

Quality as a source of an appropriate remuneration policy

In short – Audit firms are responsible for ensuring appropriate remuneration policies with sufficient performance incentives to ensure the quality of statutory audits. The review by the Dutch Authority for the Financial Markets (AFM) into the design and application of those policies at PIE audit firms shows that most audit firms have a sufficient to well-developed remuneration policy and good examples of monitoring and evaluating these policies. In addition, our review shows that measures introduced by the professional body for accountants in the Netherlands (NBA), regarding non-profit-related remuneration for management board members as well as the clawback scheme, have not yet been implemented everywhere. The AFM encourages audit firms to work with the observations and recommendations in this report and to further strengthen their quality-oriented culture.

Table of contents

Introduction	3
Background and purpose of the review	3
Outcomes and good practices	4
Three recommendations for audit firms	5
Recommendation 1: take further steps in the monitoring and evaluation of remuneration policies	6
Recommendation 2: increase transparency concerning the role of quality in remuneration policies	7
Recommendation 3: make quality a demonstrable determinant of variable remuneration	9
Non-profit-related remuneration for management board members and clawback scheme have not been implemented at all PIE audit firms	10
Annex: research methodology with description of maturity levels	11

Introduction

Background and purpose of the review

Audit firms must have appropriate remuneration policies in place that include sufficient performance incentives to ensure the quality of statutory audits.¹ In practice, in order to implement this open standard, audit firms make use of the measures to improve the quality and independence of the audit when setting up their remuneration policy, as described by the NBA in 2014 in the report entitled 'In the public interest' (NBA measures). The NBA measures aimed at an appropriate remuneration policy state that the quality of statutory audits plays an important role in the appointment, assessment, remuneration and sanctioning of external auditors. The aim is to further stimulate a culture in which the quality of statutory audits is sustainably guaranteed.

In order to gain more insight into the performance incentives to ensure the quality of statutory audits, the AFM conducted a review into the remuneration policies of all six PIE audit firms in 2025.² In this review, we examined the extent to which the audit firms had implemented the NBA measures in their remuneration policies. For this purpose, we received a large number of policy documents for each audit firm. We explored the application of the remuneration policy using a validated self-assessment. Maturity levels were estimated and substantiated on the basis of expectations. See Table 1 for a description of the expectations and the annex for more background information on this research method.

Table 1: Description of expectations

Expectation	Addressed to	Description
1	Audit firm	The organisation guarantees the quality of statutory audits when appointing external auditors. ³
2	Audit firm	The organisation ensures the quality of statutory audits when assessing, rewarding and sanctioning external auditors.
3	Supervisory board	The supervisory board takes responsibility for ensuring the quality of statutory audits when appointing external auditors.
4	Supervisory board	The supervisory board takes responsibility for ensuring the quality of statutory audits when assessing, rewarding and sanctioning management board members. ⁴

¹ Section 18b(1) of the Audit Firms Supervision Act (hereinafter: **Wta**).

² PIE audit firms are audit firms with a licence that also allows them to perform statutory audits of public-interest entities (PIEs).

³ For the purposes of this review, external auditors mean equity partners, salary partners and directors who work at or are affiliated with the audit firm and are responsible for performing statutory audits.

⁴ For the purposes of this review, management board members mean only those with the title of RA/AA.

The purpose of this review is to encourage audit firms to continue to use the remuneration policy as a driver of a quality-oriented culture. For this reason, the AFM entered into discussions with the management board and the supervisory board of audit firms concerning the remuneration policy and potential improvements. At the end of the review, we shared our observations in an individual feedback letter and a meeting with each organisation. We then asked each audit firm to respond with a reflection letter and to indicate which improvements they wanted to implement in their remuneration policy. We include the follow-up in our ongoing supervision. With this report, we share the most important results of our review with the sector. On this basis, we have three recommendations for audit firms to stimulate the quality of statutory audits with their remuneration policy.

Outcomes and good practices

Most audit firms have implemented the NBA measures, and in the validated self-assessment they arrive on average at the ‘monitored’ level. In most cases, the NBA measures are reflected in the design of the remuneration policy. This does not yet apply to the NBA's measures for non-profit-related remuneration for management board members and the clawback scheme.⁵ Furthermore, monitoring is carried out to ascertain whether the policy is actually being implemented as intended, monitoring is discussed at the appropriate level within the organisation and adjustments are made based on the results. We note that the management boards of audit firms generally pay more attention to the monitoring and/or evaluation of the remuneration policy than supervisory boards. We still see room for improvement at audit firms in safeguarding the quality of statutory audits by means of the remuneration policy.

