

AGILITY IN A CHALLENGING YEAR

HLB'S GLOBAL ANNUAL REVIEW 2020



THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

www.hlb.global

TOGETHER WE MAKE IT HAPPEN

2020 HLB NETWORK PERFORMANCE AT A GLANCE

Welcome to HLB's Global Annual Review 2020. 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 2020.



159 countries



32,839 people



968 offices



**US\$ 3.28bn
global revenue**



**12% increase
from FY2019**



**2020 Network
of the Year**

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. Our 2020 financial year runs from 1 January 2020 to 31 December 2020. Revenue and other global figures are aggregates of results of individual member firms.

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MESSAGE FROM THE CHAIRMAN



For many, the dawn of a new decade brings optimism about the future. And despite world events which had taken place in the years immediately preceding it, many were hopeful that 2020 would be that new beginning. In fact, business leaders told us in our inaugural *Survey of Business Leaders* that while they were pessimistic about the global economy, they were confident in their own ability to grow their business.

Here at HLB, we were in the same position. We had just launched our new strategy, *Shaping our Shared Future*, to increase the value we offer to our people, clients and society at large. We, like the rest of the world, had no idea how dramatically the world would change in just a few months because of a pandemic, social unrest and the economic uncertainty that followed it.

AN UNPRECEDENTED YEAR

COVID-19 has been a crisis quite like no other and its impact on the world's health and economies has been unprecedented. It has affected so many people across the globe, including within our own network, and I want to send our condolences to all those who lost friends and family during these very difficult times.



The pandemic brought a huge amount of change, but I've been impressed with how quickly we all adapted to new ways of working, with technology being at the centre. Our collaborations with clients remained seamless and our connection with each other was strengthened. But how were we continuing to contribute to society during such unique times?

“THESE HAVE BEEN A CHALLENGING 12 MONTHS, BUT THE FACT THAT WE CONTINUED TO GROW AND MEET OUR AMBITIOUS TARGETS GIVES ME GREAT CONFIDENCE IN OUR DIRECTION OF TRAVEL FOR THE YEAR AHEAD AND THE PEOPLE WHO ARE ON THAT JOURNEY WITH US.”



Even through trying times, our commitment to our communities remained stronger than ever. so we dedicated this year's #HLBCommunities day to COVID-19 recovery projects. Despite the various lockdown measures which were affecting countries, I'm very proud to say that we were still able to come together as a global organisation and volunteer over 7,300 hours to local projects.

COVID-19 was not the only big headline of 2020. The world witnessed further increased geopolitical tensions, an explosion in Lebanon and devastating natural disasters which emphasised the urgency of Environment, Social and Governance (ESG) agendas for all organisations. But another key issue raised in 2020 was that of racial inequality and the wider discussion needed around diversity and inclusion. These events made us as an organisation look at how we can drive sustainable change around diversity, not only internally, but within our industry. And we tackled the conversation head on publishing our *Unconscious Bias Awareness Study* and opening a wider dialogue on the issue as part of our Corporate Social Responsibility commitment.

Nevertheless, 2020 was not all doom and gloom. Despite its various challenges, there were still notable highlights. HLB was awarded 2020's 'Network of the Year' at the Digital Accountancy Awards in recognition of our growth but also our commitment to creating value for our stakeholders. We also exceeded our performance objectives for 2020, continued to diversify our

service offering, to accelerate technology-driven transformation and to attract top quality people to join us. All these things were the confirmation that we are on the right strategic path and that we should keep pushing forward, which is exactly what we plan to do.

LOOKING TO THE FUTURE

As the economic uncertainty continues to unfold, our profession will undoubtedly be affected. We have already anticipated this and will continue to collaborate with our clients as we all navigate the 'New Normal'. We saw how the audit profession evolved to accommodate technology without compromising quality and we anticipate that will continue across all service lines.

These have been a challenging 12 months, but the fact that we continued to grow and meet our ambitious targets gives me great confidence in our direction of travel for the year ahead and for the people who are on that journey with us. It just shows that our slogan, 'together we make it happen', does not just apply to business and to HLB's growth. It also reflects how we connect with our entire stakeholder ecosystem.

