

SHAPING OUR SHARED FUTURE

GLOBAL ANNUAL REVIEW 2018



THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

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TOGETHER WE MAKE IT HAPPEN

A SNAPSHOT OF OUR 2018 NETWORK PERFORMANCE

Welcome to HLB's Global Annual Review 2018. 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 2018.

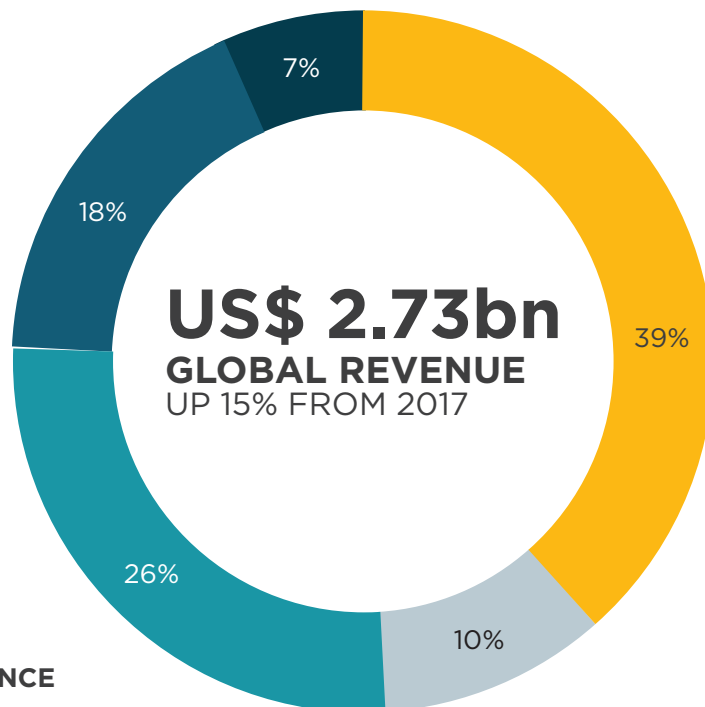
153
COUNTRIES








745
OFFICES



27,485
PEOPLE



-  **AUDIT & ASSURANCE**
US\$1,055.8m
-  **ACCOUNTING**
US\$279.8m
-  **TAX**
US\$722.3m
-  **ADVISORY**
US\$481.8m
-  **OTHER SERVICES**
US\$187.1m

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 2018 financial year runs from 1 January 2018 to 31 December 2018. Revenue and other global figures are aggregates of results of individual HLB member firms.

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MESSAGE FROM THE CHAIRMAN



CORNEY VERSTEDDEN
Chairman
HLB International

OUR WORLD

The year 2018, like the years before it, has seen tremendous change happening all over the world. From Brexit uncertainty in the Eurozone to the ripple effect of major humanitarian crises affecting economies everywhere and the start of a trade war between China and the US. We saw the #MeToo movement go global and shocking headlines on the murder of columnist Jamal Khashoggi dominating the news for weeks. 2018 was also the year Apple become the first public company to achieve a market capitalisation of US\$ 1 trillion and (no surprise here) technology innovation continued to transform industries across the board. While change and uncertainty can feel uncomfortable, they also present opportunity. At HLB, we seek the opportunities for our clients the changing environment presents and help them prepare for more change ahead.

QUALITY AND OUR PROFESSION

2018 was a year during which the accounting profession found itself in the midst of a public debate regarding the expectations set to the

profession. HLB acknowledges quality of services as a key factor and works very hard to keep the trust of the public in its services and products. We strive for high quality standards throughout our network, which we test through our governance policies. I'm proud to say that during 2018, the regular quality reviews showed that all HLB firms do their utmost to meet network standards and continue to improve on quality. However, having good governance and a strict quality assurance program is not all. The continuing need to improve quality means that HLB is always looking for talented people with the right skill set. 2018 also showed that technology continues to grow more important in the accounting profession. Innovation of our services is a given. Over the years one can see that HLB is investing resources into technology and innovation to help our clients and HLB firms. I'm sure that this trend will increase in 2019.

