

REACHING NEW HEIGHTS

HLB'S GLOBAL ANNUAL REVIEW 2021



THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

www.hlb.global

TOGETHER WE MAKE IT HAPPEN



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NETWORK AT A GLANCE

Welcome to HLB's Global Annual Review 2021.

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 2021.



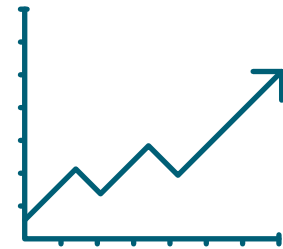
Global combined revenue

**US\$
4.08BN**



Offices

1,030



Network growth

25%



Countries

157



People

38,732



Cross-border growth

10%

Note to readers:

Revenue and other global figures are aggregates of results of individual HLB member firms. Our 2021 financial year runs from 1 January 2021 to 31 December 2021. 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

CHAIRMAN MESSAGE



Corney Verstedden

Chairman
HLB International

As I look back on 2021, I feel it has been a year with two distinct parts. During the first part, there were strict Covid restrictions across many nations. Intense social and political unrest which was highlighted by the attack on the US capitol. The withdrawal from Afghanistan that left the world aghast and financial markets in dismay. Issues around climate change made themselves more evident, with bush fires engulfing large parts of Australia and deadly flooding incidents in parts of Europe. Events like these had a profound impact on our clients and our people.

But there was a lot of resilience too. The tide started to turn as vaccine rollouts were helping the world emerge from the pandemic. There seemed to be a renewed set of priorities focused on togetherness and community. Public and private sector came together to discuss accelerating climate actions during COP26. We enjoyed the Olympics and Euro 2020. Many of our clients turned lessons learned from the pandemic into new innovations, transforming their businesses. And as for the HLB network – while the year may have started gloomy – we ended FY21 on a record high, growing by an astonishing 25% in combined revenue.

TRANSFORMING THE WORKPLACE

Taking on board lessons learned from Covid, the pandemic accelerated an emerging trend into the now standard practice of hybrid working. The HLB workplace has become more agile. Offering flexible working hours and hybrid office solutions, supported by remote working technologies are now essential elements of our employee experience. While this new way of working presented some challenge for our auditors as they continued to struggle with limited

physical access to client sites, it is also unlocking new opportunities. Technology has helped audit professionals improve their services offering to one that is streamlined, truly client focused and therefore more likely to build long lasting loyalty. This digital transformation has also enabled HLB to work more efficiently on all aspects of client services. We are in a continuous learning effort on how we can make the new world of work happen for HLB.

Our people remain a primary focus for us. We worked closely with regional talent champions on attraction, retention, and development of our people. By sharing best practice, firms are learning from each other and supporting a mindset of continuous learning towards becoming future proof by the end of 2023.

As we continue to embrace the spirit of diversity and inclusion (D&I), we took strategic actions to be more actively inclusive. We appointed the HLB Global D&I Council whose core purpose it is to drive sustainable change across HLB. We believe that the key to driving greater diversity, equity and inclusion within our industry is tackling unconscious bias, and so we were delighted with the recognition of our own research, Unconscious Bias Awareness Study, which was short-listed for a Digital Accounting Forum Award in the 'D&I initiative of the year' category.

MOVING FORWARD WITH SOCIAL ASPIRATIONS

Considering the global footprint of our network, we see it as our responsibility to give back to the communities in which we operate. Our annual #HLBCommunities Day took place in June, with member firms supporting charitable projects and local communities. This year's initiative saw HLB collectively volunteer over 5,000 hours.

Towards the end of the year, we brought all our social aspirations under one umbrella and developed our new Corporate Social Responsibility (CSR) strategy. This is married to our business strategy *Shaping our Shared Future*. The strategy will enable us to power to live our purpose and help create an inclusive, sustainable future for everyone within the HLB ecosystem.

What a year it has been! 2021 taught us to embrace change and develop good practice. HLB stood strong in the face of adversity and managed to substantially grow the network. We could not have done this without effectively collaborating with our members. Together we make it happen, as this record-breaking year has shown us once again.