Good examples of monitored and evaluated remuneration policies are in-depth in nature and aimed at quality improvement. One good example is that the broad outlines of the remuneration policy are monitored and evaluated annually, with an in-depth evaluation once every few years. The supervisory board regularly plays an important role in this, for example by proposing topics for these in-depth evaluations to the management board. We also see good examples of monitoring and evaluation that are aimed directly or indirectly at better guaranteeing the quality of statutory audits, with the reason for the change in policy and the intended effect being consistently recorded. For example, several PIE audit firms aim to continuously monitor and periodically evaluate the actual effects of changes in the remuneration policy.

We see many good safeguards focused on quality in the appointment process for new external auditors. One example is the requirement that a substantial number of technical hours have been completed with a positive assessment. Other examples are several file reviews with positive assessments of statutory audits in which the candidate had a substantial role and the testing of competencies, such as a professional-critical attitude, integrity and resilience. In addition, we note that the supervisory board is often actively involved in assessing and approving appointments of external auditors. A final example of good practice in the appointment process is where we see firms and supervisory boards paying attention to diversity within the partner group.

Good practices in the appointment process for new external auditors take into account the candidates’ development potential. Examples include having candidates reflect on difficult situations with the audit team or the audit client and identifying the candidate’s strengths and areas for development in the letter of recommendation. Another good practice is that when appointing an external auditor, audit firms distinguish between (a) an initial appointment as an external auditor – without PIE accreditation – and (b) a later PIE accreditation or appointment in which statutory audits of PIEs may also be performed. This later appointment may be conditional on the candidate having at least one or two years’ experience as a second auditor on statutory audits of PIEs.

⁵ See NBA Measure 3.3 for non-profit-related remuneration and NBA Measure 3.5 for the clawback scheme. These two measures only apply to PIE audit firms.

Three recommendations for audit firms

Based on the results of this review, the AFM sees three possibilities for stimulating the quality of statutory audits with the remuneration policy:

1. Take further steps in the monitoring and evaluation of remuneration policies.
2. Increase transparency concerning the role of quality in remuneration policies
3. Make quality a demonstrable determinant of variable remuneration.

These recommendations will be further detailed in the following sections.



Recommendation 1: take further steps in the monitoring and evaluation of remuneration policies

The following observations show that PIE audit firms have the potential to further develop the monitoring and evaluation of remuneration policies. This will enable them to examine and reduce vulnerabilities in their remuneration policy, and to further increase the focus on the quality of statutory audits.

The AFM sees variation in the maturity levels of audit firms' remuneration policies. The maturity levels range from 'designed' (policy is in place) to 'evaluated' (the desired and undesirable effects of the applied policy are evaluated – with a view to quality assurance). This shows that there is scope for PIE audit firms to develop further. In the case of some audit firms, the monitoring could be better structured. Other audit firms could further deepen the evaluations of their remuneration policy, for example through effect measurements. This could make an important contribution to the creation and maintenance of a culture that ensures the quality of statutory audits.

Audit firms' management boards generally pay more attention to monitoring and/or evaluating the remuneration policy than supervisory boards. This difference can be partly explained by the fact that the supervisory board is a more distant body and has a different role than the management board. But at the same time, we also see good examples in which the supervisory board takes an active role in encouraging and performing the monitoring and evaluation of remuneration policy.

The supervisory board has an important role in stimulating and further developing an appropriate remuneration policy. This role can be strengthened in several ways, for example through the supervisory board's monitoring role in the implementation and approval of the remuneration policy, as well as through its direct involvement in approving appointments of external auditors and its role in appointing and assessing members of the management board. In addition, the supervisory board can make proposals to conduct or commission in-depth evaluations of parts of the remuneration policy in order to ascertain their actual effects in practice. By using the results of these evaluations to adjust the remuneration policy, a structural monitoring and evaluation process can be established. It is important that the supervisory board continues to focus on a culture aimed at ensuring the quality of statutory audits. It can also improve the monitoring of remuneration policies by increasing transparency in various areas (see recommendation 2).



Recommendation 2: increase transparency concerning the role of quality in remuneration policies

The following observations show that greater transparency concerning the role of quality in the remuneration policies for partners and management board members can stimulate the quality of statutory audits.

Audit firms use a variety of systems to distribute the organisation's profits to equity partners. Some audit firms have an egalitarian/equal profit-sharing system, in which equity partners share equally in the profits on the basis of a phase-in system. There are also audit firms that use a different system. Equity partners are divided into different groups based on roles and responsibilities, with different profit rights. Equity partners with a larger and more complex portfolio, more experience or a leadership position are placed in a group with higher profit rights. The amount of the profit share of equity partners in this system depends on the group in which they are classified and the number of years in that group, but also on the points obtained on the basis of various performance indicators, including quality. Finally, there are audit firms that have a combination of both profit-sharing systems, where the basis of the profit distribution is egalitarian and differentiation into groups is only possible after a number of years.