TOGETHER WE MAKE IT HAPPEN

The world becomes more and more internationally oriented. Walt Disney was right: "it's a small world after all". This also means that HLB firms must work together more closely to help and advise our clients and to uphold the quality standards. The mere fact that we work together within HLB, that we can reach out to old and new friends in the network, makes us stronger and more effective.

However, one does not achieve unity by simply doing more in more areas. You achieve it by doing things well in a few important areas. For this reason we are developing a new strategy plan for the years to 2023. Because focusing on core tasks will promote the effectiveness, strength and identity of HLB. The network is here to help our clients anywhere in the world. We achieve this by delivering our HLB brand promise to our clients and communities: Together we make it happen.

I'm very proud to say that 2018 was a record-breaking year for HLB. We have had the highest global turnover ever and our clients can now depend on us in more than 150 countries around the world. All this was made possible because at HLB we believe that together we make it happen for our clients, wherever they are or wherever they want to go.

I have full confidence that with the help of all our friends within HLB we can set even better new records in 2019.



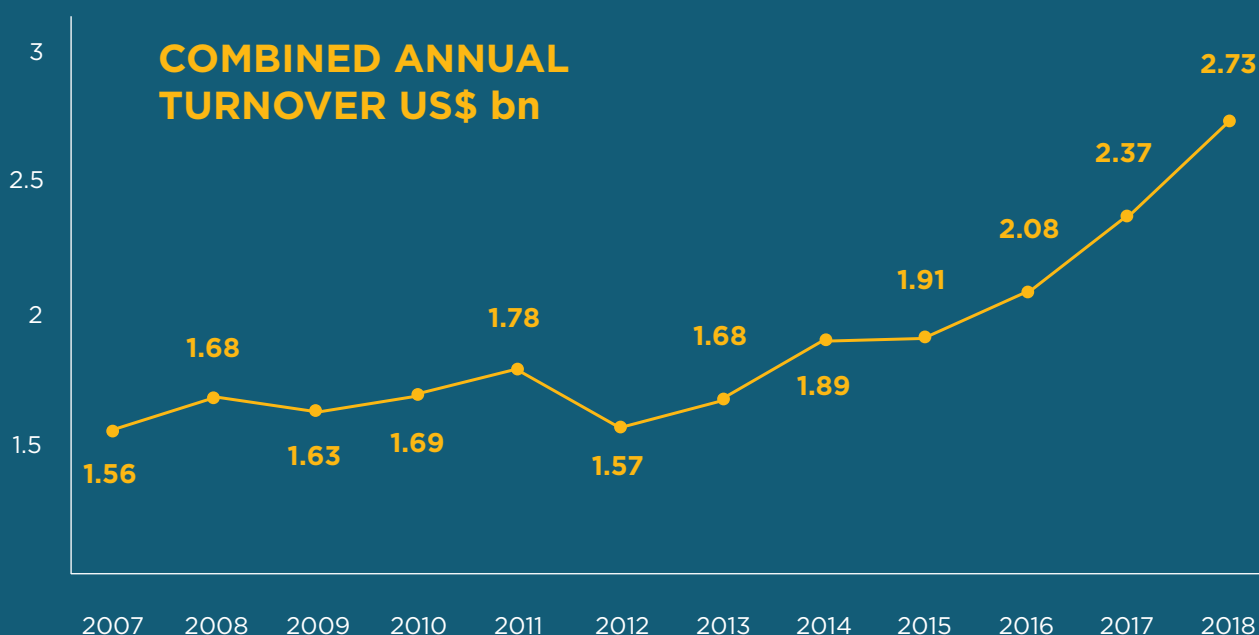
MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



MARCO DONZELLI
Chief Executive Officer
HLB International

Welcome to HLB's Global Annual Review 2018. This report highlights how HLB is making an impact for its clients, people, communities and our whole ecosystem in every corner of the world. Our growth rate well summarises how the network is developing fast with a 15% growth increase from 2017. In fact, for many years in a row, HLB has been one of the fastest growing networks, and we are getting closer to our 2020 objective of US\$ 3bn in terms of global combined annual turnover. Financial results are an important metric for us, but they come only because of many other important actions and results. This year has been particularly busy for HLB, with

the launch of our new brand being the most important transformational step into the future. Our new brand better reflects the innovator role we are taking in the market and has helped us to start a strategy formulation process with horizon 2023, a strategy that will be finalised during the course of 2019. We will leverage our strengths to stay ahead of the curve in these turbulent times and be an even more transformative brand. We expect that our future growth will come from investing in the quality of our people, from building trusted relationships with our clients, our centres of excellence in technology and our talented people across 153 countries who will make it happen for our community. We work hard to promote transparency and we will continue to engage and communicate on a regular basis with all our stakeholders.