CEO MESSAGE



Marco Donzelli
Global CEO
HLB International

In this year's review, we look back on a record-breaking year. While our journey has been very successful these past years, I must say I feel very grateful we were able to grow as much as we did despite Covid still playing a dominant factor in daily life for large parts of 2021. They say that with crisis comes opportunity. We took learnings from the start of the pandemic and used our innovative thinking to propel us onwards and upwards. As such, we accomplished an astonishing 25% growth in FY21, with our combined annual revenue summing up to US\$ 4,081,435,222.

Most of our growth comes from North America, where we were able to recruit three excellent new firms into our network. But our growth didn't just come from acquisitions. In fact, we reached all the targets for FY21 as set out in our business strategy *Shaping our Shared Future*. Revenue from advisory services now makes up 28% of total revenue. Growth in this service line is an important KPI for HLB, as we transition beyond traditional compliance services. Cross-border referrals grew by nearly 10%. A result I am particularly proud of as the global team has worked hard on strategic initiatives to stimulate international work between HLB firms. Altogether, we are well on our way to reach the 10th position in global ranking and meet all our strategy objectives by the end of 2023.

ADDRESSING GREATER EXPECTATIONS

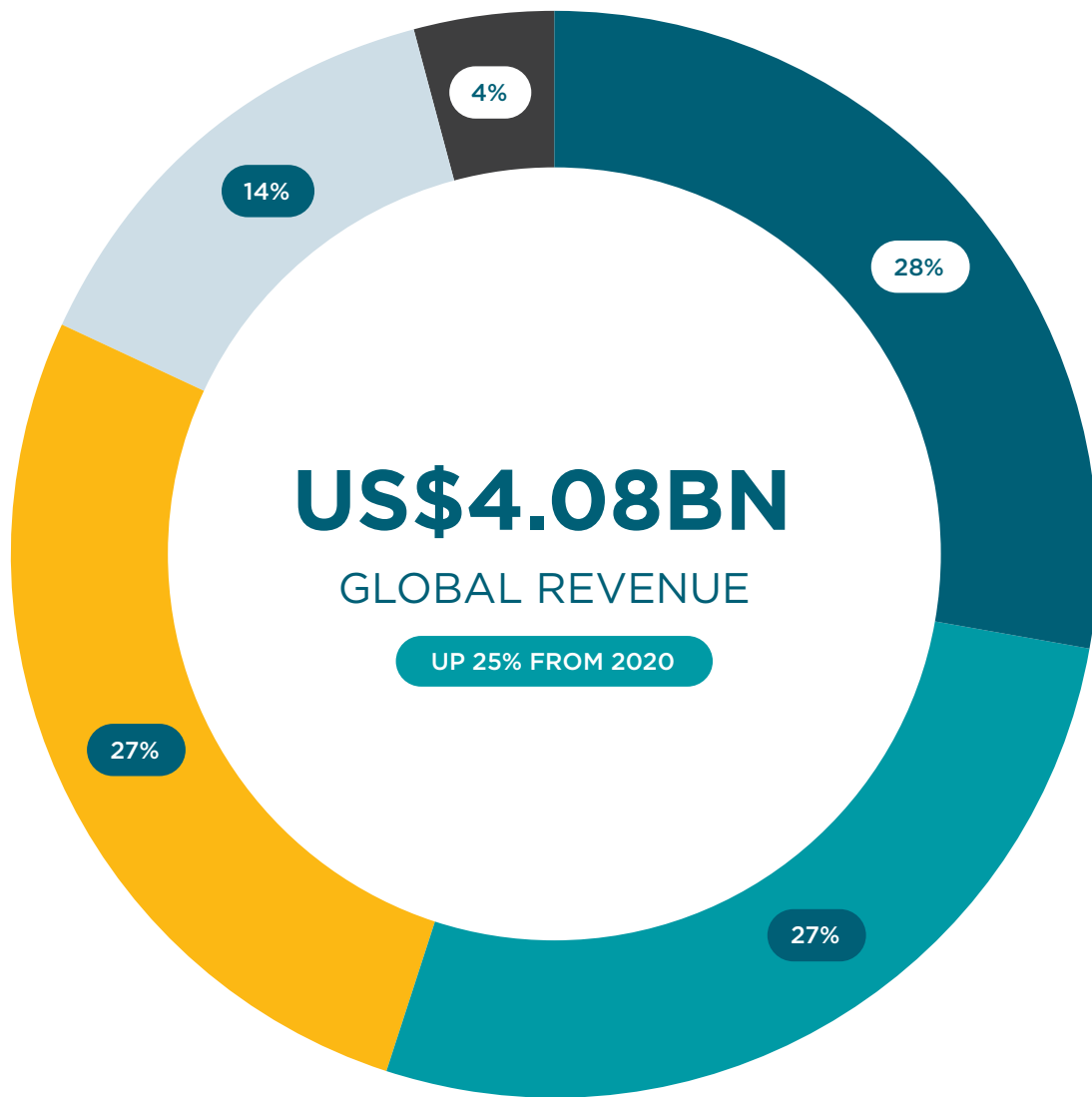
Also in this year's review, for the first time, we are reporting on additional performance metrics beyond financial performance. We recognise the need to report on matters important to a wider set of stakeholders. Our recently launched CSR strategy marries with our business strategy and

