

A low-angle photograph of a modern glass skyscraper. The building's facade is composed of large glass panels held together by metal frames. In the foreground, there are green leaves from a tree, partially obscuring the view of the building. The sky is visible through the glass panels.

# Mazars in Hong Kong transparency report 2020

mazars



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## Introduction Mazars at a glance

### Global coverage

**90+**  
countries & territories

**40,000+\***  
professionals  
\* 26,000+ professionals in Mazars' integrated partnership, 16,000 via Mazars North America Alliance

**1,070**  
Mazars SCRL partners

Group global turnover  
2019-2020

**€1.9bn\*\***

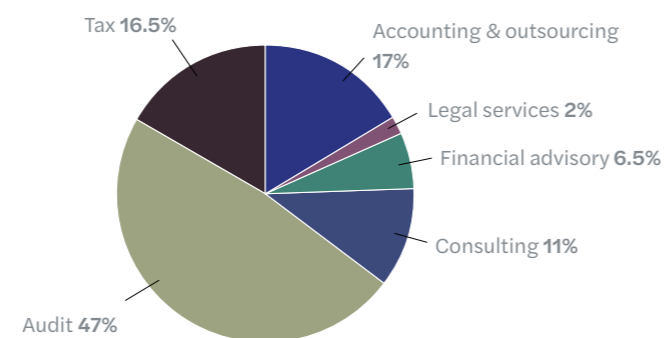
\*\* includes data for the ZhongShen ZhongHuan and ZhongShen Yatai practices.

These figures are valid as of 31 August 2020. For current up-to-date information, please visit: [www.mazars.com/keydata](http://www.mazars.com/keydata)

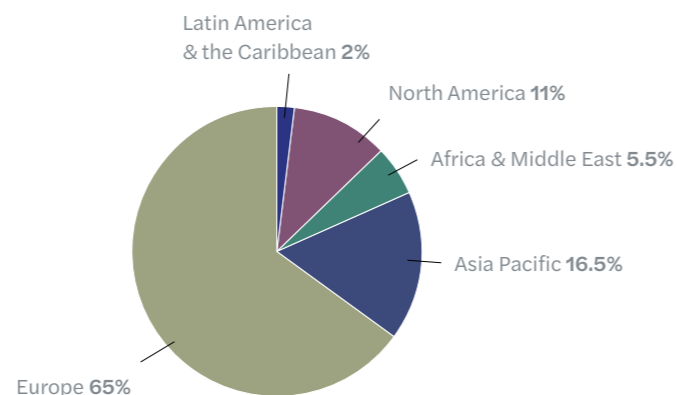
**Mazars SCRL (hereafter 'Mazars Group', 'the Group') is an international, integrated and independent organisation, specialising in audit, advisory, accountancy, tax and legal services.**

On all six continents, our global partnership brings together over 26,000 international experts, plus another 16,000 through our North American Alliance. They all share the same vision, the same entrepreneurial and collaborative mindset, and the same determination to create shared value for all our stakeholders: our staff, our clients, the business community and society as a whole.

