

PAVING THE ROAD TO SUCCESS

HLB'S GLOBAL ANNUAL REVIEW 2019



THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

www.hlb.global

TOGETHER WE MAKE IT HAPPEN

2019 HLB NETWORK PERFORMANCE AT A GLANCE

Welcome to HLB's Global Annual Review 2019. In this report, we look at issues that impact our stakeholders around the globe including our clients, our people and the communities we operate in. We examine our performance as we look back on the financial year 2019.



158 countries



29,363 people



795 offices



**US\$ 2.93bn
global revenue**



**7% increase
from FY2018**



**50 years of
experience**

Note to readers:

In this Global Annual Review, the terms 'HLB International', 'HLB', 'our' and 'we' are used to refer to the network of member firms of HLB International Limited or, as the context requires, to one or more HLB member firms. For more information about our structure, visit www.hlb.global/legal. Our 2019 financial year runs from 1 January 2019 to 31 December 2019. Revenue and other global figures are aggregates of results of individual HLB member firms.

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MESSAGE FROM THE CHAIRMAN

2019 marked the 50th anniversary of HLB. A milestone we are very proud of. On Friday 7 June 2019, HLB celebrated our first #HLBCommunities Day to give back to the communities we live, work and play in. Its purpose was not just to build internal relationships and showcase our community involvement, but it allowed us all to connect on a global level and share in the impact we create together as a network.

But 2019 also marked events less joyful. Described as “the year of protests” the world witnessed increased geopolitical tensions, devastating climate crises such as wildfires in the Amazon and Australia underlining the urgency of a global sustainability agenda, not to mention the ongoing migrant crises across Central America and Africa. All these factors affect our people, clients and communities, and as a global organisation representing nearly 30,000 people worldwide, we have a

responsibility to help people prepare for the future. So how do we make good on our responsibilities beyond what our clients expect from us? We recognise that it is no longer just about doing business as usual but doing business in a sustainable way. We are ensuring that the way we work together not only with our clients, but with our communities, delivers value for them.

SHAPING OUR SHARED FUTURE

In 2019, we reached the 2020 performance objectives we had set for ourselves a year early. This forced us to consider what the pathway to growth looks like moving forward and resulted in the development of a new holistic growth strategy for HLB with the horizon 2023. Our success over the past few years was made possible by our people-focused and human approach to business. Our aim for the end of 2023 is to become a top 10 global network. When we asked



ourselves how we are going to reach our growth objectives and what our vision for HLB in 2023 is, we put ourselves in the shoes of clients, staff and the community to consider what kind of future they would want us to create.

To anticipate market needs and accommodate the shifts in client demands, our new strategy focusses on broader service diversification and on transforming how we deliver our traditional accounting offerings. Investment in people and technology are at the heart of this shift and will translate into additional value to our clients.

THE FUTURE OF ACCOUNTING

The debate on the future of the accounting profession is ongoing. As with all aspects of business, audit needs to evolve. For HLB, being committed to continuously improving quality requires investing not only in a stronger

governance and quality assurance programme, but also in the talent of our people so that we can deliver the value which our clients look for and grow the trust in the HLB brand, as we have done now for half a century.

We have set ambitious goals for 2023 and the work over past 12 months has been instrumental to paving the road for the implementation of the new strategy. As our slogan says, “Together we make it happen”.

