (Accountancy Profession Act) and the Wet ter voorkoming van witwassen en financieren van terrorisme (Wwft, Act on the prevention of money laundering and terrorist financing).

We held enquiries with the compliance officer, management and the audit committee as to whether the entity is in compliance with these laws and regulations. Also we inspected the minutes of the meetings held by the management board and the supervisory board and the correspondence with the Autoriteit Financiële Markten (AFM, Authority for the Financial Markets). We held enquiries with the external legal advisors with respect to ongoing lawsuits and claims. We obtained a written representation from management that all known instances of (suspected) non-compliance with laws and regulations were disclosed to us.

Our observation

Our audit procedures did not reveal indications or reasonable suspicion of fraud and/or non-compliance that are considered material to the financial statements.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- ▶ the report of the management board;
- ▶ the report of the supervisory board;
- ▶ other information as required by Part 9 of Book 2 of the Dutch Civil Code;
- ▶ other information, not being part of the financial statements (page 4 up to and including 14 and 89 up to and including 92);
- ▶ appendix A and B.

Based on the following procedures performed, we conclude that the other information:

- ▶ is consistent with the financial statements and does not contain material misstatements;
- ▶ contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the report of the management board in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- ▶ identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- ▶ evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- ▶ evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- ▶ evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Breda, 21 April 2022

Mazars Accountants N.V.

A.N. Terstegen

About the report

Report purposes and principles

The main purpose of this report is to show our stakeholders how we create value. The report as a whole draws a clear connection between BDO Netherlands' primary operations, strategy, performance and main opportunities and risks.

The content of this report is based on extensive internal reporting. Where external sources have been used, we have clearly explained this. We apply a materiality analysis to determine the themes to be reported on. This ensures that we only report on the most important topics ensuing from our value creation model. Our strategy (and KPIs defined for that purpose) logically ensue from the value creation model.

All content has been reviewed by the Finance & Control department, and has been approved for publication by the BDO Netherlands Management Board. The Supervisory Board has also taken note of this report. This report came about thanks to a multidisciplinary team from the Finance & Control, BDO Digital, Marketing and Communication & Sales departments and employees from the field.

As this is the first year that BDO Netherlands publishes an integrated annual report, not all material themes already had detailed KPIs at the start of the financial year. As a result, we were less actively guided by these KPIs than we intend to be in future. It is our ambition to describe our influence in achieving the KPIs in the report for the 2022 financial year.

As this report is drawn up for the first time this year, we also deliberately decided not to request assurance on this report yet. As this report grows to maturity, we will also determine our assurance ambition for the coming financial year.

Scope

Unless stated otherwise, the information in this report is based on the financial year running from 1 January 2021 up to and including 31 December 2021. The performance information includes data on the following entities: BDO Beheer B.V., BDO Holding B.V., BDO Facility Services B.V., BDO A&B Group B.V., BDO Accountants & Belastingadviseurs B.V., BDO Audit & Assurance B.V., Beheer- en Administratie Maatschappij Nederland B.V., BDO Consultancy Groep B.V., BDO Advisory B.V., BDO Corporate Finance B.V., BDO IT Consultants B.V., BDO Legal B.V., BDO Investigations B.V., BDO Interim & Recruitment B.V. and BDO Outsourcing B.V.

Accounting policies

This integrated annual report has been prepared in accordance with the GRI Standards ('Core' option, update of 2020) and internally applied reporting criteria, including KPI definitions of our own where the GRI Standards did not provide such KPIs. Please refer to page 94 for the entire GRI Index. In addition, we have drawn inspiration for the content of the report, including the value creation model, from the <IR> Framework of the International Integrated Reporting Council.

Stakeholder engagement and materiality analysis

This report has been drawn up with BDO's value creation model as the main starting point. It sets out how we create value for our stakeholders. This requires us to identify our stakeholders. Our employees are in frequent contact with our stakeholders.

The Management Board then ranks the stakeholders according to their importance and influence, using the insights of employees and internal documents (e.g. minutes of Management Board meetings). Based on this analysis, the Management Board determines which stakeholders should be more explicitly included in the engagement. For BDO, the following groups of stakeholders qualify as most important: clients, employees (including partners) and regulatory authorities. In addition, information is obtained from the following, less essential stakeholders: politicians, suppliers and banks.