GLOBAL REACH

Our global headcount reached a record high this year, with 27,485 people working out of 745 office across 153 countries.



NORTH AMERICA

15 COUNTRIES
104 OFFICES
5,200+ PEOPLE

EUROPE

42 COUNTRIES
384 OFFICES
11,000+ PEOPLE

ASIA PACIFIC

30 COUNTRIES
145 OFFICES
8,770+ PEOPLE

AFRICA & THE MIDDLE EAST

49 COUNTRIES
75 OFFICES
1,400+ PEOPLE

LATIN AMERICA

17 COUNTRIES
37 OFFICES
980+ PEOPLE

OUR PEOPLE IN 2018

Our global headcount reached a record high this year, with 27,485 people across the network. When you ask any of them what makes HLB different, chances are the answer includes the strength of our relationships across the network. We take pride in the friendships and long-lasting professional relationships we have built among ourselves. People are the key ingredient to success in this sector and finding and keeping the most talented people is a challenge. Many factors today are changing the skills we need from our people tomorrow.

In 2018, we created multiple opportunities for people to grow and develop both their technical as well as their leadership and relationship skills. Across regions, 18 centrally managed learning and development sessions were organised in addition to the numerous training opportunities organised locally by HLB firms. We also provide learning and development opportunities to all 27,485 people across the globe through a comprehensive e-learning system that allows people to follow a training session on demand. In total, 1,045 CPD points were issued by our Head Office to attendees of training sessions during the two main international conferences in July and October 2018. This number does not include CPD points earned locally or through other channels, including our e-learning system.

27,485

TOTAL GLOBAL
HEADCOUNT



10%

HEADCOUNT INCREASE
FROM 2017



20%

FEMALE REPRESENTATION
AT PARTNER LEVEL



In order to create a workforce fit for the future in a fast changing industry, learning and development is an integrated part of our culture. We recognise its importance both from a technical point of view as well as providing an environment for our people they can grow a thriving career in. We believe that our people should be a reflection of our clients and the communities we operate in. Championing diversity and inclusion through HLB talent strategies and allowing a more flexible work environment to suit the personal needs of our people is part of our journey to achieving this. Transforming our talent pool will become an even bigger area of focus for us in the coming years, as we progress future leaders and expand our skills-sets to provide a wider range of quality services to clients.

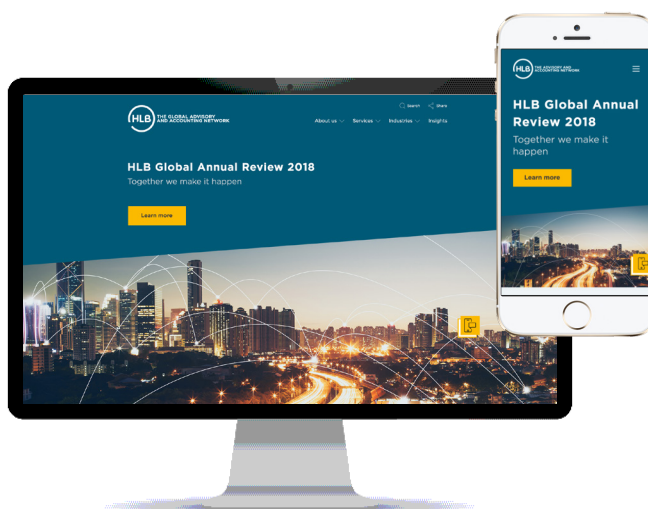
A NEW BRAND TO FIT OUR GROWTH AMBITIONS

The biggest HLB event of 2018, was the launch of our new brand in July. In recent years. As a mid-tier network, our competitive edge against our larger competitors is our ability to offer a more collaborative and entrepreneurial approach to business. HLB firms were viewed as trusted advisors with long standing client relationships. Our firms were also naturally moving with industry trends and had started expanding their service offerings beyond traditional compliance work. This sparked the need for a rebranding and led to our new positioning of HLB as 'The global advisory and accounting network'.