Corney Versteden
Chairman, HLB International

MESSAGE FROM THE CEO

In late 2019 we launched *Shaping Our Shared Future*, our network strategy aiming at creating a better future for our entire ecosystem and at becoming a future-proof organisation in a progressively more complex environment. And while no one could have predicted what 2020 would bring, our strategy put us in the right position to adapt and innovate. This is reflected in another very strong year for HLB, with a 12% increase from 2019 taking our global combined turnover up to US\$ 3.28bn. A big contributor to this was the strong organic growth of our firms, including 23 new acquisitions, as well as 15 newly appointed HLB firms in key markets such as the Americas and Asia Pacific.

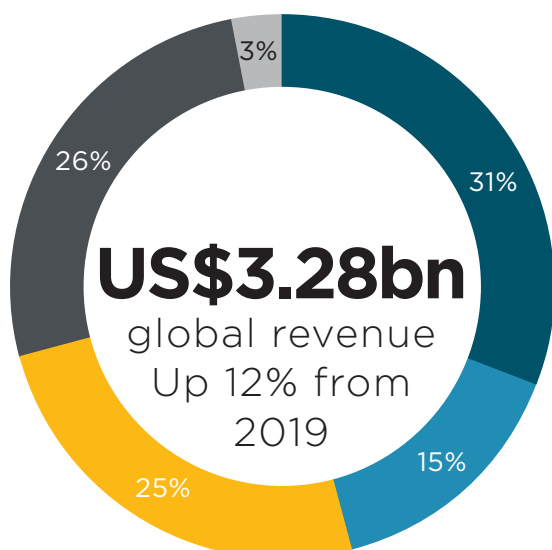
The execution of our strategy during a time of immense uncertainty is a testament to the strength of our network. Our focus on the quality of our growth has seen further significant increases in our advisory services, up 26% compared to last year. By investing in growth markets, our global footprint now extends to 32,839 people working out of 968 office locations across the globe. Additionally, the new partnerships and alliances we formed heightened our capabilities and reinforced the attractiveness of HLB as a brand.

While we enter 2021 in a strong position, and in light of the global vaccine rollout, we're cautiously optimistic about the future. Guided by our vision, we - as an organisation and an ecosystem of stakeholders - are continuously evolving and preparing for the future. With further investments being made into our technology, brand and above all our people in the coming years, I am confident we will continue to move forward and achieve our 2023 objectives.



Marco Donzelli

Global Chief Executive Officer, HLB



AUDIT & ASSURANCE

US\$1.02bn

ACCOUNTING

US\$492m

TAX

US\$819m

ADVISORY

US\$852m

OTHER SERVICES

US\$98m

GLOBAL REACH

Our global headcount reached a record high this year, with **32,839 people** working out of **968 offices** across **159 countries**.



NORTH AMERICA	LATIN AMERICA	EUROPE	AFRICA & THE MIDDLE EAST	ASIA PACIFIC
17 COUNTRIES	17 COUNTRIES	47 COUNTRIES	52 COUNTRIES	26 COUNTRIES
129 OFFICES	77 OFFICES	513 OFFICES	86 OFFICES	163 OFFICES
6,300+ PEOPLE	1,780+ PEOPLE	15,800+ PEOPLE	1590+ PEOPLE	7,100+ PEOPLE

OUR PEOPLE

Ensuring the health and wellbeing of our people became a top priority for us throughout 2020. Once the World Health Organization (WHO) declared COVID-19 a pandemic, we closed our Executive Office and provided guidance to all of our 968 offices around the globe to do the same. In line with advice from WHO, all international travel was suspended and local authority/governmental guidance was followed regarding remote working and any additional lockdown measures.

Our people quickly adapted to working from their homes as opposed to their offices. Yet this new situation raised challenges as to how to ensure their wellbeing, during a very uncertain time. We created a dedicated hub with guidance and best practice to help HLB firms and their staff. Through regular virtual regional meetings we discussed the challenges and opportunities which we were all facing throughout the pandemic and offered our people regular occasions to connect with their global peers.