In 2020, talks were held with internal and external supervisors, partners, employees and banks as part of the definition of the new strategic vision. In 2021, the stakeholder engagements initially scheduled with clients, universities and colleges and umbrella organisations, which we wanted to conduct face to face, could not go ahead due to the COVID pandemic. These meetings will now be held in 2022.

The stakeholder engagements form the basis for the analysis of the topics prioritised by BDO. These topics are important input for determining the strategy and corresponding KPIs, and are also given the most attention in this report. The stakeholder engagement and ensuing materiality analysis have not yet been fully completed at present, in part because of the restrictions imposed to curtail the COVID outbreak. Nevertheless, we will explain below what steps have already been taken to that end.

In preparation for extensive consultations with the stakeholders relevant to BDO, we talked with various individual members of these stakeholder groups. This information, combined with media and sector analyses, produced a list of ten themes. These themes are the core topics that we discuss

with our stakeholders at in-depth sessions. Based on the steps taken prior to the in-depth discussions as well as the first impressions from the discussions already held, we believe the ten themes selected provide a sound basis for the preparation of this first integrated annual report, especially because these themes informed our policy in 2021.

However, since the stakeholder engagement has not yet been completed in full, we decided not to include a materiality matrix yet in the report for the 2021 financial year. Depending on the added value of this materiality matrix in the report, we will consider including it in the report for the 2022 financial year.

KPI definitions

KPI	Definition/calculation method
Employee turnover	Turnover rates are based on headcount and calculated by dividing the outflow during the financial year by the number of employees at year end. Employees are classified by job level and categorised as partners, managers or professionals. Due to their temporary employment contracts, interns, casual workers and working students are not included in these figures.
Employee satisfaction (engagement)	Engagement is about the degree to which the employees are inspired and energised by their work, as well as their positive relationship with the organisation. Engaged employees find their work meaningful and rewarding, are proud of their job and feel at home at the organisation. They will be more committed to the organisation as they like their work and the organisation so much.
New employees	Inflow rates are based on headcount and calculated by dividing the inflow during the financial year by the number of employees at year end. Employees are classified by job level and categorised as partners, managers or professionals. Due to their temporary employment contracts, interns, casual workers and working students are not included in these figures.
Promotions by gender	Promotion rates are based on the number of employees in BDO's employment at year end of the previous year who got promoted during the financial year. This rate does not include employees who joined or left the firm during the financial year.
Employees by gender	The gender ratio is based on the headcount data at year end. Employees are classified by job level and categorised as partners, managers or professionals.
Percentage and number of women appointed partner or senior manager	Promotion rates are based on the number of employees in BDO's employment at year end of the previous year who got promoted during the financial year. These promotion rates do not include employees who joined or left the firm during the financial year. These rates are based on headcount and calculated by dividing the number of promotions during the financial year by the number of employees at year end.
Adjusted pay difference between women and men	The pay difference is determined by dividing a woman's weighted average salary by a man's weighted average salary. This weighted average is determined by grouping together total salaries for each man/woman according to Line of Service, job level, age and years of service.
Number of participants in leadership programmes	The number of participants (headcount) in the leadership programme offered by the BDO Academy.
Partners Net Coaching Score	An employee survey is conducted every year, with various questions about the partners' leadership qualities. The average score on these questions is expressed as a Net Coaching Score. The reported value is the average score of all partners.
Hours of training per professional broken down by internal and external, job level and gender	The number of hours is calculated by dividing the number of hours recorded on an hour code for (internal and external) training by the total number of hours recorded. No further selection by type of employee is made. Only the hours of managers and professionals are reported for the distinction between internal and external.