### Global turnover by service lines (%)



### Global turnover by regions (%)



## Introduction Mazars' story

€100m turnover  
**1995**

1,000 professionals  
Creation of the international partnership

€500m turnover  
37 countries  
**2005**

5,300 professionals  
Growth in Europe and in America

€1.8bn turnover  
More than 90 countries and territories

**2019**  
24,400 professionals  
Presence on five continents  
Growth in Asia and in the United States

€1.9bn turnover  
More than 90 countries and territories

**2020**  
Over 26,000 professionals





# Introduction Mazars in Hong Kong at a glance

1

office

350+

professionals

21

Partners

## Our people

13,900

hours audit team training

Female partners

17%

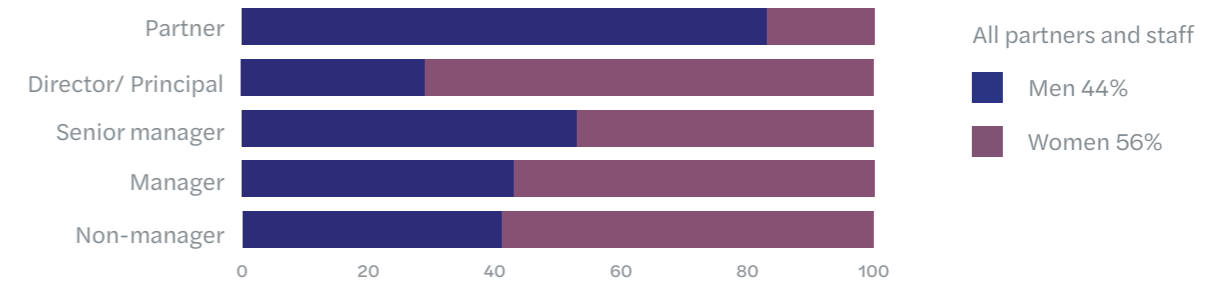
as %age of total

6%

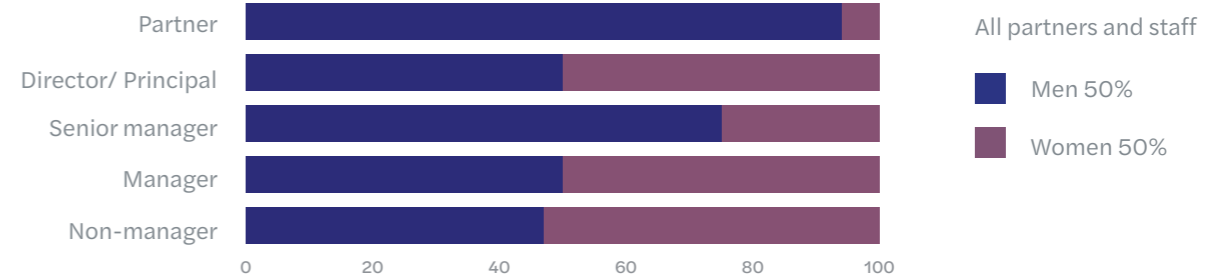
as %age of audit

These figures are valid as of 31 August 2020.

### Breakdown of Mazars in Hong Kong by gender



### Breakdown of Mazars in Hong Kong audit staff by gender





## Introduction

### Foreword by Jimmy Yip, Managing Director of Mazars CPA Limited

**In light of the impact of Covid-19 pandemic and political uncertainty in Hong Kong, 2020 has been a year filled with unprecedented challenges across all industries.**

In the past year, the ability of adapting to the new reality has become more important than ever. Weathering the global financial crisis, our international pool of talents under Mazars's one integrated partnership, comprising over 42,000 professionals - 26,000 in our integrated partnership, 16,000 via the Mazars North America Alliance - across more than 90 countries and territories, have demonstrated resilience.

We are proud to rely on over 350+ Mazarians in the Hong Kong office. The extensive expertise and experience of our team fused with agility, enable us to respond to our clients' new needs during this turbulent period. Providing insights that shed further light on how to effectively mitigate the negative consequences of the recession, we support our clients to develop a sustainable business and stay ahead in the competition. We would like to express our profound gratitude to clients for their trust, which establish delightful long-term relationship.