aims to reinforce our social aspirations to helping create a more inclusive, sustainable future for all within the HLB ecosystem. Our CSR framework focuses on three strategic dimensions: diversity and inclusion, the environment, and communities. Across all three dimensions, we are now reporting our progress against the CSR objectives set out in our business strategy.

The HLB network employs almost 39,000 people across the globe. And their expectations for what makes a good workplace have shifted since the start of the pandemic. In order for us to compete for the best and brightest in a pressured labour market, we have invested greatly in our people and the HLB employer brand experience. Remote working has its benefits, but we also want to allow our people the opportunity to come together at the office, build relationships and collaborate in-person. That is why hybrid working enabled by digital technology and remote-working infrastructures are now standard for many HLB firms. Another way we invest in our people is through upskilling them for the future. We have been building a learning culture for the network and will continue to do so through a skills-based learning and development approach.

Building and maintaining relationships is crucial to our continued success. While we carefully got back to some in-person events, virtual meetings and conferences continued to help us effectively collaborate in 2021. We are excited for in-person conferences to return, but we will also continue with virtual meetings as they can bring additional value for more remote regions and individuals less able to travel.

Technology is key to a lot of our success. I believe the accelerated digital transformation we have experienced over the last two years has been instrumental for our competitiveness in the traditional sense for our clients, as well as an employer to work for and partner to collaborate with. As we look ahead, we will continue to navigate the ongoing changes surrounding us. I am confident that we are stronger, more agile, and better equipped to anticipate change than we ever have been. Rest assured that our journey towards our 2023 strategy objectives will be successful.



ADVISORY
US \$1.14BN

TAX
US \$1.10BN

AUDIT AND ASSURANCE
US \$1.10BN

ACCOUNTING
US \$571M

OTHER SERVICES
US \$169M

GLOBAL REACH

Our global headcount reached a record high this year, with **38,732** people working out of **1,030** offices across **157** countries.



NORTH AMERICA
 17 STATES
 111 OFFICES
 7,870+ PEOPLE

EUROPE
 47 COUNTRIES
 504 OFFICES
 11,600+ PEOPLE

ASIA PACIFIC
 26 COUNTRIES
 211 OFFICES
 11,260+ PEOPLE

AFRICA & THE MIDDLE EAST
 52 COUNTRIES
 91 OFFICES
 1,570+ PEOPLE

LATIN AMERICA
 15 COUNTRIES
 113 OFFICES
 2,580+ PEOPLE



PEOPLE

2021 has been a successful year where we made substantial progress on the execution of our talent strategy in the three strategic areas: attraction, retention, and development. We are well on our way to reach our talent objectives by the end of 2023, as set in our *Shaping our Shared Future* strategy.

A trend accelerated by the pandemic, hybrid working has become the new standard for many of our firms. Digital technology and the transformation of our business processes have enabled us to collaborate effectively both internally as well as with clients during times of strict Covid measures earlier in 2021.

The workplace has become more agile, and flexible working hours and hybrid office solutions, supported by remote working technologies, are essential elements of our employee experience. We are in a continuous learning phase on how we can optimise this new world of work for HLB.

To embrace this new way of working, we also need to relearn how to interact. The way our leaders pay attention to the wellbeing and mental health of their staff, supported by transparent communication and trust, will be crucial for our ability to retain the best people.

Like many organisations in the world, HLB is competing for the best and brightest talent in a shrinking talent pool; a trend that the global pandemic has accelerated. As we move forward, we need to think more broadly about talent attraction and retention—from flexible working opportunities, attractive compensation and benefits packages, transparent succession planning to learning and development (L&D), and D&I programmes. A strong employer brand will be pivotal to attract and retain the right people.