KPI	Definition/calculation method
Total external costs of training and education	The total realised costs of external training and education are based on specific cost centres and ledger accounts in the financial records.
Absenteeism rate	The rate is calculated by dividing the number of hours recorded on an hour code for sick leave by the total number of hours recorded. After that, these recorded hours are adjusted for partial reintegration, FTEs and staff average.
Amount of overtime	The overtime rate is calculated in relation to all hours recorded in total. As overtime is recorded negatively in the hourly time sheets, the total and consequently the rate is negative.
BDO Impact Centre activities	The number of (unique) colleagues participating in projects and sub-projects initiated by the BDO Impact Centre. This does not include the initiatives proposed to the BDO Impact Centre by BDO employees.
Carbon dioxide equivalent emissions	BDO measures the total emissions of its activities by using the guidelines and conversion factors of the Greenhouse Gas Protocol. Measured for the offices are the consumption of gas, electricity and district heating and the consumption of water. Measured for the company cars are the consumption of electricity, gas, petrol and LPG. Excluded are the consumption of both rental cars and cars privately owned by employees and partners.
Engagement quality control reviews (A&A and A&B)	The number of engagements for which a quality control review has been performed. This is a review that supports the engagement team in delivering the envisioned quality. Such reviews do not lead to any qualification (adequate or inadequate) of the engagement.
Internal and external quality monitoring reviews (A&A, A&B and BA)	The number of files that have been reviewed, broken down by type of review and final score. Reviews during the financial year pertain to the files of the previous financial year.
Recorded independence violations	This KPI covers the number of independence violations recorded at QRM. The rate is determined by dividing the number of violations by the number of professionals.
Client satisfaction	The client satisfaction score is a proportional average of all questions from the measurement (conducted at least annually) among clients. This measurement is performed by an external party.
NPS	NPS is the percentage of promoters (clients who give 9 or 10 on recommendation) less the percentage of detractors (clients who give 6 or less on recommendation). This measurement is performed by an external party.
Revenue, profit and operating margin	Please refer to the financial statements for a description of the accounting policies. The KPIs related to financial performance can be derived directly from this information.

Forward-looking information

This report contains information that can be considered forward-looking. These statements are not based on historical information and reflect the expectations of BDO's Management Board. These are inherently uncertain and are beyond our control (either fully or in part). BDO will not amend or update these statements after the date of publication and has no responsibility to do so. Readers and other users of this report should therefore be alert to more up-to-date information on the topics covered by this report.



CHRIS BERENDSE (HRD ADVISER)
IS ONE OF THE INITIATORS OF
THE BDO RUN: AN ANNUAL,
INCLUSIVE SPORTS EVENT
THAT RAISES MONEY FOR CHARITY.

Appendix A – Information on employees and other workers (GRI 102-8)

A. Total number of employees by employment contract (permanent and temporary), by gender

Number of employees by permanent/temporary employment contract

	2021			2020		
	Men	Women	Total	Men	Women	Total
Permanent	1,290	1,076	2,366	1,286	1,041	2,327
Temporary	136	142	278	133	140	273
Total	1,426	1,218	2,644	1,419	1,181	2,600

B. Total number of employees by employment contract (permanent and temporary), by region

Location (cost unit)	2021		2020	
	Permanent	Temporary	Permanent	Temporary
Alkmaar	150	14	166	9
Amstelveen	290	37	283	41
Apeldoorn	137	13	130	13
Arnhem	148	16	152	13
Breda	70	5	69	15
Dordrecht			29	3
Eindhoven	376	34	331	30
Emmen	6		6	1
Groningen	81	6	74	12
Hengelo	74	3	76	1
's-Hertogenbosch	83	11	83	12
Maastricht Airport	58	4	62	4
Roosendaal	51	16	57	14
Rotterdam	203	28	155	27
The Hague	190	22	198	22
Tilburg	147	17	166	10
Utrecht	302	52	290	46
Total	2,366	278	2,327	273

C. Total number of employees by employment type (full-time and part-time), by gender

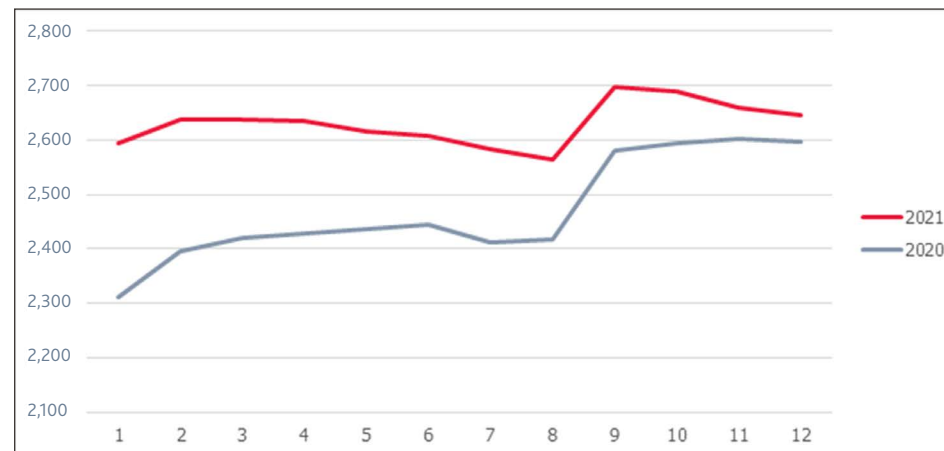
Number of employees by full-time/part-time employment