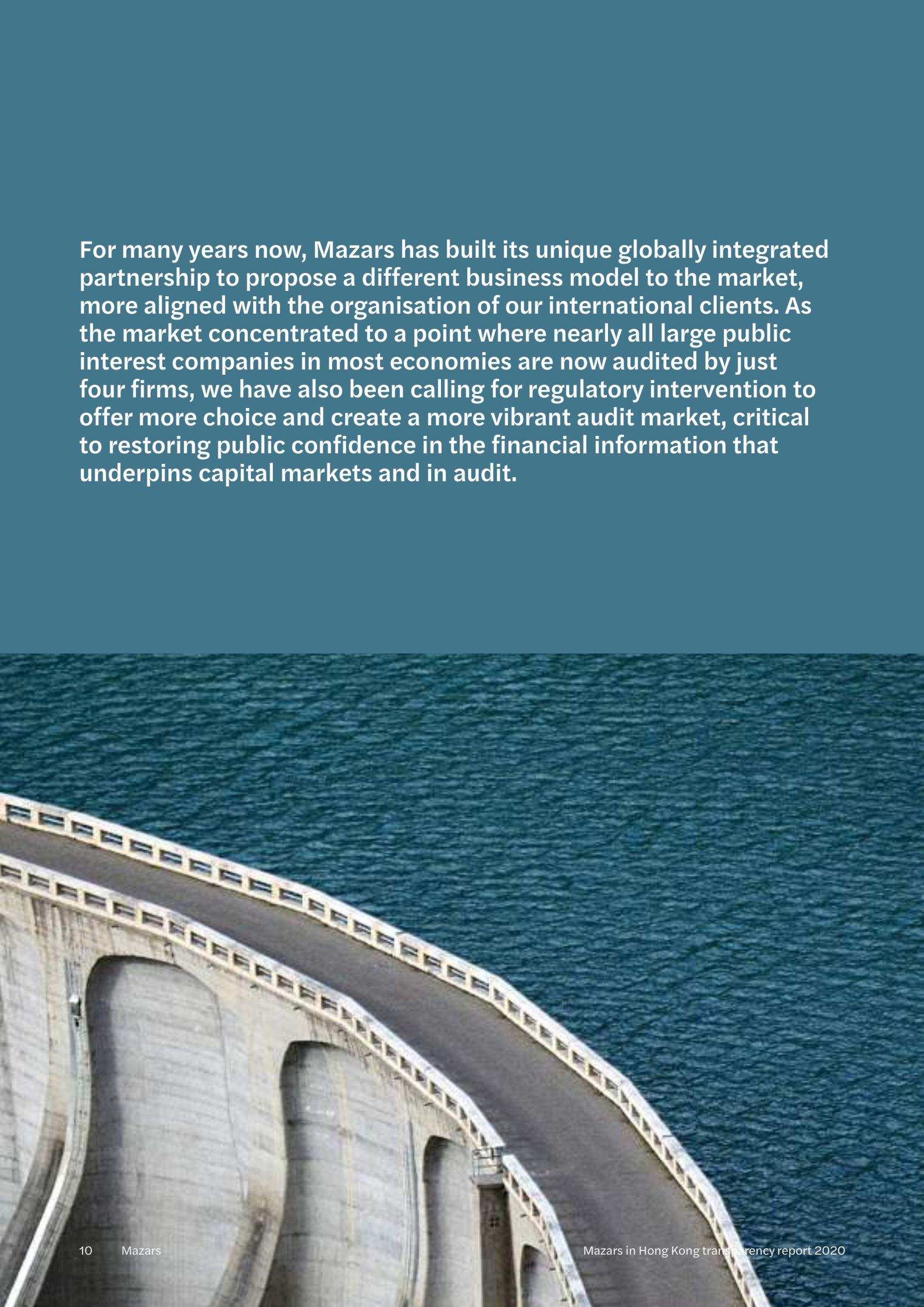
Audit remains at the heart of our business. In 2019-2020, Mazars's revenue reached € 1.9Bn and a growth of 7.8%. We have grown our global footprint at the right scale and attract professionals who share the same aspirations. Balancing the global perspectives and local knowledges, our passionate team serves clients of all sized ranging from multinational corporations to small and medium-sized enterprises. At Mazars in Hong Kong, we have been closely working with the China office to create synergy. Capturing the opportunities, we have been serving H-share listed companies and China State Owned Enterprise, as well as engaging in IPO projects.

Following the announcement of our global rebrand in Oct 2020, Mazars with our new brand identity reaffirms our mission to be the right partner for our people, for our clients, for our industry and for our society at large. Our firm has been an advocate in the professional services community and dedicated to shape a sustainable audit market which make positive impact on our world. Being actively engaged with regulation bodies, peers and wider stakeholders, our firm has remained competitive and steered continuous growth of the audit sector which truly meets the needs of business and society. In doing so, we have never been miserly to invest time and resources to ensure that we can participate in a reformed and competitive market.

