

## **Audit Engagementletter**

Name client

To the Board of Directors or the appropriate representative of senior management:

Address

Date

Dear Sirs,

In accordance with the decision made by the General Meeting of Shareholders/Supervisory Board/Management Board of ..... ("the Company") at its/your meeting of ....., you have requested us to audit the financial statements of .....for the financial year ending ..... We are pleased to confirm our acceptance and understanding of this engagement by means of this letter.

### *Engagement*

We will act as the independent auditor of the company for the purpose of determining whether the financial statements provide the required view. The financial statements of the company consist of the consolidated financial statements and the company financial statements. We will report the results of our audit in an auditor's report on the truth and fairness of the financial statements.

We will also determine whether the financial statements satisfy the provisions specified by or pursuant to law, whether the Management Board report, to the extent we of our competence, has been prepared in accordance with statutory requirements and is consistent with the financial statements, and whether the required information has been included in the Other Information.

### *Auditor's responsibility*

We will conduct our audit in accordance with Dutch law. This law requires that we comply with the ethical requirements available for consultation on [www.nivra.nl](http://www.nivra.nl) / [www.novaa.nl](http://www.novaa.nl), the official websites of the Dutch accountancy profession. We are also required to plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We would draw your attention to the fact that, through the use of sample testing and other limitations inherent to an audit in conjunction with the limitations inherent to every system of internal control, there is an unavoidable risk that even a material error might not be detected.

### *Independence*

Dutch law requires us to be independent of our audit clients. As a result certain non-audit services are subject to supplementary conditions and restrictions apply to certain types of non-audit

services. If this issue arises, we will consult with you about the conditions and/or possible restrictions

To continue safeguarding our independence in the most efficient manner, we request that you inform us of your legal structure, the names of your direct and indirect shareholders, as well as the names of all other companies, including group companies and affiliates, to which your company is directly or indirectly related. Any change in the composition or structure of your group could mean that we would be required to discontinue providing certain services to your company.

In order to safeguard our independence, certain conditions apply if a partner or professional of our organisation intends to join one of our audit clients. Accordingly, without our prior written permission, you must make no offer of employment for a financial reporting position to any of our organisation's current or former partners or professionals who were involved in the audit of the financial statements. This restriction remains in effect until the appropriate period prescribed by the independence rules has expired.

You must also obtain our written permission before entering into a relationship with a partner or other professional of our organisation involving a common commercial or financial interest. This provision enables us to determine whether the relationship is appropriate to the conduct of normal business activities and whether the overlap with the audit engagement could threaten our independence.

#### *Management's responsibility*

We draw attention to the fact that management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the Management Board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The company's management should ensure that the rights and obligations of the company and the consolidated companies are adequately disclosed in the financial statements, including the existing rights and obligations that are not recorded by standard accounting procedures. In certain cases, these rights and obligations might be overlooked by an audit. Known and expected events and circumstances must also be adequately disclosed in the financial statements. In connection with the above aspects, we will request the Management Board to confirm in writing the information provided to us in this context.

We will also request the Management Board to confirm in writing that in its opinion the effect of any unadjusted misstatements in the financial statements, both individually and in aggregate, is immaterial for the financial statements as a whole. A list of these items must be included in the written confirmations or attached to it.

We have every confidence in receiving the full cooperation of your staff and trust that all reports, documentation and other information necessary for conducting the audit will be made available.

#### *Fraud*

The primary responsibility for the prevention and detection of fraud is borne jointly by the supervisory body and the management of the company. The independent auditor is neither responsible nor accountable for the prevention of fraud.

Our audit engagement is not specifically designed to detect fraud. If we detect signs of fraud during the conducting of the audit, we will carry out a supplementary investigation to determine the nature and extent of the fraud in relation to the financial statements, irrespective of the potential extent and nature of the suspected fraud. If we detect signs of fraud – or have a reasonable suspicion of fraud – we will report this to management and/or the supervisory body.

**[Optional – applies to statutory audits: If we have a reasonable suspicion of fraud that is**

*material for the financial statements, we will also act in conformity with Section 26(2) of the Accounting Organisations (Supervision) Act [Wet toezicht accountantsorganisaties].*

In compliance with International Standard on Auditing 240 "The auditor's responsibility to consider fraud in an audit of financial statements" we will request company management to confirm the following points in writing:

1. management acknowledges its responsibility for the design and implementation of internal control to prevent and detect fraud;
2. management has disclosed to us the results of its assessment of the risk that the financial statements may be materially misstated as the result of fraud;
3. management has disclosed to us its knowledge of fraud or suspected fraud affecting the entity involving:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements; and
4. management has disclosed to us its knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Compliance with specific laws and regulations**

Company management and the supervisory body are also responsible for compliance with statutory and other provisions. In general, an audit engagement will not lead to the discovery of all instances of breaches of laws and regulations. Irrespective of its materiality, the discovery of such a breach will result in consideration of the implications pertaining to the integrity of management and/or other company employees and other aspects of our audit.