A CULTURE OF CONTINUOUS LEARNING

Learning is at the core of our efforts to maximise employee potential. We support a culture and mindset of continuous learning and development to enable the sharing of ideas and experiences across our network. Our learning programmes consist of blended learning solutions in the form of functional training and human skills development across our network.

In our continuous efforts to improve on our learning and development activities we introduced new affinity partners: Bookboon Learning with business e-books, audio books and webinars and Busuu Language Learning. The latest addition to our e-learning offering is Skillssoft, launched in November 2021. This platform includes practice resources on topics such as cybersecurity, artificial intelligence and data analytics. These courses help employees better understand the way technology is changing the face of business today.

During the HLB Global Summit in October we organised several talent sessions representing the new world of work on topics including. The business case for diversity and inclusion, How to future proof your organisation and How to thrive in a rapidly changing landscape. The emergence of new working styles has given us enormous opportunity to grow in ways that will fundamentally improve our organisation.



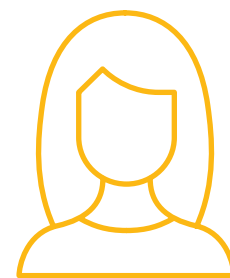
157

Countries



38,732

People



24.4%

Female representation at partner level

UP 24% FROM 2020

OUR D&I JOURNEY

Diversity, equity and inclusion was an important topic on the talent agenda in 2021. We developed a more strategic framework of how we want to approach all our D&I ambitions and defined KPIs for D&I in our business strategy. We have started our D&I journey and are inviting our entire ecosystem of people, clients, and stakeholders along with us as we:

- Focus on our people and create a culture of belonging (*workforce*)
- Design the best place to work for our people (*workplace*)
- Anticipate our client's needs (*marketplace*)

We aim to build trust with our people and communities. We appointed a Global D&I Council led by Bill Bradshaw for the network. The Council is made up of senior members from various HLB firms across all regions. This council will champion D&I and drive sustainable change across the organisation. In November we participated in the CHRO & CDO Summit from CEO Action, a D&I initiative. We gained valuable insight into how we can integrate D&I and transparency into our business strategy and daily practices.

Our aim for D&I is to make continuous progress in small steps, as we are aware that development in this arena will forever be ongoing.

OUR COMMITMENT TO PEOPLE AND THE ENVIRONMENT

2021 saw an important milestone for us as we developed the framework for our first network-wide CSR strategy. We collected data from across the network to help us better understand which central actions need to be implemented to achieve our 2023 CSR network objectives. This resulted in three strategic areas of focus:

- Diversity and inclusion- championing equity and equality in the profession and providing the best opportunities for our people.
- The environment – working with stakeholders to understand, track and quantify environmental impact.
- Communities – effectively giving back to the global communities in which we operate.

While HLB firms have always engaged in local CSR activities, the network’s global reach presents a great opportunity to make a difference by channelling our efforts more strategically. This year saw the beginning of that. Through the objectives of the global CSR strategy, we can ensure that we have a positive impact on the communities we serve and operate in. We recognise the importance of using our voice on, and constructively contribute to addressing some of the most pressing issues of our time.

DIVERSITY AND INCLUSION

As we continue to deal with the diversity, equity, and inclusion challenges which professionals in our industry are facing, we believe it is our duty to help and support one another and to be actively inclusive. Inclusion can create opportunities for a sense of belonging, encouragement, and well-being to improve the retention of the people in our organisation. Our newly appointed D&I Council plays an important part as it aims to drive change and awareness on key D&I issues. With council members from across the globe, we can now focus on strategic initiatives that will drive sustainable change across our network.

One of such initiatives was our participation in International Women’s Day 2021 and the worldwide campaign #ChooseToChallenge. Followed by our first Day of Understanding in April, in support of CEO Action. This encouraged firms across the network to come together and have an open dialogue and meaningful conversations on D&I topics.

We believe that the key to driving greater diversity, equity and inclusion within the professional services industry is tackling unconscious bias and so we were thrilled by the recognition of our very own research, Unconscious Bias Awareness Study which was short-listed for a Digital Accounting Forum Award in the ‘D&I initiative of the year’ category.