Although it is not clear what the full impact of disruption will be yet, we embrace the changes and look forward with optimism. Along with Mazar's global transformative strategy One24 programme, we aim to accelerate our technological transformation to upscale our key PIE, POB and SME markets as well as capturing the opportunities on the international PIE market. As a people-centric organization, we are proud to take initiatives and play our part on the road to economic recovery.



**Jimmy Yip**  
Managing Director  
Mazars CPA Limited  
February 2021



For many years now, Mazars has built its unique globally integrated partnership to propose a different business model to the market, more aligned with the organisation of our international clients. As the market concentrated to a point where nearly all large public interest companies in most economies are now audited by just four firms, we have also been calling for regulatory intervention to offer more choice and create a more vibrant audit market, critical to restoring public confidence in the financial information that underpins capital markets and in audit.

## Introduction

### Message from the Global Head of Audit & Hong Kong Head of Audit

Over the last 10 years, high profile corporate failures have continued to cast a shadow on our profession and placed some of the largest audit firms under close scrutiny. We are, more than ever, convinced regulatory changes are needed, all the more as auditors will have to play their part in building trust while struggling economies have been severely hit by the Covid-19 crisis and risks relating to frauds and going concern are significantly heightened. Transformation will take time, but things now need to be set in motion.

Several key points are hugely relevant to build a resilient audit market as a strong pillar of economic robustness:

- Audit firms must implement and monitor rigorous **quality, risk management, ethics and conduct processes**, which need to be sustained by tighter and more consistent rules and oversight mechanisms.
- All stakeholders - corporate management, governance bodies, shareholders, supervisors and the public at large - need to agree on **what audit stands for** and on **what is expected of auditors**, for example with regards to **fraud detection**, bankruptcy prevention and non-financial information.
- Independence and objectivity must be strengthened, we believe the best solution is mandatory **joint audits** for major companies. Beyond improving audit quality, joint audit would also initiate a process that delivers more **choice** in the audit market.
- The impact of **technology and artificial intelligence** on audit processes and the fundamental role of human judgment should be thoroughly considered.

None of these measures individually will be sufficient to fully restore confidence, but we believe that together they will pave the way for significant improvements.

#### Mazars offers real choice

We do not advocate change for self promotion, but because integrity, independence and a strong sense of duty to serve the public interest have always been our core beliefs. We firmly believe audits should deliver insight, promote transparency and provide constructive challenge, enhancing trust in how organisations report to their stakeholders and contributing to helping the organisations they audit be more resilient. We recently unveiled our new brand identity and highlighted four attributes that underpin our promise to our clients and stakeholders: empowered expertise, seamless integration, balanced perspective and social conscience. These pillars are the foundations of the audits we want to deliver. We call them "augmented audits" in response to the markets' calls for more consistency, more efficiency, more value and enhanced social impact. It means achieving quality every time and everywhere, enabling finance teams to focus on their day job, providing management and shareholders with expertise, insight and foresight and creating shared value for all stakeholders notably with regard to sustainable practices.

None of this can be achieved without a human-centric approach. We will continue to place our trust in the judgement of our professionals, support our people in developing their technical excellence and flawless objectivity and independence beyond just compliance, their business intelligence, and finally their ability to operate in, and generate value from, developments in technology.

## Introduction

### Message from the Global Head of Audit & Hong Kong Head of Audit

#### A year of continued investments to better serve the markets we operate in

Our beliefs translate into action. We have continued to invest in our teams, in processes and in technology despite the Covid-19 crisis, while doing our utmost to protect our people and give them a safe working environment. Thanks to significant investments in our infrastructure in prior years, we were ready to work remotely in all countries that have faced a lockdown. All our teams have worked beyond the call of duty to ensure the continuity of our engagements, in the best possible conditions for both our and our clients' teams. They should all be commended for their commitment to serve.