We will request company management to confirm in writing that it has provided all information concerning all actual or possible breaches of laws and regulations of which it is aware and that need to be taken into account when preparing the financial statements.

*[Optional - Identification (Financial Services) Act [Wet Identificatie bij Dienstverlening]*

*Pursuant to the Identification (Financial Services) Act, we are required to verify the identity of potential engaging parties as part of the engagement acceptance process. In order to comply with this act we cannot accept the engagement until the identification has been made (for example, from a certified extract from the relevant trade register and a valid identification document).*

*Disclosure of Unusual Transactions Act [Wet melding ongebruikelijke transacties]*

The Disclosure of Unusual Transactions Act requires us to notify the Netherlands Financial Intelligence Unit, in Zoetermeer, about unusual transactions that the client has carried out or intends to carry out, whether directly or through another party, and that come to light during the normal course of our work.

### *Report*

The auditor's report is meant to be submitted to the General Meeting of Shareholders together with the financial statements for adoption [and to be included in the relevant published documents, including the financial statements, annual report and other information]. [We will need to receive draft versions of such documents prior to publication.] Our auditor's report must not be made public until we have given our written permission for this. If the financial statements are not to be published in full, we will, if possible, provide you with a suitably adapted auditor's report.

Our prior written permission is required for each new publication of the financial statements, including publication on the Internet, the publication of a new financial report in which our name appears, as well as its distribution to third parties, and the use of our name in any other document that is published or made available to third parties. For each of these situations, you will need to provide us with a draft of the document well in advance of its distribution.

The audit report is intended for the Supervisory Board and the Management Board. It presents the major conclusions from our procedures that we consider essential for the Supervisory Board and the Management Board to be aware of.

If appropriate, we will also prepare a management letter addressed to the boards of the companies concerned setting out any observed deficiencies in and possible improvements to the control structure of your company, particularly regarding the embedded internal controls.

*[Optional – Examination of our working papers by supervisory authorities and other bodies - All working papers, reports and other documentation produced by our organisation as part of our examination remain the property of our organisation. Based on legal or other provisions, we can be compelled to grant access to certain parts of our working papers to third parties, for example supervisory authorities [such as the Netherlands Authority for the Financial Markets] or judicial authorities.*

#### *Fees*

Our fees are based on the time spent by the members of our audit team, plus expenses. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required. We will issue monthly invoices, based on the progress of the work. Our payment terms are ... days.

#### *Validity and general terms and conditions*

This engagement letter will remain valid until the engagement is completed, modified or replaced by a different type of engagement. The services we provide are subject to our General Terms and Conditions, a copy of which is enclosed.

#### *Electronic communications*

During the conducting of the engagement, the engaging party and the engaged party can communicate electronically. Contrary to the provisions of article ... of our General Terms and Conditions, the engaged party is not liable for damage suffered by the engaging party resulting from the use of electronic communication media, including – but not limited to – damage resulting from the non-delivery or delayed delivery of electronic communications, from the interception or manipulation of electronic communications by third parties or software/hardware used for transmitting, receiving or processing electronic communications, from the transfer of computer viruses and the non-functioning or incorrect functioning of the telecommunications network or other medium of electronic communications, except insofar as the damage is caused through intent or gross negligence of the engaged party. The data extracted from the computer systems of the engaged party provide irrefutable evidence (of the contents) of the electronic communications sent by the engaged party unless and until evidence to the contrary is produced by the engaging party.

#### *Confirmation*

It gives us great pleasure to accept the engagement. Should you require any further information, please do not hesitate to contact us. If you accept the contents of this letter as being correct, please sign and return the enclosed copy as confirmation that it faithfully reflects the matters on which we have agreed.

Yours sincerely,

... for (NAME OF AUDIT FIRM)  
(NAME OF AUDITOR)

Enclosures:

General Terms and Conditions

Copy of this letter

Signed for approval on behalf of  
(NAME OF COMPANY) by

Name and position ...  
Date ...