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KPMG Accountants N.V.  
Mazars Accountants N.V.  
PricewaterhouseCoopers Accountants N.V.

**Copies to:**

The Royal Netherlands Institute of Chartered Accountants [*Koninklijke Nederlandse Beroepsorganisatie van Accountants, "NBA"*]  
The companies quoted on Euronext Amsterdam

Date: 13 December 2023

Subject: VEB letter to audit firms 2024 and external auditor's expected contribution

Dear Sirs, Madams,

With the annual letter to audit firms, European Investors-VEB ("**VEB**") aim to contribute to more effective and high-quality statutory audits. An integral part of the effectiveness comes down to meaningful reporting and communication by external auditors to society.

External auditors have a crucial social function. They make an essential contribution to giving assurance, in the public interest, that financial statements provide a true and fair view and that directors' reports constitute a fair review.

External auditors must demonstrate, at entity level, their independence and added value in respect of users of financial statements. In this context, the VEB calls upon external auditors to fully comply with the standards included in NBA Practice Note 1118 ("**the Practice Note**"), which contains a number of useful guidelines on how to be more transparent about the audit performed, and about the findings and observations ensuing from that audit. Practice Note 1118 will enter into force with effect from the upcoming GM season, after the year of transition in 2023.

**Taking control**

The informative value of audit reports and the explanation provided orally by external auditors during general meetings ("**GMs**") must improve. The public and social gatekeeper role requires this emphatically of the audit profession. The GM appoints the external auditor and is, therefore, his/her actual client. This renders the GM the platform par excellence for dialogues to be conducted with shareholders.

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The VEB expects external auditors to take up their role and to take control; more so than is currently perceived in practice and made explicit in the Practice Note. External auditors must be able to determine, as they see fit, the subjects they wish to address and explain, as this will in part depend on the questions posed by shareholders during the GM. Asking permission from the audited entity's executive and non-executive boards prior to the GM restricts external auditors too much and is, moreover, in discord with their position of independence. Therefore, the VEB continues to advocate a proactive and assertive stance on the part of the external auditor, who should maintain an appropriate distance from the entity audited. In practice, this is not always evident.

### Dialogue on findings

External auditors find themselves in the unique and privileged position of knowing a company or institution from the inside out. For the VEB, it is of major importance that auditors are willing, during GMs, to conduct open dialogues with shareholders on their findings and observations. It is expressly up to external auditors, with their knowledge of the relevant company or institution, to share the – audit – findings regarding relevant aspects of the statutory audit. This includes the design and operating effectiveness of the risk management and control systems, and the key findings reported thereon (including the follow-up of any earlier recommendations), as included in the management letter. Obviously, auditors should also specifically make statements during GMs about information security and cyber risks, climate-related risks and the audited entity's culture, and give their views of the key elements of estimation used in the financial statements.

Moreover, thematic reviews and reports of the Dutch Authority for the Financial Markets [*Autoriteit Financiële Markten*, “AFM”], the reports of the Dutch Quartermasters for the Future of the Accountancy Sector [*Kwartiermakers Toekomst Accountancysector*] and public consultations clearly show that society expects greater decisiveness and openness from external auditors regarding such themes as fraud, continuation and corruption. Where this is concerned, accountancy jargon and standard language are expressly things of the past.

A different public positioning would suit the culture change called for in the sector. Based on the experiences gained over the past few years, the VEB holds the view that subject-matter knowledge, common sense and an open and professional attitude in answering questions during GMs will contribute to a changed social perception and more appreciation for the important professional scepticism shown by auditors. Reverting to merely superficial language that has been agreed in advance and does not explain anything in terms of the companies in question has no added value, and detracts from the auditor's own responsibility and how auditors should fill their role.

### Final note

The VEB hopes and expects that auditors are willing to go the extra mile in their audit reports on the 2023 financial statements and during the GM in terms of transparency in respect of users of financial statements.

Yours faithfully,

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Director  
European Investors-VEB

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