Definitions of terms used in 2025 data questionnaires for PIE audit firms

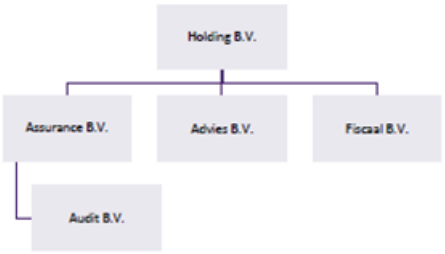
In addition to the terms listed below, please see also the AFM definitions (in Dutch): Begrippen (afm.nl)

Affiliated third parties: Natural or legal person who actually determines the policy in the responsible entity or who can exercise significant influence on the business and financial policy of that responsible entity, as well as the household in which the responsible entity actually determines the policy or who can exercise significant influence on the business and financial policy (Article 1 of the Regulation on the Independence of Auditors in Assurance Engagements, in Dutch: de Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten, herafter: ViO).
Audit client: The company or institution that instructs an audit firm to perform a statutory audit (Section 1(1)(e) Dutch Audit Firms Supervision Act (hereafter: "Wta"). This therefore does not refer to any companies or institutions for whom the audit firm performs a voluntary audit or other (assurance) engagement.
Audit firm: An enterprise or institution that performs statutory audits on a commercial basis, or an organisation in which such enterprises or institutions are associated with one another (Section 1a Wta) and which is registered as a licensee in the AFM register.
Auditor: A Registered Accountant or Accounting Consultant in regard to whom an annotation has been made in the accountants register referred to in Section 36 of the Accounting Consultants Act (Section 1 Wab).
Auditor's opinion: See **"**Auditor's report"
Auditor's report: A written opinion containing the outcome of a statutory audit (Section 1b Wta).
AFM licence number: Your licence number as stated in the register: Vergunningenregisters (afm.nl).
Compliance function: The person or persons responsible within or on behalf of your firm for carrying out the supervision of compliance with the rules laid down by and pursuant to Sections 13 to 24b of the Wta (Article 23 Bta).
Consultation: Advice or recommendation given by one or more professionals and documented by the statutory auditor for the performance of a statutory audit (Article 17 Bta).
Cyber Security Incident: Cyber attacks involving a potential breach of cyber security. As an illustration: in the case of phishing (including spear phishing), this concerns the number of times a phishing link was clicked and not the total number of links received.
Data analysis: NBA's manual 1141 defines data analysis as: the detection of patterns, misstatements, inconsistencies, and other useful information on the subject of the audit by means of analysis, modelling and visualisation in the interests of the planning or performance of the engagement.
Data analysis tools: This concerns all the tools that are designated as data analysis tools in accordance with the audit firm's own policies.
(Engagement) quality control review / EQCR: A review of a statutory audit, performed by a quality reviewer, with the aim of assessing whether the statutory auditor could reasonably have come to the opinion expressed in the draft auditor's report to be issued by the statutory auditor (as referred to in Article 8 of Regulation (EU) 537/2014 and Article 18 Bta in conjunction with Article 8 of Regulation (EU) 538/2014)). This review should be completed before the statutory auditor issues the auditor's report.
ESG: Abbreviation for Environment, Sustainability and Governance, as referred to in NFRD and CSRD regulations or similar regulations related to these subjects.
Expert: A person or organisation referred to in ISA 620.6a, who has expertise in a field other than financial reporting or auditing and whose work in that field is used by the auditor to assist them in obtaining sufficient and appropriate audit evidence. An expert engaged by the auditor may be an

internal expert engaged by the auditor or an external expert engaged by the auditor. Examples of experts include tax experts, actuarial experts and IT experts.

Fraud: An intentional act by one of more members of management, persons charged with governance (ISA 240.12), employees or third parties, using deception to obtain an unlawful advantage.

Group: An economic unit in which legal persons and legal entities (in The Netherlands) are organisationally connected (Section 2:24b of the Dutch Civil Code). Example: the example below shows a group of legal persons in which Audit BV is the 'Wta' licensee. Any reference in the data questionnaires to *the group to which your audit firm belongs* means the total of legal persons and legal entities with which your audit firm is connected. The *total revenue of the group to which your audit firm belongs* therefore means the total fees charged by your audit firm to all its clients plus the total revenue of the other parts of the group (in the example below: Assurance BV, Advies BV, Fiscaal BV and Holding BV).



Hired/self-employed professionals: Natural persons who are (temporarily) hired by your organisation, e.g. through a flexible contract or self-employed professional ("ZZP") agreement, and who are involved in statutory audits.

Incident: Incidents are facts, circumstances and events indicative of the possible existence of a Situation, as referred to under (A), (B) and/or (C):
(A) a conflict of interest;
(B) involvement with criminal offences and violations of the law that could undermine trust;
(C) relationships with clients that could undermine trust.
See also link: (revised) interpretation of the AFM on incident notifications.