	2021			2020		
	Men	Women	Total	Men	Women	Total
Full-time	1,168	570	1,738	1,171	560	1,731
Part-time	258	648	906	248	621	869
Total	1,426	1,218	2,644	1,419	1,181	2,600

D. Work performed by workers who are not employees

We use temporary agency workers in our operations. They do not represent a significant portion of the total headcount.

E. Variations in the employee numbers reported



During the year, a pattern can be observed in terms of new recruits starting in September.

F. Explanation of how the data have been compiled

The reported values on the number of employees are based on the year-end headcount. This data is directly retrieved from our HR system.

Appendix B – GRI Content Index

GRI Standard #	Disclosure	Section/details	Omission in 2021 annual accounts
General disclosures			
Organisational profile			
102-1	Name of the organisation.	Governance - Corporate structure	
102-2	Primary brands, products, and services.	Description of the business environment - Our services	
102-3	Location of the organisation's headquarters.	Description of the business environment	
102-4	Number of countries where the organisation operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	Description of the business environment Information on countries where the firm has significant operations has been deliberately omitted as this integrated annual accounts pertains exclusively to BDO Netherlands.	
102-5	Ownership and legal form.	Governance	
102-6	Markets served (geographic locations, sectors served and types of customers and beneficiaries).	Leader in our markets	
102-7	Scale of the reporting organisation.	Highlights 2021 and Financial statements	
102-8	Information on employees and other workers.	Diversity	
102-9	Description of the organisation's supply chain.	Description of the business environment - Our suppliers	We do not yet have a sound estimate of the number of suppliers throughout the supply chain at present. We are working on a dashboard to obtain this information in order to report on it in the future.
102-10	Significant changes to the organisation's size, structure, ownership or supply chain during the reporting period.	Preface by the chair of the Management Board, Governance, and sections describing the performance on the various themes	
102-11	Whether and how the organisation applies the Precautionary Principle or approach.	Principal risks and measures taken	
102-12	Externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses.	About the report	

GRI Standard #	Disclosure	Section/details	Omission in 2021 annual accounts
102-13	Main memberships of industry or other associations, and national or international advocacy organisations.	Governance - External charters and initiatives	
102-14	A statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy for addressing sustainability.	Preface by the chair of the Management Board and About the report	
Ethics and integrity			
102-16	A description of the organisation's values, principles, standards, and norms of behaviour.	Description of the business environment and Business model and activities	
Corporate governance			
102-18	Governance structure of the organisation.	Governance	
Stakeholder engagement			
102-40	A list of stakeholder groups engaged by the organisation.	About the report	
102-41	Percentage of total employees covered by collective bargaining agreements.	Not applicable	
102-42	The basis for identifying and selecting stakeholders with whom to engage.	About the report	
102-43	Approach to stakeholder engagement.	About the report	
102-44	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting. Specify the stakeholder groups that raised each of the key topics and concerns.	About the report	
Reporting practice			
102-45	a. A list of all entities included in the organisation's consolidated financial statements or equivalent documents. b. Whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	About the report	

GRI Standard #	Disclosure	Section/details	Omission in 2021 annual accounts
102-46	a. An explanation of the process for defining the report content and the topic Boundaries. b. An explanation of how the organisation has implemented the Reporting Principles for defining report content.	About the report	
102-47	A list of the material topics identified in the process for defining report content.	About the report	
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements.	As this is the first step towards an integrated annual report for BDO, there are no restatements.	
102-49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	About the report	
102-50	Reporting period for the information provided.	About the report	
102-51	The date of the most recent previous report.	22 April 2021 - this report is not based on the GRI standards.	
102-52	Reporting cycle.	Annual	
102-53	Contact point for questions regarding the report.	Back of report	
102-54	The 'in accordance with' option chosen.	Core	
102-55	GRI Content Index.	Appendix - GRI Content Index	
102-56	External assurance.	About the report	
Specific standard disclosures			
Employee retention and recruitment			
103: Management Approach	103-1 Explanation of the material topic and its Boundaries.	Performance	
103: Management Approach	103-2 The management approach and its components.	Performance	
103: Management Approach	103-3 Evaluation of the management approach.	Performance	
Own indicator	Employee turnover (excluding interns, casual workers and working students).	Performance	
Own indicator	Employee engagement score.	Performance	