OUR PEOPLE



2,571

from underrepresented groups



9,434

took part in D&I training



COMMUNITIES

Every HLB firm is proudly embedded into its own local community and as a global network, we see it as our responsibility to give back to the communities in which we live and work. Now in its fourth constructive year, our annual global CSR initiative, #HLBCommunities Day took place on 4th June 2021, with member firms supporting environmental projects and local communities. On this day, we saw 790 people from HLB collectively volunteer 5,007 hours across 20 projects. But our efforts didn't stop there. While the world was emerging from the Covid restrictions, our member firms stayed deeply connected with their communities, volunteering 76,208 hours to charitable projects and 9,712 hours spent on pro-bono services.

OUR IMPACT ON #HLBCOMMUNITIES DAY

5,007
HOURS

790
PARTICIPANTS

20
PROJECTS

ENVIRONMENT

The effects of the climate crisis are becoming increasingly evident. It affects us all and there is no escaping it. Tracking and understanding our own impact on the environment is key in taking responsibility and ultimately moving towards becoming Net Zero. Under our CSR strategy, we have identified factors such as travel and energy usage to reduce our carbon footprint. Actions against these factors resulted in an average CO₂e per FTE at 57.61Kg. A number we aim to reduce even further in the near future. We do so by reducing travel and encouraging virtual meetings, adopt energy-efficient office policies and other recycling and paperless best practices.

As such, the HLB global office based in London formally adopted a permanent hybrid working office in October 2021. It is estimated that, when those with remote-compatible jobs worked at home half the time, it would result in saving 54 million tonnes of greenhouse gas per year. The equivalent to taking 10 million cars off the road.

We understand that to significantly reduce HLB's carbon footprint, we need tools to monitor and quantity our carbon offset. In 2021 we introduced a carbon calculator in order to help HLB firms keep track and meet the network's objective to reduce our carbon footprint per FTE by 4% by 2023.



An average CO₂e per FTE at
57.61KG

TECHNOLOGY POWERED VALUE-CREATION

Technology is constantly evolving. HLB have stayed dedicated to keeping abreast of all technological and cyber security advances for the absolute benefit of our network. 2021 saw HLB firms accelerate to a high level of technology maturity. Firms have been innovative by using new technologies to deliver advisory services to clients. Stronger collaboration has been built within several HLB federations to customise audit software to local needs and to develop plans for data analytics platforms.

Over 2021, we tested and piloted a client intelligence tool called HLB Cloud, which promotes cross-border opportunities. We worked proficiently with our affinity partners to create value and educate HLB members via several webinars, for example with affinity partner Plenitude focussing on RegTech topics such as Agile AML/CTF Compliance in the next generation customer acceptance process.

Our affinity partner Botkeeper held a well-attended webinar to show how HLB firms can scale up through technology and automation. We set up the global hyper automation hub of excellence. HLB firms now

have access to the HLB automation hub powered by Electroneek and includes the SaaS Orchestrator which is a single control room to manage automation ecosystem.

Furthermore, we implemented our blockchain network framework. The HLB private blockchain has now “nodes” in each of the regions. The blockchain will be accessible to all our members via the HLB referral portal on our intranet.

Digital channels such as our corporate website remain an integral part of our communication with clients, our people and wider stakeholders. We continued to enhance the user experience of our corporate websites in HLB’s Family of Sites (FoS) over 2021, migrating it onto a better platform, with the launch of the new websites in the first half of 2022. This will include new functionality to share website content amongst all the FoS users, such as an international job board among other features.

Over 2022, we will continue to adopt new technology to enhance our processes and create more value for our clients and our firms.

QUALITY MONITORING AND ENGAGEMENT WITH THE FORUM OF FIRMS AND IFAC

2021 remained an unpredictable year during which many auditors continued to struggle with limited physical access to client sites. This meant that our auditors had to rely heavily on auditing remotely.

From a pure audit perspective, a lot of focus and attention was required in two areas: internal controls and cybersecurity. Not only had the pandemic wreaked havoc with existing internal controls systems that could often simply not be maintained while client staff were working remotely. The new working from home arrangements also allowed for almost unprecedented exposure to cybersecurity breaches. As such, cybersecurity remains an ongoing concern. In addition to this, clients who had disposed of sufficient cash reserves during 2020 were more exposed as their reserves began to dwindle. Ever-growing supply chain issues added difficulty to an already strained situation.