Internal quality review / IQR: Internal quality review undertaken at regular intervals of completed statutory audit engagements (Article 38 SKM1 (ISQM1)).

Material errors: An inaccuracy in the financial statements – discovered following the adoption of those financial statements by the members or shareholders – of such significance or magnitude that the financial statements fail to provide the insight referred to in Section 2:362 of the Dutch Civil Code.

Mentoring and coaching: Reflection by a mentor or coach with the statutory auditor on the procedures and actions performed by the statutory auditor or on their behalf in a statutory audit in progress. This does not concern an EQCR or an internal review after an auditor's report has been issued.

Network: the collaborative group to which your audit firm belongs that is clearly aimed at the sharing of profits or costs, or which clearly features:

1. Common ownership, control or management;
2. Common policy and procedures in relation to quality control;
3. A common corporate strategy;
4. A common brand name; and/or
5. The sharing of a significant proportion of business assets (Section 1(j) Wta).

A network may comprise national and international elements.

Non-audit services (in weco question 2.3): all services other than 'audit service', as defined in article 1 of the ViO (effective from 20 December 2023).

Non-audit services (in weco question 11.1 and 11.2): non-statutory audit services. (Please note: Questions 11.2 and 11.2 correspond to the turnover referred to in article 14 of the European

Regulation 537/2014 sub c. In this Regulation, "audit service" means "statutory audit", thus "non-audit service" means "non-statutory audit".)
Non-PIE: An enterprise or institution that does not qualify as a Public Interest Entity (PIE).
Other malware: Types of software used to disrupt computer systems, collect sensitive information or gain access to computer systems. There are various types of malware, including spyware, botnets, and 'Trojan horses'.
Other employees: Natural persons employed by the audit firm, excluding (senior) managers or partners/directors.
Partner/director: Depending on the role in the audit team, the (equity) partner/director can be the statutory auditor or (experienced) employee.
Phishing: Phishing is a mechanism that employs social engineering techniques to deceive and 'lure' recipients into divulging data or granting access to their systems. Often this involves messages with unsafe attachments or links.
PIE: Public Interest Entity (Section 1l Wta):

1. a legal entity established in the Netherlands under Dutch law whose securities are admitted to trading on a regulated market, as defined in Section 1:1 of the Financial Supervision Act (Wft);
2. a bank having its registered office in the Netherlands, as defined in Section 1:1 of the Financial Supervision Act, to which a licence has been issued under that Act;
3. a central credit institution having its registered office in the Netherlands, as defined in Section 1:1 of the Financial Supervision Act, to which a licence has been issued under that Act; or
4. an insurer as defined in Section 1:1 of the Financial Supervision Act having its registered office in the Netherlands, not being a limited-risk insurer as defined in that Section;
5. an enterprise, institution or public body belonging to one of the categories designated pursuant to Section 2 Wta.

Ransomware: A type of malware in which the attacker blocks files and/or locks devices preventing the user from accessing them. The attacker then demands a ransom payment in exchange for restoring access to the affected files or devices.
Register: The public register of the AFM in which licensed audit firms and statutory auditors are registered (as referred to in Section 11 Wta). The register is available at: www.afm.nl/registers
Segmentation proposed if segmentation is not provided for in the audit firm's client records (as referred to in Weco 3.2):

- Financial undertakings as defined in Section 1:1 of the Financial Supervision Act (Wft)
- Construction and project development
- Property/real estate
- Housing associations
- Energy
- IT/Telecom
- Municipalities/provinces
- Automotive Hospitality & Catering
- (Other) trade
- (Other) production
- (Other) services
- Oil and offshore
- Non-governmental organisations (NGOs)
- Shipping
- Other

(Senior) Manager: A natural person who is usually tasked with the operational management of statutory audits under the responsibility of the statutory auditor. In the data questionnaires, this does **not** refer to the "assistant manager" or "junior manager".

Specialist: See “Expert”
Statutory audit: An audit of the financial accounts of an enterprise or institution, which is mandatory by or pursuant to the statutory provisions referred to in the Annex to the Wta (Section 1(1)(p) Wta), with the exception of statutory audits of sole proprietorships. By a "sole proprietorship" we mean a legal form in which the owner is the sole responsible party for the business and is privately liable for business debts (i.e. not being a legal entity or a partnership - general partnership, limited partnership or partnership - that is run together with other partners).
Statutory auditor: A natural person who is employed by or associated with an audit firm and who has ultimate responsibility for the performance of a statutory audit (Section 1(1)(f) of the WTA).
Ultimate parent (weco #1.4A – 1.4E): The highest identifiable legal entity in the (international) group structure that exercises ‘control’ over the audit client.
Your firm: Any reference in the data request/questionnaires to ‘your firm’ always means the Wta licensee completing the questionnaires.
Your firm’s most recently closed financial year: *Closed financial year* refers to the most recent financial year for which the balance sheet date has expired. Formal aspects such as the preparation, adoption and filing of any financial statements are disregarded for this purpose.

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