GRI Standard #	Disclosure	Section/details	Omission in 2021 annual accounts
Diversity			
103: Management Approach	103-1 Explanation of the material topic and its Boundaries.	Performance	
103: Management Approach	103-2 The management approach and its components.	Performance	
103: Management Approach	103-3 Evaluation of the management approach.	Performance	
Own indicator	New employees (excluding interns, casual workers and working students).	Performance	
Own indicator	Promotions by gender.	Performance	
Own indicator	Employees by gender.	Performance	
Own indicator	Percentage and number of women appointed partner or senior manager.	Performance	
Own indicator	Adjusted pay difference between women and men.	Performance	
Shared leadership			
103: Management Approach	103-1 Explanation of the material topic and its Boundaries.	Performance	
103: Management Approach	103-2 The management approach and its components.	Performance	
103: Management Approach	103-3 Evaluation of the management approach.	Performance	
Own indicator	Number of participants in leadership programmes.	Performance	
Own indicator	Partners Net Coaching Score.	Performance	
Learning organisation			
103: Management Approach	103-1 Explanation of the material topic and its Boundaries.	Performance	
103: Management Approach	103-2 The management approach and its components.	Performance	
103: Management Approach	103-3 Evaluation of the management approach.	Performance	
Own indicator	Average number of hours spent on training and education per professional (internal and external training).	Performance	
Own indicator	Total external costs of training and education.	Performance	

GRI Standard #	Disclosure	Section/details	Omission in 2021 annual accounts
Vitality			
103: Management Approach	103-1 Explanation of the material topic and its Boundaries.	Performance	
103: Management Approach	103-2 The management approach and its components.	Performance	
103: Management Approach	103-3 Evaluation of the management approach.	Performance	
Own indicator	Absenteeism rate	Performance	
Own indicator	Overtime	Performance	
Own indicator	Impact Centre activities	Performance	
Circularity			
103: Management Approach	103-1 Explanation of the material topic and its Boundaries.	Performance	
103: Management Approach	103-2 The management approach and its components.	Performance	
103: Management Approach	103-3 Evaluation of the management approach.	Performance	
Own indicator	Carbon dioxide equivalent emissions.	Performance	
Delivering top quality			
103: Management Approach	103-1 Explanation of the material topic and its Boundaries.	Performance	
103: Management Approach	103-2 The management approach and its components.	Performance	
103: Management Approach	103-3 Evaluation of the management approach.	Performance	
Own indicator	Quality control reviews of engagements.	Performance	
Own indicator	Internal and external quality monitoring reviews of engagements (results).	Performance	
Own indicator	Recorded independence violations.	Performance	
Technological innovation			
103: Management Approach	103-1 Explanation of the material topic and its Boundaries.	Performance	
103: Management Approach	103-2 The management approach and its components.	Performance	
103: Management Approach	103-3 Evaluation of the management approach.	Performance	

GRI Standard #	Disclosure	Section/details	Omission in 2021 annual accounts
Close to clients			
103: Management Approach	103-1 Explanation of the material topic and its Boundaries.	Performance	
103: Management Approach	103-2 The management approach and its components.	Performance	
103: Management Approach	103-3 Evaluation of the management approach.	Performance	
Leader in our markets			
103: Management Approach	103-1 Explanation of the material topic and its Boundaries.	Performance	
103: Management Approach	103-2 The management approach and its components.	Performance	
103: Management Approach	103-3 Evaluation of the management approach.	Performance	
Own indicator	Client satisfaction	Performance	
Own indicator	Net Promoter Score	Performance	
Financial performance			
103: Management Approach	103-1 Explanation of the material topic and its Boundaries.	Performance	
103: Management Approach	103-2 The management approach and its components.	Performance	
103: Management Approach	103-3 Evaluation of the management approach.	Performance	
Own indicator	Revenue	Performance	
Own indicator	Net profit/loss for the year	Performance	
Own indicator	Operating profit/loss	Performance	

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