In recent years, we have been working hard to create a culture in which our people could thrive, and despite the challenges of COVID-19, this continued. Development opportunities were provided through our e-learning platform, webinars and training programmes, such as our HLB Engage series. Launched in November, the four-part series is targeted at pre-Partner level and aims to introduce team collaboration on international engagements, as well as to build

our leadership strength for the future. All conferences were moved to virtual events. While maintaining our strategic focus, we adapted the content of our conferences to reflect the current times, for instance through sessions exploring the more human side of doing business under challenging circumstances.

An equally important part of creating the HLB culture is ensuring that the environment our people work in is as diverse and inclusive as possible. And while this has always been a priority for us, it moved even higher up the agenda in 2020. The issue of social and racial inequality was brought to the fore and prompted HLB to look at ways we could drive sustainable change and create a more lasting impact for our people. We launched our own research in conjunction with Cambridge Judge Business School, *HLB's Unconscious Bias Awareness Study*, into how greater diversity and inclusion could be achieved within our profession by tackling unconscious bias. The report investigated the lack of diversity at the top level of professional services firms and how unconscious bias constrains the career progression for certain groups of professionals and becomes a bottleneck to diverse hiring. We also proudly signed up to CEO Action for Diversity & Inclusion, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. But more importantly, throughout 2020 a dialogue was held across the network about the importance of diversity and inclusion and of challenging some previously held beliefs.



32,839

PEOPLE

159

COUNTRIES

22.5%

FEMALE
REPRESENTATION
AT PARTNER LEVEL,
UP 5% FROM 2019

Further solidifying our commitment to developing our culture, in November, our new global Chief People Officer, Marina Kooijmans, joined the network. Marina now leads the network's people strategy and drives the HLB culture around our core values and organisational purpose. Her responsibilities include improving our learning and development strategy to maximise employee potential. An important part of her role is to further develop HLB's diversity & inclusion programme too. Our commitment to diversity and inclusion covers all aspects and we were encouraged by the increase of females at partner level to 637. As discovered in our research, we know that companies with diverse teams yield greater financial performance. Not only that, but diversity of thought is also often the difference maker for clients, so it is important that we keep pushing this agenda item if we want to see a more diverse and gender equal society. There is no question that more can be done to tackle these issues, and we will be addressing these through our broader People Strategy and CSR strategy in years to come, but we are encouraged with the part we are playing in moving the conversation forward.

“HAVING THAT DIVERSITY ACROSS AGE, GENDER, SEXUALITY, CULTURE, AND EXPERIENCE IS WHAT HELPS US. WE’VE EVEN FOUND THAT IT HAS GIVEN US OPPORTUNITIES TO WIN BUSINESS. HAVING A DIVERSE RANGE OF PEOPLE ON THE TEAM BROADENS EVERYBODY’S MIND AND OPENNESS AND ENCOURAGES LEARNING FROM ONE ANOTHER. THAT’S WHERE OUR UNCONSCIOUS BIAS TRAINING HAS COME IN.”

MARK BUTLER, HLB IRELAND





OUR COMMITMENT TO OUR COMMUNITIES

As a global organisation, we know that we can play an important role in tackling some of society's toughest challenges. In fact, we see it as our responsibility to give back to the communities in which we live and work. And this was made more evident in a year where our communities' livelihoods and education were often paused for significant periods of time.

Knowing that they would be severely affected by the pandemic's impact, we dedicated this year's #HLBCommunities Day to COVID-19 recovery projects. A key part of HLB's Corporate Social Responsibility (CSR) programme, #HLBCommunities Day is our way of collectively giving back. Despite the challenges of undertaking volunteering projects with social distancing and lockdown orders, the network

came together and participated in diverse initiatives. Firms took part in projects including donating PPE equipment to healthcare charities; collating food and clothing donations for local food banks; donating time and resources to medical centres through to fundraising challenges. This year's #HLBCommunities saw the network collectively volunteer 7,393 hours through 1,111 participants across 31 community projects.