Corney Versteden

Chairman, HLB International



MESSAGE FROM THE CEO

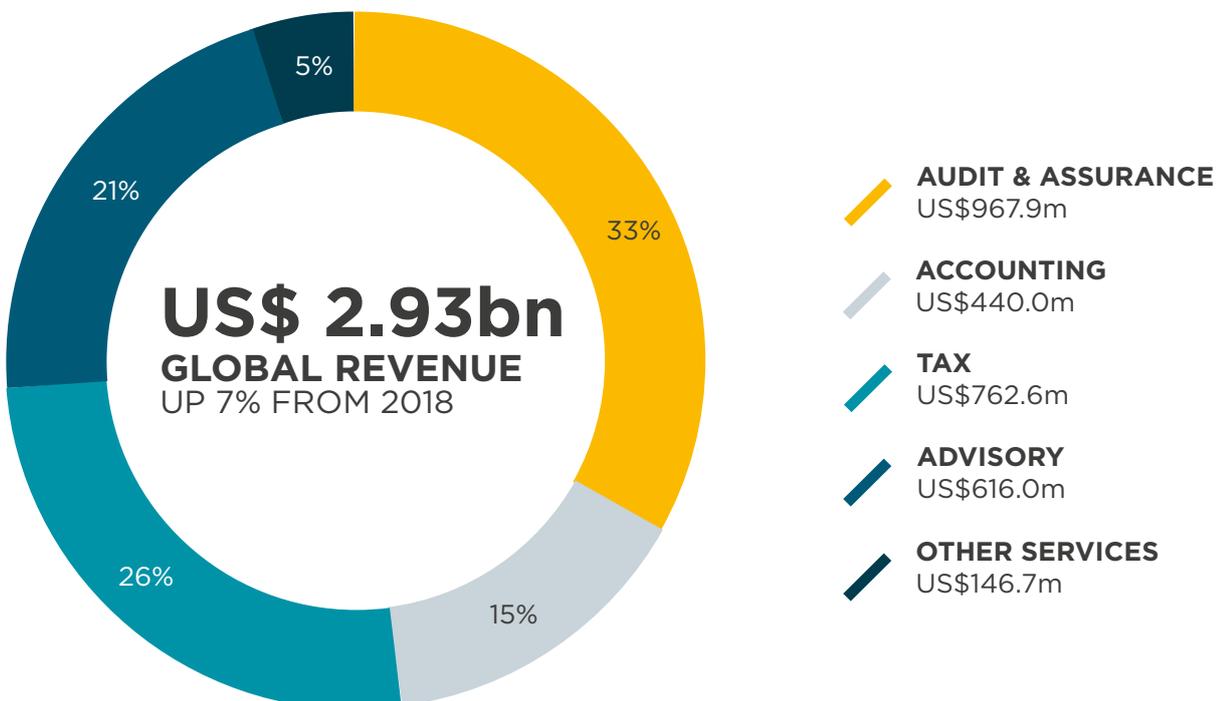
We are delighted to report that 2019 has been yet another successful year for HLB, with a 7% increase compared to 2018, taking our global combined turnover up to US\$ 2.93bn. In line with our objectives, we had strong growth from advisory services with a 28% increase compared to last year. Another important factor contributing to this year's success was the 16 acquisitions made by HLB firms as well as 24 newly appointed HLB firms in additional locations. These successes illustrate HLB's attractiveness as a brand. HLB now has 29,363 people working out of 795 office locations across the globe.

Our continued growth is not something we take for granted. We recognise we are operating in a time of complexity, uncertainty and an accelerating speed of change. For us to maintain an upwards growth curve in the coming years and reach our 2023 objectives, we need to be agile and anticipate disruption. We recognise that the quality of our growth

is becoming increasingly important. This year, we reached our 2020 performance objectives 12 months ahead of schedule and accelerated our growth plans with horizon 2023. Our new strategy "*Shaping our shared future*" was launched in the last quarter of 2019, following a process which involved many internal and external stakeholders. We are future-proofing our organisation, with substantial investment being made into our people, technology and brand to ensure the continued quality of our growth.

The times that we operate in make the road ahead at times unpredictable. But rest assured we are making the investments and changes to our network needed to thrive in the years to come.

Marco Donzelli
CEO, HLB International



GLOBAL REACH

Our global headcount reached a record high this year, with 29,363 people working out of 795 offices across 158 countries.

NORTH AMERICA

17 COUNTRIES
112 OFFICES
5,500+ PEOPLE

LATIN AMERICA

17 COUNTRIES
48 OFFICES
1,800+ PEOPLE

EUROPE

43 COUNTRIES
402 OFFICES
11,600+ PEOPLE

AFRICA & THE MIDDLE EAST

51 COUNTRIES
82 OFFICES
1,500+ PEOPLE

ASIA PACIFIC

30 COUNTRIES
151 OFFICES
8,800+ PEOPLE

OUR PEOPLE

We saw our global headcount increase yet again this year to 29,363 people working out of 795 offices. It is our aim to provide a culture in which people can reach their full potential and benefit from the opportunities a global network offers, to continuously grow our attractiveness as an employer of choice. In order to address our clients' toughest challenges, we need a dynamic pool of talented people with diverse skillsets, backgrounds and beliefs.