During the development process of the new brand, it was important to us that HLB retained its established brand values which we've built up over the past five decades, while at the same time evolve and develop a new modern identity that fits our growth ambitions. In the past 5 years, our network revenue has grown by 62% (US\$ 1.68b network combined revenue in 2013, compared to US\$ 2.73b in 2018). We believe we have accomplished this through the power of working together. Our new tagline 'Together we make it happen' illustrates HLB's philosophy that collaboration between firms and a close relationship with the client and team members leads to the best results and added value for all parties involved. It reflects our corporate culture and shared values. The technical knowledge

and expertise we share among each other, combined with our relationship and leadership skills empowers us to raise our professional standards and provide a true HLB client experience. The new brand allows us to bring the HLB client experience to life through all our branded touch points.

On 1 October 2018, we launched our new website, which targets international business audiences and aims to provide a client centric branded experience. It is a powerful channel in our global marketing strategy to position HLB as a trusted advisor and challenger brand among the mid-tier networks. We believe our new brand ensures we communicate the right messages and better equip our firms. We know the professional services landscape is rapidly changing and we recognise the need to change with it to provide value for our clients, our people and our communities.





**“This new brand underlines
the global growth the
network is undergoing.”**

Corney Verstedden
Chairman, HLB International

NETWORK ENABLEMENT THROUGH TECHNOLOGY INNOVATION



ABU BAKKAR
Chief Innovation Officer
HLB International

Enablement of the network through smart technology was an important area of focus for us in 2018. Besides GDPR coming into effect and the preparations we took to be fully GDPR compliant, we also looked at how to use technology to improve the network and create an infrastructure for future growth. We understand the impact technology is having on the industry and the disruptive effect it will have on our future if we don't embrace technology and evolve in our profession. Traditional ways of working are changing at a fast rate and are driven by technological change, digital transformation and efficiencies that cloud, automation, distributed ledger (blockchain) technologies and artificial intelligence (AI) are bringing to the industry.

We work together to face these challenges and embrace opportunities to create value for our clients and our network. Accounting processes are projected to become fully automated in the near future, allowing us to use technology for traditional compliance work and adding client value through consulting. Technology allows audit professionals to take a much deeper dive into the financials of an organisation and provide insights that result in more-informed decisions in support of a high-quality audit.

Another area we see change happening fast is in the expectations of our clients. More tech-savvy businesses want more from their accountant than just traditional audit and tax services. Clients expect their trusted advisor to be using the latest technologies not only to be more efficient but also to provide business advice, strategic planning and financial forecasting. These are all core areas that the new kind of client wants and firms that cannot offer these are likely to struggle in the new digital marketplace.

HLB firms are increasingly offering software-as-a-service (SAAS) solutions. Client value is offered through lowering infrastructure costs, cheaper set-up costs and improved speed of implementation. Companies can also allow their clients access to their SAAS applications making it easier for their clients to benefit from firms' technologies.

At HLB, we encourage best practice groups to share knowledge on modernisation of internal processes using new technologies. Technology is an important area of focus for us and we encourage HLB firms to adopt firm-wide technological innovation and make use of the efficiencies, automation and analytics capabilities of modern financial software. At a strategy level, we are investing to build closer relationships with selected technology partners and to expand our technology advisory services offering to our clients in all regions.



**HELPING BUSINESSES GROW
THROUGH INNOVATIVE THINKING
AND A COLLABORATIVE
APPROACH**

GLOBAL SERVICES AND CAPABILITIES

At HLB, innovative thinking and collaborative behaviour are deeply rooted in our DNA. Through nearly five decades of working together, we have built a strong global network of professionals providing advisory and accounting services to clients of all kinds. When working with us, we guarantee the same level of quality and an outstanding client experience whether you engage an HLB firm in Costa Rica, China or the Czech Republic.