This is in addition to local initiatives, through which HLB firms volunteered over 27,800 hours. In the early stages of the pandemic, firms rallied their staff for food bank drives, donation of vital health supplies and additional pro-bono work.

"IN THESE UNPRECEDENTED TIMES, OUR COMMUNITIES NEED US NOW MORE THAN EVER. WHICH IS WHY DESPITE THE VARIOUS LOCKDOWN MEASURES AND SAFETY PRECAUTIONS THAT NEEDED TO BE FOLLOWED, IT WAS WONDERFUL TO SEE SO MANY PROJECTS TAKING PLACE. THAT IS BECAUSE FOR HLB, GIVING BACK IS DEEPLY EMBEDDED WITHIN OUR CULTURE, AND DAYS LIKE **#HLBCOMMUNITIES** DAY REMIND US OF THAT."

MARCO DONZELLI, HLB GLOBAL CEO



Our impact on #HLBCommunities Day

7,393
hours



1,111
participants



31
projects



DRIVING INNOVATION THROUGH TECHNOLOGY

In the digital age we have been used to changing but 2020 has been a year of unprecedented disruption to businesses. The pandemic has transformed how companies operate and deliver, and it tested their business processes. The scalability and agility of companies with a digital core has been brought to the forefront. Companies have had to be innovative and adopt new technologies (i.e. the cloud) in a very short period, which led to an acceleration of digital implementation.

Remote working is predicted to become an established solution for many employees and is likely to be included as a common long-term practice. Therefore, companies must ensure that processes can scale and support a highly distributed workforce. With many digital assets now outside traditional enterprise perimeters due to the rapid migration of applications and data to cloud services, companies must rethink security controls. Businesses must implement a scalable architecture to extend security controls to distributed assets. Traditional security controls are hard to adapt to this new reality, so a new architectural model for security is needed.

HLB has already been ahead of this curve by taking a technology-focused approach over the past few years. In 2020 this has been enhanced with the launch of HLB Digital, our offering dedicated to providing technology advisory services to our clients, with our initial focus being cyber security. HLB digital provides HLB firms globally with the capability to provide scalable security services such as cyber assessments and high value security consulting in their own marketplace and to their own clients.

As we move into 2021 and hopefully a post-covid era, the need for operational resiliency across business functions, technology and service delivery will continue to be tested. There will be opportunities to diversify into new service offerings and the growth drivers all require a business to have a future ready digital core. Thanks to the investments made, HLB firms are in a good position to be ahead of the digital curve.

“ONE OF THE POSITIVE SIDE EFFECTS OF THE PANDEMIC AND RAPID SHIFT TO REMOTE WORKING IS THAT THE ADOPTION SPEED OF DIGITAL PROCESSES AND PLATFORMS BY EMPLOYEES HAS ACCELERATED. WHERE SOME PEOPLE WERE SLOW TO ADJUST TO NEW, MORE DIGITISED WAYS OF WORKING BEFORE, NOW THEY DID NOT HAVE A CHOICE.”

ABU BAKKAR, HLB CHIEF INNOVATION OFFICER

TECHNOLOGY

“MANY ORGANISATIONS WERE PREPARED FOR CYBERSECURITY. BUT WHAT THEY WEREN'T PREPARED FOR WAS CYBERSECURITY CONCERNS IN A REMOTE WORK ENVIRONMENT. DECISION-MAKERS DIDN'T ANTICIPATE THAT THEIR ENTIRE WORKFORCE WOULD BE WORKING VIRTUALLY. SO NOW THEIR MINDSETS SHIFTED AGAIN TO ASK HOW CAN WE PROTECT OUR CONFIDENTIAL AND PRIVATE DATA THAT ALL OUR EMPLOYEES NEED ACCESS TO WHILE WORKING FROM HOME?”