The world of work is changing rapidly. Throughout 2019 we offered multiple opportunities for people to not only develop their technical skills, but grow their agility to adapt to the challenges ahead. Whether that be in enhancing their digital capabilities or preparing them for leadership roles. Across the regions, 19 centrally managed learning and development sessions were organised in addition to the numerous

training opportunities organised locally by HLB firms. Our comprehensive e-learning platform was revamped with thousands of courses from leading providers, all designed to provide our people with access to further expertise and knowledge, enabling them to deliver even greater client service.

Developing the HLB culture and ensuring we have an environment for all to thrive within is a key priority for us. We work hard to ensure that all our people have the guidance and tools to build careers as unique as they are. We believe that our people should reflect our clients and the communities we operate in. Creating diverse and inclusive workplaces through HLB talent strategies and encouraging flexible business models will enable us to respond with agility in this ever-changing business environment.



“My very first mentor was my boss. Without him taking me underneath his wing, I wouldn't have had all the opportunities that I have. So, it's important to have men as allies, to bring people along and almost become a sponsor. Becoming allies help others get into the roles that they are in, so that we can continue to build that base of diversity.”

Teresa Richardson, HLB USA

29,363

GLOBAL HEADCOUNT

We know that companies with women in leadership roles consistently outperform those solely led by men. So while we recognise that more needs to be done to truly bridge the gender gap across all levels of the organisation, we're encouraged by the increase in females at partner level. Throughout 2019 we challenged our members to question their own biases when it comes to gender disparity and celebrated the steps we've taken to move the conversation forward. Over the next few years, we will continue to transform our talent pool, encourage future leaders and strengthen our commitment to diversity and inclusion, as we create even greater value for our people and clients.

7%

INCREASE FROM 2018

23%

**FEMALE
REPRESENTATION AT
PARTNER LEVEL, UP 3%
FROM 2018**



OUR COMMITMENT TO LOCAL COMMUNITIES

At HLB we recognise the importance of doing things today that will create a long-term impact on tomorrow's society. Having a presence in over 150 countries, we see it as our responsibility to give back to the communities in which we live and work.

Many HLB firms have dedicated Corporate Social Responsibility (CSR) programmes and are active in their communities, volunteering over 17,000 hours to local partners. As part of HLB's CSR programme, 7th June saw the network come together for #HLBCommunities Day. Launched in conjunction with HLB's 50th birthday, it was our way of giving back to the local communities that we operate in. #HLBCommunities Day saw many of HLB's leaders engage in projects ranging from blood donations and beach clean-ups, to volunteering at food banks and giving time and resources to educational programmes. #HLBCommunities Day saw the network collectively volunteer almost 8,500 hours across 42 community projects.

Our goal is to play a positive role in society at large as well as in our local communities. In conjunction with our Audit & Tax conference in July, we raised £1,300 for GlobalGiving, a global crowdfunding community who support high impact non-profit projects that lead local-level community change. Delegates attending the conference were invited to donate an amount of their choice which would be used to support a number of worldwide economic development projects. We chose to partner with GlobalGiving as they do not simply just donate funds, but the contribution goes towards helping these non-profits access the tools, training and support they need to become more effective on a long-term basis.

Fully embedding CSR into the HLB culture is of great importance to us. We plan to further develop our global CSR strategy in the coming years and look forward to working with our people and clients to be a positive force of change in society.