Yet, while navigating complex audit season, firms needed to start thinking about the implementation of changes in standards, most importantly the incoming change in management standards, which would take up a lot of time and resources.

To assist our firms with this change, we decided to work with an external technical consultant who led the preparation of a framework our firms can use to align their existing internal quality management system in order to comply with the new requirements. Most of the work was carried out during the first half of 2021. It included the review of our existing audit working paper and network quality review questionnaires, but was mainly focused on the development of an HLB network methodology, including a summary document explaining the changes and an app firms can use to assist with internal decision-making.

Between June and November 2021, we ran several virtual workshops to allow firms to familiarise themselves with the topic. All relevant documentation and recordings of the various sessions are available on the HLB intranet. Access to the app, which was officially launched in March 2022, is also granted via the intranet free of charge.

Due to the complexity of this topic, another technical session and more hands-on breakout sessions are planned for HLB's annual Audit, Tax and Advisory Conference in July 2022 in Fort Lauderdale.

QUALITY ASSURANCE REVIEWS

It goes without saying that the change in management standards is only part of the story. As was the case in previous years, we had a considerable number of quality assurance reviews scheduled in 2021. While many of these reviews still had to be carried out virtually, we managed to start some in-person reviews during the second part of the year. Given that we had already embraced a hybrid model of in-person, remote and virtual reviews before the pandemic, our 2021 review schedule was completed as planned.



ENGAGEMENT WITH THE FORUM OFFIRMS AND IFAC

The work of the Forum of Firms and IFAC once again moved to a virtual format with more meetings being held than usual. The revisions of the management standards and discussions around the audit of less complex entities, fraud and going concern and the impact of the pandemic on audit in general have significantly increased the workload.

As a member of the Transnational Auditors Committee and the Forum of Firms' Agenda Committee, our Technical Director Bettina Cassegrain, was once again able to represent a mid-tier perspective during discussions with these important industry bodies. We have also seen a number of our HLB colleagues take part in Forum of Firms and IFAC panels. A special thank you goes to Jennifer Chowhan and Jim Bourke.

BUILDING OUR FUTURE

2020 taught us to accept change, especially as far as technology was concerned. 2021 taught us to embrace change and develop good practice. There have been countless instances when our audit partners raised issues and concerns when remote working suddenly became the norm. By now, the same people have realised how technology has helped them not only stay in business but improve their services offering to one that is streamlined, truly client focused and therefore more likely to build long lasting loyalty.

This is why the audit function is working very closely with our HLB technology leaders to ensure new and existing affinity partnerships that allow our member firms to build a better future for their firms and their clients.

ISQM

To provide the best support to HLB members, in 2021 we completed guidelines on the implementation of ISQM standards and launched an ISQM tool available for everyone at HLB. The implementation of ISQM standards is a far-reaching project and we recognise the effort required to organise the necessary changes within individual member firms. To help HLB firms with this task, training sessions on ISQM have begun in the last quarter of 2021 and will continue throughout 2022.

WHAT NEXT

With a substantial number of revisions to standards coming our way over the next couple of years, the main challenge for firms will be to navigate this transition successfully while concentrating on developing new business opportunities in the audit space. One area we will be focusing on at HLB is the new obligations in ESG related assurance, and how we can assist our firms to prepare themselves for such engagements.

GOVERNANCE OF OUR NETWORK

Our international board – the Council – is the decision-making unit of the network. It is composed of 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.

**Council members and alternate directors appointed to Channel Islands and to Russia were resigned from their roles following the network membership termination of their member firms in May 2021 and March 2022, respectively*

Our rules permit the appointment of independent non-Executive directors as Council members. The Council has three subcommittees: The Executive Committee, the Finance Committee and Nomination Committee.

THE EXECUTIVE COMMITTEE

The Executive Committee consists of the Chairman, Chief Executive Officer and between eight to ten 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 three Council members or alternate directors appointed by the Council, following recommendation from the Nomination Committee and in accordance with the Finance Committee terms of reference. For the avoidance of doubt, Finance Committee members cannot also be members of the Executive Committee or Nomination Committee or be the Chairman of the company. 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, two Executive Committee members and two directors or alternate directors who are not also Executive Committee members 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 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 Nomination 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.

TOGETHER WE MAKE IT HAPPEN



**THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK**

Global figures are aggregated across the HLB network.

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