JIM BOURKE, HLB GLOBAL TECHNOLOGY & ADVISORY LEADER

58%

OF ORGANISATIONS WERE NOT WELL PREPARED FOR A REMOTE WORKFORCE

88%

OF RESPONDENTS CHANGED CYBERSECURITY STRATEGIES AND PROTOCOLS IN RESPONSE TO COVID-19*

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 SERVICES

- / 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
- / Sustainability & CSR advisory

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

QUALITY MONITORING AND ENGAGEMENT WITH THE FORUM OF FIRMS AND IFAC

ENSURING QUALITY IN TESTING TIMES

During 2020 and as the implications of the COVID-19 outbreak became increasingly unpredictable, we had to shift our focus and re-allocate the priorities of our assurance function.

COVID has undoubtedly highlighted the importance of intra-network collaboration and global and regional outreach, to ensure that audit quality remains high and best practice initiatives are shared, although in a virtual fashion. For instance, our International Assurance Committee revised the content of our annual audit conference to accurately reflect the challenges auditors are facing in this new reality.

Starting from the beginning of the pandemic, we ran an interactive webinar series to guide our auditors during these challenging times. The overarching topic was 'Auditing in Times of Crisis' but we also highlighted the importance of effective collaboration with other services lines, how to roll out and apply technology within the assurance function, and how to prepare teams and clients to work together in person again once the situation allows it.

The webinar series, our annual audit conference and the various regional training and update events for staff and partners have shown one thing: at HLB, we have been able to respond to unprecedented challenges fast, learn by exchanging best practice and move into the future with a more streamlined and client focused audit approach.

These initiatives are only part of the story. As with the case of previous years, HLB had a significant number of quality assurance reviews planned for 2020. Many of these reviews had to be carried out virtually rather than in person and in some instances, this can be a difficult undertaking. However, our network came to this appointment well prepared as, since 2017, we had already been deploying a remote review approach for HLB firms in countries where the profession is more developed.





“BEING PART OF THE HLB NETWORK ALLOWED US TO EXECUTE OUR PLANS, AS THROUGH HLB WE WERE ABLE TO IMPLEMENT THE RIGHT AUDIT TECHNOLOGY FOR OUR ORGANISATION.”

DINUK HETTIARACHCHI, HLB SRI LANKA

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 firms, very seriously. Throughout 2020, the work of the Forum of Firms and IFAC also moved to a virtual format and we were involved in several key discussions. We engaged in conversations on the revisions of ISQC1, the audit of Less Complex Entities, Fraud and Going Concern as well as the impact of the pandemic on the audit profession. Additionally, members of the International Assurance Committee participated in the Forum of Firms and IFAC panels as well as IAASB thought leadership initiatives.

EMBRACING CHANGE

2020 saw our auditors not only embrace but adopt change fast, enabling HLB firms to deliver innovative solutions for our clients. And while the pandemic may not yet be over and challenging times remain ahead, we are now better prepared for the future. This will prove increasingly important due to the significant number of revisions to standards being introduced over the next couple of years. The significant revisions of ISQC1 and ISA 220, for which we are working on to provide relevant guidelines to our firms, is just the most significant project. Changes in the group audit and risk assessment standards and ongoing discussions regarding Less Complex Entities and Fraud and Going Concern are all in the pipeline too.

NETWORK GOVERNANCE

Our international board – the Council – is the ultimate decision-maker of the network and is composed by one council member (a director of HLB under UK company law) and one alternate director 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 has three subcommittees:

THE EXECUTIVE COMMITTEE

The Executive Committee consists of the Chairman, Chief Executive Officer and between eight to ten other Council members and directors appointed by Council, following recommendations from the Nomination Committee and in accordance with the Executive Committee regulations. The Executive Committee is an advisory body to Council.

THE FINANCE COMMITTEE

The Finance Committee consists of between three Council members and alternate directors appointed 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 between four Council members and alternate directors appointed by Council, in addition to the external directors (if any). 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, which is the final decision-maker 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, our Global Advisory Committee and all the global HLB Specialty and Industry groups.





**THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK**

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