OUR IMPACT ON #HLBCOMMUNITIES DAY

8,497

**HOURS
VOLUNTEERED**

1,320

**PARTICIPANTS
WORLDWIDE**

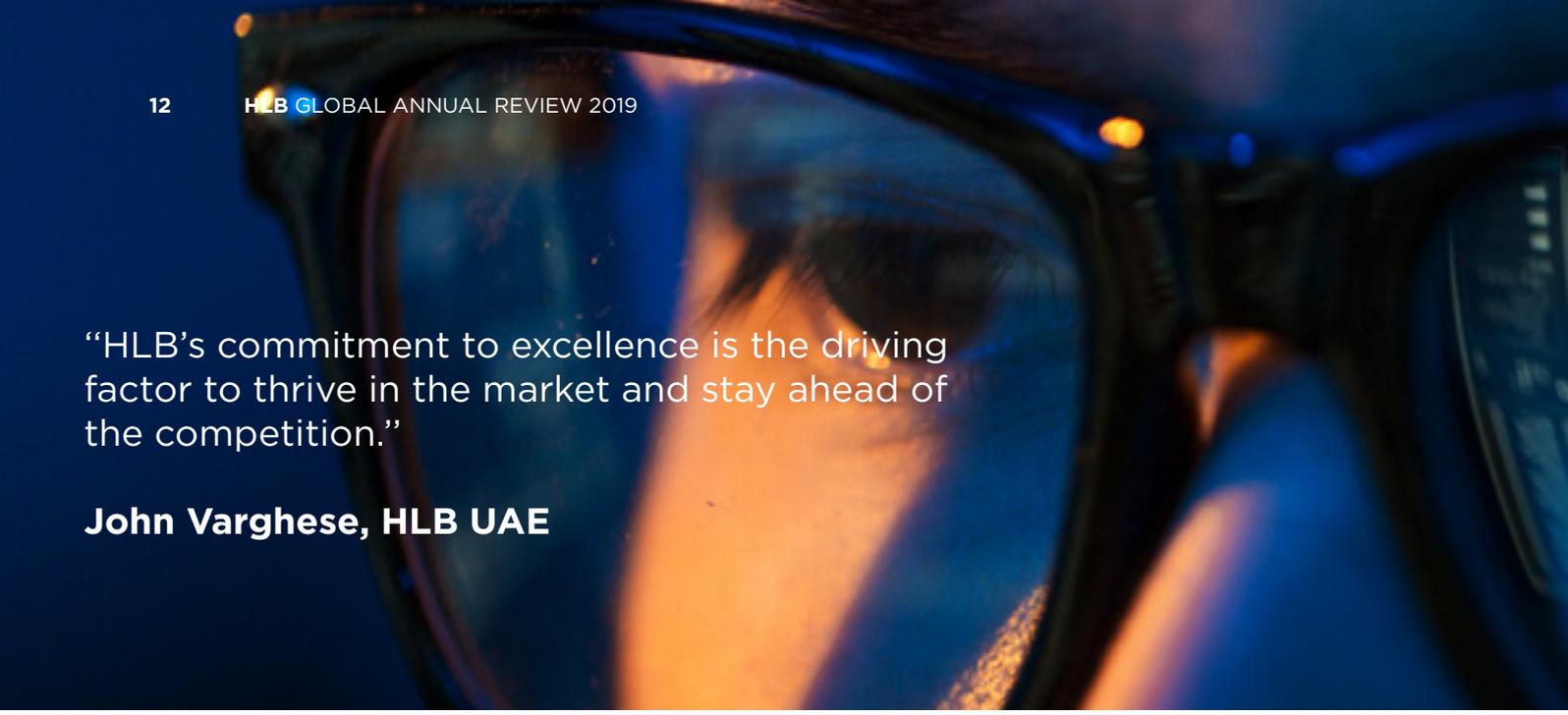
42

**PROJECTS
COMPLETED**

“It was fantastic to see so many amazing projects taking place in celebration of our 50th anniversary. For us, #HLBCommunities Day is not only an opportunity for us to build internal relationships and showcase our community involvement but it allows us all to connect on a global level and share in the impact we create together as a network.”

Marco Donzelli, HLB Global CEO





“HLB’s commitment to excellence is the driving factor to thrive in the market and stay ahead of the competition.”

John Varghese, HLB UAE

HARNESSING TECHNOLOGIES TO SUCCEED

During the past few years, technology has played its part in disrupting all industries, including our own. We’re all aware that traditional ways of working have changed, and organisations’ business models are innovating – thanks in part to the role of technology. The organisations which are ready to thrive in this new landscape are the ones which are most receptive and agile in the application of digital tools and processes. Innovative companies are already modernising their infrastructure, gaining more value from their data, deepening their relationships with clients and migrating their systems and processes to the cloud in order to either remain or become more competitive.

Over the past few years, technology has played an important role in the growth of HLB and while developing our new network strategy, we knew it would become even more paramount.

Technology has become not only an enabler for HLB firms, but also as a proposition to assist clients. Staying updated with technological advancements is integral to business success in today’s digital era. By determining the value created by disruptive technologies, decision makers can build a digital strategy that enables them to stay ahead of the competition.



We understood that it would be imperative that we provide HLB firms with not only strategic but also technological knowledge, to prepare them for the future.

Our technology-focused approach continued throughout 2019, as we established alliances with cutting edge technology partners such as Inflo and introduced cyber security advisory services. We're helping HLB firms align their technology roadmaps to business priorities to future proof their way through disruption.