Through nearly 27,500 partners and staff across the globe, we share expert knowledge and in-depth experience to help clients reach their organisational goals both in domestic markets and overseas. We have created an ecosystem of sharing international best practices, collaborating on important client issues and creating new ideas that help our clients, our people and our communities grow. This is how we deliver on our brand promise: Together we make it happen.



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



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

QUALITY MONITORING AND ENGAGEMENT WITH THE FORUM OF FIRMS AND IFAC



BETTINA CASSEGRAIN
Technical Director
HLB International

QUALITY MONITORING

Quality is at the heart of the HLB service offering. In order to guarantee the continued success of our brand, consistent audit quality throughout the network is of paramount importance. It is also a prerequisite of our continued membership of the Forum of Firms.

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 our member 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 member 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. Our International Assurance Committee, support staff and a team of quality assurance reviewers and regional audit champions ensure the approach is not solely led from our head office in London. Direct engagement in the regions guarantees our message is heard and adopted by all member firms worldwide. Blending quality control with learning initiatives is essential for a better understanding of deficiencies and the ensuing timely implementation of corrective action.

During 2018, HLB has carried out quality assurance reviews of prospective and current HLB firms on all continents and has run dedicated training sessions in the Balkans, French and English speaking Africa, the Caribbean and Latin America. Similar outreach is planned for 2019 and will be tailored according to the specific needs of our members.

ENGAGEMENT WITH THE FORUM OF FIRMS AND IFAC

HLB has been a member of the Forum of Firms for many years. As a network we take the responsibility of representing and giving a voice to our mid-tier member firms very seriously. As HLB's Technical Director, I have been a member of the Transnational Auditors Committee since 2014 and the Forum of Firms' Agenda Committee since 2016.

In 2018, we have been actively engaged in discussions focusing on the role of IFAC and the organisation of the audit profession as a whole, thus ensuring the interests of mid-tier firms within our network is represented.

AUDITOR ENGAGEMENT WITH OTHER SERVICE LINES

At our annual technical audit conference, we invite world-renowned speakers and also highlight best practice initiative throughout the network. The agenda focuses heavily on the adoption of new standards and the way in which we expect our member firms to adapt their audit approach to changing circumstances.

In 2018 we have also focused heavily on emerging and future trends such as data analysis, cyber security and automation in general which will shape the audit profession over years to come. The importance of taxation as a risk area in transnational engagements has also been discussed.

Furthermore, and most importantly, we share commercial best practice initiatives from all over the world which help HLB firms to grow and develop their service offering.



NETWORK GOVERNANCE

Our international board – the Council – is the ultimate decision-maker of the network, with 22 council members from the following countries:

Australia, Austria, Belgium, Canada, Channel Islands, Mainland China and Taiwan, Cyprus, Denmark, France, Germany, Hong Kong, India, Italy, Mexico, the Netherlands, Russia, Singapore, Spain, United Kingdom and United States of America.

The Council has three subcommittees:

THE EXECUTIVE COMMITTEE

The Executive Committee consists of the Chairman, Chief Executive Officer and other members selected by their countries or elected by Council in accordance with Executive Committee regulations. The Executive Committee is an advisory body to Council.

THE FINANCE COMMITTEE

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 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; 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 assists the Council in ensuring the composition of the Executive Committee is regularly reviewed and updated 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.

2018 has seen two major changes under the governance standpoint. The first one has been Corney Verstedden from HLB Netherlands taking on the Chairmanship of the network for the period 2018-2020. The second one has been the reform of the structure and criteria for membership for the

Executive Committee, one of the sub-committees of our international board. In short, this reform will enable HLB to constantly have the right composition of Executive Committee members at any point in time in the future, especially considering the tremendous changes our profession is undergoing. We believe that leaders must be elected for their specific skills and for their abilities to foresee the future, rather than just following geographic criteria or compliance rules. We also changed our rules to permit the future appointments of independent Non-Executive Directors as Council members.

OTHER COMMITTEES AND GROUPS

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.



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**THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK**

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