We have also accelerated our training efforts, through a comprehensive move to online training and generalised access to platforms such as LinkedIn Learning. At the same time, we have stepped up the deployment of our global audit platform, Atlas and are on track to complete our global deployment for all auditors and all engagements by 2022. We launched our own global analytics tool, and initiated a group-wide programme - "Reinventing Audit" - aimed at fostering innovation and accelerating change. Our quality management systems have also been further reinforced.

Our integrated model, dedication to quality and focus on serving the markets have actually been positively sanctioned with a number of key business successes.

These achievements are ample evidence that the market longs for choice, and that Mazars is – more than ever - relevant. We know how demanding our profession is and how our success depends on our ability to respond successfully to market expectations. We are determined to go forward, both in our endeavour to play our part in restoring confidence in audit, and in our total commitment to continue to focus on what makes Mazars Mazars.



**David Herbinet**  
Global Head of Audit



**Shiu Hang Fung**  
Hong Kong Head of Audit

## 1.1 Investing in our people to drive purpose, pride and quality

**Our people are at the heart of our business and their values and behaviours determine how we are perceived by our clients and the wider market.**

We differentiate ourselves by the opportunities, development and culture we offer our team. As a consequence we strive to ensure we attract, retain and develop talented individuals who are driven to deliver their best for our clients, our business and for each other through identifying with our values which are:

- **Integrity**  
Ethical and moral rigour guide how we work and assist our clients.
- **Responsibility**  
We treat our clients' challenges as our own. We care about how our work may affect our communities.
- **Diversity and respect for individuals**  
Beyond borders and cultural differences, we make respect for the individuals and sharing the cornerstone of all our people interactions. United in diversity, we see our capacity to listen and our open-mindedness as a true lever for innovation.
- **Technical excellence**  
Technical excellence is one of the founding principles applied at every level in the Group. This constant search for the highest standards of quality not only serves client satisfaction, business lines improvement and staff development: it is also the best guarantee of our independence.
- **Independence**  
We always think independently, and in our roles as auditors and advisors we always act independently.
- **Continuity**  
As new faces come and go, as one generation hands over to another, our relationships, experience and knowledge survive. We learn from the past and look to the future.

### Our response to the Covid-19 crisis

Aligned with our values, as the potential impact of the pandemic became known, our key priority in Hong Kong and across Mazars globally was to keep our people healthy and provide them with the flexibility to take care of themselves and their families.

On 13 March 2020, Mazars' Group Executive Board wrote to all country managing partners to request that all necessary health measures be put in place to protect our teams and to implement business continuity plans in order to help us sustain our activities and serve our clients.

In Hong Kong, where we had a pandemic policy in place, following the government's special work arrangement for civil servants first released on 28 Jan 2020, we have implemented work from home and flexible working hour policy to minimize the risk of the novel coronavirus' spread in the community.

Throughout the Covid-19 crisis, MyMazarsHK, our local intranet has been a platform to announce the special work arrangement every 2 weeks as well as a community to support our staffs' wellbeing. In addition, coronavirus updates email has been sent to employees. Anonymous message board has been utilized for employees to provide suggestions which help us to introduce policies which best address health safety concern. Globally, MazarsLive, our internal communications platform, was used by Mazars's CEO and Chairman of the Board, Hervé Hélias, to keep in touch with teams and people around the world.

To support our Hong Kong teams in this time of great uncertainty, we instigated numerous initiatives, including:

- Flexible working arrangements were introduced, in particular to support staff with parental or caring responsibilities



# Inspiring stakeholder confidence in audit quality

## 1.1 Investing in our people to drive purpose, pride and quality

- Employees are encouraged to work from home and conduct virtual meeting as a means to limit face-to-face interactions
- Flexible working hours policy were introduced to avoid peak traffic and lunch rush hour
- Extra cleaning and disinfecting supplies were provided including hand sanitizer, anti-bacterial wipes and disinfectant cleanser
- Employees could receive reimbursement for buying masks
- All visitors will be required to fill in health declaration form and have their temperature checked in order to maintain a safe workplace

Our strategy throughout has been to ensure the continuity of our business whilst protecting our staff and honouring our client commitments.