“HLB is one of the mid-tier networks with technology firmly at the heart of its development strategy. Our investments in technological innovation and collaborations with strategic technology partners allow HLB firms across the world to enhance traditional accounting services and provide new services to clients.”

Abu Bakkar, HLB Global CIO

STRATEGIC PARTNERSHIPS TO ACCELERATE VALUE DELIVERY

At HLB, we strive to help our clients deal with challenges; navigate through disruptive times and identify and create business opportunities.

Our clients range from multinational companies to family businesses, start-ups to government agencies all with unique needs and requirements. Through our organisational framework, we have created a holistic approach to creating value for them.

We collaborate and connect them with the very best people worldwide, whilst maintaining our personal relationships. Throughout 2019, we developed strategic partnerships and affinity programmes that ensured HLB firms and clients are equipped with the tools to grow their business and identify new opportunities. Some of our strategic partnerships included Bureau Van Dijk - A Moody's Analytics Company, Thomson Reuters and Orbitt Capital.

Our collaborations were multifaceted and beneficial for all. Examples of their involvement across our internal conferences included panel discussions on topics such as blockchain, AI, M&A and IPO services – all designed to give HLB firms a better understanding of the environment our clients are working in and how we can create more value for them.

The combination of HLB's firms' expertise, input from clients and collaboration with external strategic partners will undoubtedly help and align with our strategic goals of moving into a new era for HLB.

“Our culture is one that ensures our clients receive the same level of service no matter which partner or staff member they work with in the firm. When we refer clients to other HLB firms, we know they are getting the best service. Globally we share a culture that places the client at the centre of everything we do.”

Katherine Patel, HLB Australia

GLOBAL SERVICES AND CAPABILITIES

ADVISORY

Financial advisory

- / Corporate finance and transactions
- / Crypto assets advisory
- / Wealth & asset management

Management consulting

- / Corporate governance
- / Entrepreneur advisory
- / Human capital advisory
- / Operations management
- / Strategy consulting

Technology advisory

- / Big data and analytics
- / Digital solutions
- / Digital transformation advisory
- / Technology platforms

Legal services

- / Commercial and corporate law
- / Employment and pension solutions
- / Legal management consulting

Risk advisory

- / Business recovery and restructuring
- / Cyber risk
- / Financial risk
- / Forensic and investigation services
- / Operational risk
- / Regulatory risk
- / Strategic & reputational risk

AUDIT & ASSURANCE

- / Financial audit
- / Global accounting & compliance services
- / IFRS
- / Internal audit services
- / IT audit
- / Risk assurance services
- / Sustainability audit & reporting

TAX

- / Corporate and business tax
- / Expatriate tax services
- / Indirect tax services
- / Private client services
- / Transfer pricing

“As a tax lawyer working on indirect tax questions of multinational supply chains, it’s essential to have a reliable and responsive network of colleagues all over the world, to help clients do their cross-border business. It’s the assistance of HLB colleagues who make it possible to offer punctual advice of a high-quality standard to my German and international clients.”

Lutz Meyer, HLB Germany

QUALITY MONITORING AND ENGAGEMENT WITH THE FORUM OF FIRMS AND IFAC

ENSURING QUALITY

Quality is a fundamental strategic objective for HLB – its embedded in everything we do. Continuously improving our quality is crucial to strengthening our brand.

As a Forum of Firms member network, HLB must carry out all audit engagements in accordance with International Standards on Auditing (ISA). ISAs are the professional standards that guide the way in which we perform a financial audit. In addition to this, Forum of Firms membership requires HLB firms to respect the International Standard on Quality Control (ISQC1). This standard dictates the firm's quality control procedures and therefore acts as an overarching guide to the way they conduct all audit engagements.

In order to guarantee compliance with the above-mentioned standards, HLB believes in a multi-tier approach which encompasses quality assurance monitoring of current and prospective HLB firms, annual technical conferences as well as training sessions (both face to face and e-learning) for all staff levels as well as engagement partners. During 2019, several dedicated training modules for individual HLB firms were introduced for

the first time. These sessions allowed firms to receive bespoke guidance or work with a specific industry focus in mind.