Greater transparency in the division of equity partners into groups can stimulate a quality-oriented culture. A good practice is linking the criteria for dividing equity partners into groups to the organisation's long-term strategic goals. Quality of statutory audits is an important part of these goals. Transparency on this topic explicitly shows that quality is an important foundation for assessing and rewarding equity partners. This method could also give rise to discussions with the partner group about the role of quality in the organisation's remuneration policy, as well as individual discussions about each partner's contribution to the organisation's quality objectives.

The supervisory board can provide a key impetus for greater transparency in the division of equity partners into groups. For example, this topic can be placed on the agenda and developed further in an in-depth evaluation. This evaluation can relate to the criteria and substantiation for dividing partners into different groups, in which their contribution to quality is central. On the one hand, this creates transparency for the equity partners concerning the division into groups, while on the other hand it provides more opportunities to monitor the composition and development of the partner group. With the amended Audit Firms Supervision Act (**Wta**), the supervisory board will have an important role in the distribution of profit to shareholders.⁶ Greater transparency concerning the division of equity partners into groups and their contribution to the quality of statutory audits supports the supervisory board in this new task. It also promotes the organisation's quality objectives. This is because the quality of statutory audits will become more central to the remuneration policy.

⁶ The amendment of the Audit Firms Supervision Act that is yet to enter into force will add a new Paragraph 8 to Section 22a of the Act. A proposal for a profit distribution will be subject to approval by the supervisory body. [Wijzigingswet accountancysector \(Dutch Bulletin of Acts and Decrees 2025, 341\)](#).

The supervisory board can also ensure more internal transparency in the performance indicators of management board members. We note that members of the board often formulate objectives based on a self-assessment, after which the supervisory board provides input. It is not always clear what the long-term strategic goals of management board members are and what role the quality of statutory audits plays in this. Greater internal transparency in this area can stimulate the monitoring and help to further strengthen the quality-oriented culture of the organisation.



Recommendation 3: make quality a demonstrable determinant of variable remuneration

The following observations show that there are opportunities to make quality a demonstrable determinant of the variable remuneration of partners and management board members.

Quality of statutory audits is an important performance indicator for an appropriate remuneration policy.

This creates opportunities to monitor quality and to achieve sustainable assurance in the organisation. It is important that audit firms use this monitoring to stimulate a learning attitude, for example by assessing the external auditor's learning attitude after a negative outcome of a file review and sharing these lessons more widely in the organisation.

Quality is not always a demonstrable determinant in assessment and remuneration. According to NBA Measure 3.1, the major part of audit practice employees' variable remuneration must be determined by their role, responsibility and the quality of statutory audits. We see that quality is important in the assessment of external auditors and that the right to a bonus lapses in whole or in part if the quality of statutory audits falls short. It sometimes takes a long time for an inadequate file assessment to have an effect on the variable remuneration. In addition, it is not always demonstrable that quality-related indicators are paramount, for example on the basis of weighting criteria with percentages.

Examples of good practice focus on quality behaviour. The AFM notes that it is possible to make quality-related performance indicators measurable determinants in the assessment of directors and salary partners, for example by assigning them a weight of at least 60%. In addition, the bonus is determined for at least 60% by quality-oriented criteria and for at most 40% by other performance indicators. Another example of good practice is the explicit description of what the organisation means by quality behaviour. This draws explicit attention to desired behaviour aimed at the quality of statutory audits.

Quality is also an important indicator for equity partners, but often not a demonstrable determinant.

According to NBA Measure 3.4, the major part of the variable profit distribution for these partners is based on quality criteria. In practice, however, this is often difficult to establish, because these criteria are often divided over several groups and no clear agreements have been made about compensation for the various performance indicators. Quality is often considered a hygiene factor, which means it must be in order but it is not often used as a motivating factor. A good practical example to address this point is adjusting the remuneration policy in such a way that the quality-oriented indicators are normative in the assessment and variable remuneration of equity partners.

Non-profit-related remuneration for management board members and clawback scheme have not been implemented at all PIE audit firms

In general, audit firms have adopted the relevant NBA measures and implemented them in their remuneration policies. However, this does not apply to the non-profit-related remuneration of management board members and the clawback scheme.⁷

Non-profit-related remuneration for management board members has not been implemented everywhere, leading to different practices between PIE audit firms. According to NBA Measure 3.3, management board members of the Dutch top holding company of a PIE audit firm must receive remuneration that is not dependent on the profit of the organisation in the year in question (hereinafter: non-profit-related remuneration). The aim is to reduce the incentive to allow short-term goals, such as profit, to prevail over long-term goals that are appropriate for the societal function of the organisation, such as the quality of statutory audits. Most PIE audit firms have introduced non-profit-related remuneration. Some audit firms also apply this remuneration – in line with the objective – to the members of the audit firm’s management board.