### Talent acquisition

#### Our employer brand statement

You don't join Mazars by coincidence, you choose Mazars: a global school of excellence where you will be challenged to develop and grow. Come and write the rest of your story with us – you'll make friends along the way too.

#### Early careers

Recruiting the right graduates, school leavers and interns with diverse backgrounds and different perspectives is critical to the future success and growth of our firm.

#### Attraction

We purposefully recruit from a broad range of universities, schools and colleges to ensure that our entry level career opportunities are widely advertised and easily accessible to students from diverse backgrounds across multiple locations.

We have worked closely and developed a long-term relationship with different local universities and professional organisations. Actively engaging in campus events such as various career events and interactive session, our experts share their insightful career stories to promote Mazars career opportunities. To nurture the future leaders, one of our Practising Directors has taken up the role of mentoring students from The Hong Kong University of Science and Technology and devoted to inspiring young minds.

### Recruitment

During the Covid-19 pandemic, to keep in touch with universities and to provide needed information for students to plan their career ahead, we have participated in virtual career fairs and have been running a hybrid mode of assessment process from application through to offer for all our early careers' programmes. As a time of great uncertainty for many students, this has enabled us to continue to provide widespread access to structured career opportunities for students and contribute towards job stability within the student employment market. To ensure a safe and efficient screening for both interviewers and candidates, we have adopted online video interviewing tools including Microsoft Teams and Spark Hire to speed-up the process under social distancing.

We believe a high performing team that embodies our values is a diverse team whose strength and experiences complement each other. Our recruitment programme is based on a strength-based assessment approach, which is aimed at enabling greater social mobility through assessing an individual candidate's potential. This is distinct from more traditional competency-based recruitment focused on an individual's ability to provide examples of their previous experience. This can be more challenging for young people from less privileged backgrounds who have fewer extra-curricular activities which they can draw upon.

### Development

Our firm-wide support ethos ensures our people are developed to have the highest standards of technical excellence, integrity and independence. Associates are provided with responsibility and client exposure from the beginning of their careers. We have a culture of coaching provided through professional, technical and soft skills training, an accessible management style and permanent feedback.

Regarding our graduate programme, we introduced pre-onboarding sessions to engage staff early and to create a sense of belongings. Alongside orientation session on Day 1 to support new hires in adapting to the new environment and people, we have carried out a follow-up survey to encourage new hires to provide feedback as they become part of the Mazars' family. In addition, we sponsor employees to attain and complete their professional qualification whilst earning a competitive salary and gaining invaluable experience. These include the ACA, ACCA, CPA, CFA etc., depending on the role.

The firm will also reimburse fees for their professional designations and memberships to encourage employees to further engage with the professional services community.

### Experienced hire

We aim to hire talented people and provide them the support they need to develop in their roles. We look for people that bring something special to the firm and have distinctive qualities. We want driven individuals who think creatively about their work, embrace challenges and can resolve complex problems.

Our internal experienced hire talent acquisition team is responsible for managing the talent acquisition life cycle in conjunction with hiring managers for all identified vacancies. Our aim is to attract and hire quality talent with the relevant skills, qualifications, experience, and values which match our own, to make a positive contribution to building economic foundations of a fair and prosperous world.

For recruitment of experienced professionals, candidates are sourced through relevant recruitment marketing channels. This approach allows us to access the whole available talent pool.

Our new careers website provides fresh imagery, effortless navigation and informative content, where candidates can learn all about careers at Mazars.

### Wellbeing

The Covid-19 resulted in a change of working practices and special arrangements have been made for maintaining a safe workplace. We understand how difficult remote working is for many and the challenges that this presents. To support positive mental and physical health, we introduced our first virtual fitness session to encourage team members staying energized while working at home.

### Professional and talent development

Our people are the most important asset we have as a firm; therefore it is important that team members are given the time and resources to develop themselves and maximise their potential.

