

5

things you need to know about Accountancy & Sustainability Reporting in the Netherlands in 2022

Intro

With the publication last year of the Corporate Sustainability Reporting Directive (“CSRD”), the European Commission is leading a worldwide movement to increase corporate ESG accountability. Accountants are expected to play a crucial role in this regard. We have therefore identified and analysed the following five sustainability reporting trends which will shape the legal agenda of accounting firms in the year to come:

#1 helping audit clients prepare for upcoming reporting changes

#2 preparing for critical questions from the AFM

#3 engaging in continuous dialogue with the public about the role of accountants

#4 accepting a certain level of uncertainty

#5 discussing liability risks before they emerge

#1

Helping audit clients prepare for upcoming reporting changes

Once adopted, the CSRD will cause the number of Dutch entities required to disclose non-financial information to increase to approximately 3,000. As the CSRD provides for extensive non-financial reporting standards applicable as from FY 2023, in-scope audit clients will be faced with the challenge of rapidly setting up internal controls to meet reporting requirements. [Studies](#) show that not all companies are fully aware of their future obligations and that accountancy firms are uniquely positioned to raise awareness and provide added value by sharing best practices.

#2

Preparing for critical questions from the AFM

Last September, the AFM issued [critical remarks](#) on greenwashing risks. It is therefore not surprising that in its recently published [annual agenda](#), the AFM expressly mentions the improvement of non-financial information and its interconnection with financial information as one of its focus points for 2022. According to the AFM, the idea is to ensure that the public is able to evaluate the impact of non-financial risks on business continuity. With respect to accountants, another stated priority of the AFM is ensuring evidence-based, high-quality annual audits. Looking at the bigger picture, we believe that accountancy firms should prepare a file which, when the time comes, will allow them to demonstrate to the AFM their contribution to taking sustainability reporting to the next level.

#3

Engaging in continuous dialogue with the public about the role of accountants

Although a limited assurance audit of sustainability information will only be required after implementation of the CSRD, the public already has certain expectations regarding the role of accountants. Following its win before The Hague District Court in the Shell case, Milieudefensie [stated](#) that sustainability risks are becoming a matter of concern for the markets, investors *and* accountants. Milieudefensie recently [followed up](#) on its statement by reaching out to the auditors of a number of Dutch listed companies. A similar point of view was presented by Eumedion in its 'Speerpuntenbrief 2022' of 11 October 2021. In the run-up to the 2022 general meeting, institutional investors expect all Dutch listed companies to prepare a comprehensive strategy and action plan that is compatible with a transition to a net-zero emissions economy. Eumedion has requested a review thereof by the external auditor, a consideration of risks that the company faces as a result of climate change, an appropriate challenge of

management and a response to the identified climate risks. As public pressure on accountancy firms to do more in the area of ESG will only increase in the coming years, they should develop a clear vision of what can and cannot be expected of them and how accountants can make a contribution that goes beyond the statutory minimum.

#4

Accepting a certain level of uncertainty

Sustainability definitions and reporting standards are developing as we speak. In addition, in the Netherlands, within the European Union and on a worldwide level numerous initiatives are being taken, so it is at times difficult to provide clear-cut guidance to audit clients. We believe this uncertainty will linger in the coming years and is to a certain extent inevitable. However, if acknowledged and explicitly stated, what at times may be perceived as a vulnerability could very well become a strength. In evaluating uncertainties and steering away from risks, NautaDutilh has the experience to act as a sparring partner.

#5

Discussing liability risks before they emerge

We believe that reporting on sustainability leads to sustainability. In uncertain times, accountancy firms can play a key role in the development of sustainability reporting and contribute to a changing society. At the same time, it should be acknowledged that in the last thirty years, stakeholders have become more and more willing to hold accountants liable for actual and perceived errors. We therefore expect to see the first sustainability reporting-related claims against accountancy firms sooner rather than later. To mitigate liability risks, it is important that audit files clearly state the uncertainties with which the audit team was confronted and the considerations on which the team based its decisions. Furthermore, when in doubt, it is always good to consult with colleagues and legal.

About the team

NautaDutilh's Accountancy team offers a unique multidisciplinary approach. The team has been a trusted advisor and discussion partner of leading accountants and tax specialists of the Big Four and Middle Five firms for many years.

Our Accountancy team is a thought leader in its field. Members share their knowledge and explain relevant developments in online and in-person seminars, publish regularly in professional journals, and are frequently asked to express their views on legislative proposals.

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