Assurance is a pillar of our organisation and the work of our International Assurance Committee is integral to this. Its members, along with our project management team and a group of highly trained internal peer reviewers, ensure that the quality of HLB firms is constantly monitored. Our International Assurance Committee also guarantees that best practice is adopted by all our member firms worldwide, blending quality control with learning.

Our approach will be in the same vein in 2020, albeit with an added business development angle. In addition to the audit area which has for many years been in the spotlight as far as quality is concerned, we are currently also developing best practice guidance for other service lines such as taxation and advisory.

ENGAGEMENT WITH THE FORUM OF FIRMS AND IFAC

As a network we take our membership of the Forum of Firms, and therefore the responsibility of representing and giving a voice to our mid-tier member firms, very seriously. In 2019, we demonstrated our ongoing commitment to representing the mid-tier market by actively engaging in discussions on the potential for developing separate standards for less complex entities. For example, Jennifer Chowhan, Leadership Team Member of the International Assurance Committee, was part of an expert panel discussing the introduction of the revised ISA 540 standard in New York City in June. She was the only representative from the mid-tier networks.

ANTICIPATING CHANGE

The role of the auditor will transform significantly in the coming years and we must be ready to embrace this change. The International Assurance Committee is working in conjunction with HLB firms to identify technologies within audit & risk, so

that these solutions can be implemented across the network to better automate relevant processes.

At our annual audit conference, we invited world-renowned speakers and emphasised best practice initiatives throughout the network. The agenda focused heavily on the adoption of new standards and the way in which we expect our HLB firms to adapt their audit approach to changing circumstances.

In 2019, we focused on emerging and future trends such as data analysis, cyber security and automation in general, which will shape the audit profession for years to come. The importance of taxation as a risk area in transnational engagements also remained a hot topic.

Furthermore, we shared commercial best practices to support our firms in their growth journey.



“I’m proud to be part of a profession that serves the public interest. Audit engagements enhance confidence in financial reporting and contribute to providing reliable, consistent information for decision making.”

Jennifer Chowhan, HLB Canada



NETWORK GOVERNANCE

Our international board – the Council – is the ultimate decision-maker of the network, and is composed by one council member and one alternative from each of the following countries: Australia, Austria, Belgium, Brazil, Canada, Channel Islands, Mainland China and Taiwan, Cyprus, Denmark, France, Germany, Hong Kong, Italy, Mexico, the Netherlands, Russia, Singapore, Spain, United Kingdom and United States of America.

Our rules permit the appointment of independent Non-Executive Directors as Council members. The Council also has three subcommittees:

THE EXECUTIVE COMMITTEE

The Executive Committee consists of the Chairman, Chief Executive Officer and eight to ten other individuals elected

by Council, following recommendations from the Nomination Committee and in accordance with the Executive Committee regulations. The Executive Committee is an advisory body to the Council.

THE FINANCE COMMITTEE

The Finance Committee consists of three individuals elected by Council, following recommendation from the Nomination Committee and in accordance with the Finance Committee terms of reference. The Finance Committee is responsible for recommending financial policies, goals and budgets that support the mission, values and strategic goals of the HLB network. The Committee reviews the Network's financial performance against its goals. The Committee recommends policies and processes related to the network's systems of internal controls



and the auditing and financial reporting processes and reports to the Council and Executive Committee.

THE NOMINATION COMMITTEE

The Nomination Committee consists of the Chairman and up to five individuals elected by Council. The role of the Nomination Committee is to ensure that there is a formal, rigorous and transparent procedure for the appointment of members of the Executive Committee; members of the Finance Committee; any external directors in accordance with article 73.1 of the Articles (“the External Directors”); the chairman of the Company and the Chief Executive Officer of the Company; and to lead the process for such appointments and make recommendations to the Council who will have final approval over all such appointments.

The Committee is to assist the Council in ensuring the composition of the Executive Committee is regularly reviewed and refreshed so that it is effective and able to operate in the best interests of members; and in doing so, the Committee shall work and liaise with other Council committees, as appropriate.

INDEPENDENCE OF OUR GOVERNANCE BODIES FROM THE ASSURANCE FUNCTION

Our International Assurance Committee is completely independent from the Council and its subcommittee, as well as our International Tax Committee and all the global HLB Specialty and Industry groups.

“I’m proud to be part of HLB because of the great work(ing) environment that promotes creativity and innovation, which inspires me and our staff.”

Masuzyo Muteto, HLB Zambia

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