In July 2020, Mazars Group launched our U-Learn platform which provides all team members with a single point of access to all training content. This has included the digitalisation of much of our existing content, the development of pages dedicated to each Service Line, areas focused on remote working, innovation and wellbeing, as well as learning hubs

to support more traditional offerings on topics like people management, client service and business development. This platform is not only dedicated to professional staffs, several digital modules were developed and designed to all Mazarians in areas such as social engineering and cyber security. The objective is that this will help drive the firm's digital transformation agenda.

Mazars in Hong Kong supports over 350 team members who are studying towards professional qualifications, allowing team members to be accredited in their field of expertise, helping to ensure that they are well equipped to deliver high quality technical expertise to our clients.

### Delivering technical excellence in audit

#### Mazars in Hong Kong technical training

Structured core training that follows the Mazars learning path is conducted on an annual basis. Apart from this, Mazars in Hong Kong also holds a number of routine training courses, for example annual update sessions that cover changes in ethics and independence requirements, accounting standards, auditing standards and other relevant local regulations, and tax updates that discuss recent developments in Hong Kong and Mainland China tax laws.

Other in-house training is held on an as-needed basis. Insurance training is provided to those who have a focus on insurance clients as a result of revised requirements affecting the insurance sector. We also adopted the requirements of IES 8, including the use of the new assessment form for audit partners' training and development plans and records.

#### Soft skills training

At Mazars in Hong Kong, we recognize that soft skills are essential to the audit profession. Project management skills training is held to help our seniors to prepare for their development in the profession, including exploring ways to plan, execute and conclude an audit assignment effectively and efficiently, and to deal with surprises and unexpected events confidently. The multi-day session is led by a knowledgeable external trainer who has an auditing background as well as extensive experience in leadership development.

# Inspiring stakeholder confidence in audit quality

## 1.1 Investing in our people to drive purpose, pride and quality

### Other training

We encourage staff to keep themselves updated through attending external training if the topics of interest are not covered by our internal resources. We reimburse staff the cost of attending these training courses.

### Reward and recognition

Good reward is an important part of our approach to ensuring our people feel valued and engaged. To encourage employees to pursue their career goals, qualified pay will be provided to recognize staff's 1st professional qualification. We treasure our colleagues as employees are the greatest asset of the firm. Employees who have completed 10 and 25 consecutive years of service respectively are entitled to receive a long service award from Mazars in Hong Kong in recognition of their commitment and loyalty. In addition, we have a firm-wide discretionary bonus plan and individual bonuses are determined by their performance.

### Mazars For Good

Mazars recognises its commitment as a responsible corporate citizen, and to make sustainable business decisions, through our Mazars For Good strategy. Sitting within this agenda are the areas of community, environment, diversity and inclusion, wellbeing, and social mobility.

**Community** – Investment in the communities that we live and work within through donation of both funds and time, with an emphasis on raising awareness for the charities that we partner with. This includes the Hong Kong Cancer Fund, where the firm supported Dress Pink Day to raise breast cancer awareness and fundraise for free cancer care service.

**Environment** – Implementation of a progressive environmental program, with a particular focus on a reduction in single use plastic within our offices.

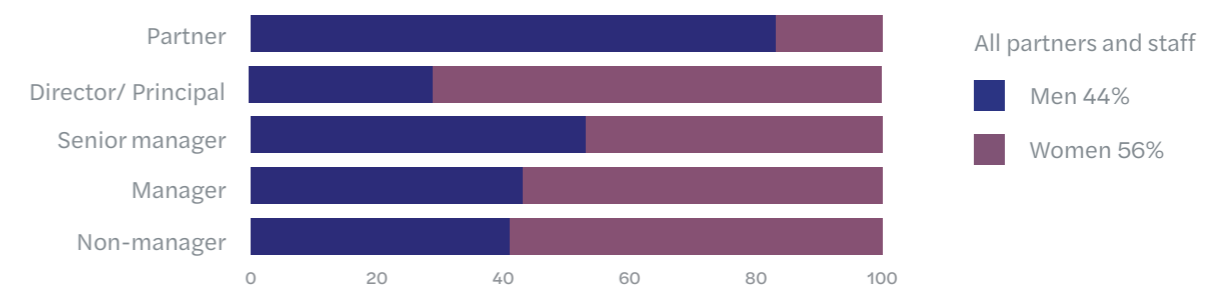
**Diversity and inclusion** – Create an inclusive culture with diverse teams that reflect our clients and society.