The clawback scheme has also not been implemented everywhere and is rarely applied. This arrangement involves reserving a part of the profit rights for a period of six years, which lapses if an equity partner has acted culpably in issuing a false statement that has caused social damage. This gives the clawback scheme an important preventive incentive to ensure the quality of statutory audits. In addition to this good performance incentive, the clawback scheme may also have less desirable effects, such as the exclusion of riskier audit clients. Most PIE audit firms have introduced such a scheme but have rarely applied it. We also see variation in the scope of the clawback scheme, resulting in differences in performance incentives between audit firms.

⁷ See NBA Measure 3.3 for non-profit-related remuneration and NBA Measure 3.5 for the clawback scheme. These two measures only apply to PIE audit firms.

Annex: research methodology with description of maturity levels

The validated self-assessment is a method for monitoring open standards using expectations and maturity levels.⁸ This method is intended to stimulate professionalisation, without the AFM prescribing exactly what should be done. Based on the applicable laws and regulations, we have drawn up four expectations (see Table 1). These concern the assurance of the quality of statutory audits through the remuneration policy. There are two expectations for the audit firm and two for the supervisory board. Each audit firm assessed its maturity for each of these expectations, choosing from the levels 'ad hoc', 'assigned', 'designed', 'monitored' and 'evaluated' (see Table 2). The audit firms then stated the reasons for their estimate and substantiated it with documents. The AFM then validated these estimates on the basis of the documents provided.

After validating the estimated maturity levels, the AFM held discussions with the management board and the supervisory board of each PIE audit firm. Prior to these discussions, we shared our observations on the remuneration policy and the estimated maturity levels with the audit firms involved. During the discussions, we shared good practices on an anonymous basis. We then asked the audit firms to reflect on our observations. They were allowed to indicate how they would implement the further growth of an appropriate remuneration policy in their organisation. We will discuss the progress of this with them in our ongoing supervision.

Table 2: Description of maturity levels

Level	Description	Examples of evidence
Ad hoc	<ul style="list-style-type: none">There is no policy for the expectation and no determination of who is responsible for the expectation. Situations are resolved as they arise.The AFM uses a broad definition of policy. Policy is the operationalisation of the strategy and is not necessarily related to laws and regulations.	
Assigned	<ul style="list-style-type: none">It has been determined who is responsible for the expectation.The policy for the expectation is not fixed, but working methods and processes are generally carried out in the same way.	<ul style="list-style-type: none">Organisation chartJob profiles

⁸ Van den Bergh & Mostert (2023) [Toezicht op voorbeeldgedrag, tegenspraak en zelfreflectie door de Autoriteit Financiële Markten](#). Van den Bergh et al. (2022) [Het perspectief van de AFM op cultuur](#).

Level	Description	Examples of evidence
Designed	<ul style="list-style-type: none"> • There is an up-to-date policy for this expectation, and the policy has an owner. • The organisation and/or the supervisory board has laid down what it aims to achieve, the way in which it intends to do so, the resources that are available and the deadlines by which the working methods will be implemented. 	<ul style="list-style-type: none"> • Policy documents • Procedure and process description
Monitored	<ul style="list-style-type: none"> • Monitoring has been set up to gain insight into whether the policy is actually being implemented as intended. • Monitoring is demonstrably discussed at the right level. • The organisation and/or supervisory board makes adjustments based on the results. 	<ul style="list-style-type: none"> • Progress report • Research results (e.g. behaviour and culture) • Dashboard • Minutes (management board and/or supervisory board)
Evaluated	<ul style="list-style-type: none"> • The policy for this expectation is structurally evaluated to determine whether the intended goals of the policy are being achieved. • Attention is paid to the unintended and intended effects of the policy. • Evaluations are demonstrably discussed at the right level, and results of the evaluation are followed up properly. 	<ul style="list-style-type: none"> • Evaluation (e.g. annual) • Root cause analysis • Improvement plan • Policy memorandum • Minutes (management board and/or supervisory board)

Source: Van den Bergh & Mostert (2023) [Toezicht op voorbeeldgedrag, tegenspraak en zelfreflectie door de Autoriteit Financiële Markten](#) (slightly modified for the review of remuneration policies at PIE audit firms).

Disclaimer

This report is a translation of the original Dutch report. Efforts have been made to ensure the accuracy of this translation. However, in the event of any discrepancies or inconsistencies between this translation and the original Dutch version, the Dutch version shall prevail.