**Wellbeing** – Help our team members stay well and take control of their wellbeing.

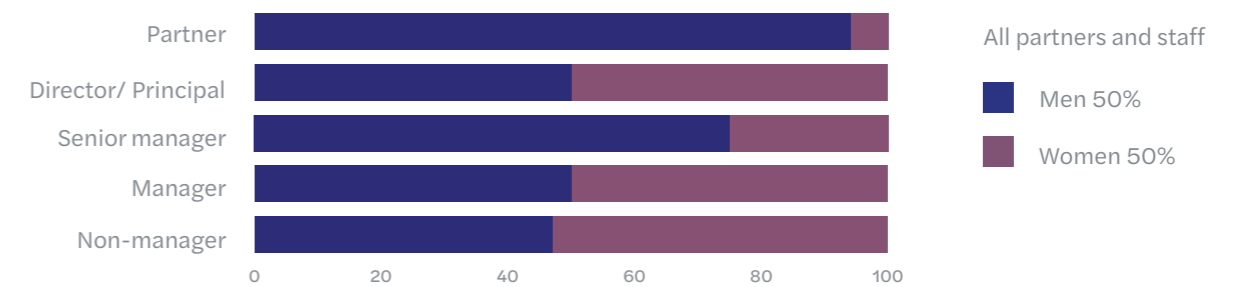
**Social mobility** – Ensure that everyone has the opportunity to fulfill their potential regardless of social background.

Supporting our communities and managing the impact on our environment are at the heart of our values and fundamental to who we are as a firm.

### Breakdown of Mazars in Hong Kong by gender



### Breakdown of Mazars in Hong Kong audit staff by gender



### Breakdown of workforce

#### By gender

56%  
Women

44%  
Men

#### By age

17%  
Under 25

43%  
26 and 30

21%  
31 and 40

11%  
41 and 50

8%  
51 and over

# Inspiring stakeholder confidence in audit quality

## 1.2 Delivering audit quality

**In all of our assignments, we aim to deliver high quality audits for the benefit of all stakeholders, which will help create more sustainable companies, economies and societies. So audit quality is key to us. We are dedicated to improving the audit work we perform and the quality of reporting to those charged with governance.**

As organisations all over the world are facing new threats due to the economic consequences of the Covid-19 pandemic, we strongly believe the delivery of high quality corporate reporting, backed by a robust audit, is of paramount importance.

We invest time in understanding and participating in the evolution of quality within the profession, developing our methodology, reviewing quality recommendations and themes of regulatory inspections, and improving the skills and knowledge of our professional staff.

We are continually raising our expectations of what audit quality is, as we believe this is something that is constantly evolving.

### Mazars' Audit Manifesto

We challenge ourselves to make our audit and assurance offerings relevant, bring value to companies and their many stakeholders and have our assignments delivered by experienced, committed and truly independent professionals. The delivery of audit and assurance continued to be at the heart of Mazars' business in the year ended 31 August 2020, and is a key part of our plans for the future.

### Responsibility for quality

The quality and effectiveness of our audit services is critical to all our stakeholders and is an integral part of our commitment to building trust in society. We believe in accountability and our approach to audit quality is driven by our culture, values and behaviours. We are convinced the tone at the top is of paramount importance.

The Group Executive Board (GEB) is ultimately responsible for ensuring the delivery of technical excellence across all our service lines within the global business and this responsibility includes oversight of the quality monitoring processes within the Mazars organisation, including in relation to

audit quality. In this respect, at the Group level, we dedicate specific resources to building and maintaining high standards of quality, independence, ethics and professional competency, under the supervision of the Quality and Risk Management Board (the 'Q&RM Board').

Through its International Quality Control Committee ("IQCC"), the Q&RM Board defines the quality monitoring system and the relevant procedures, that are required to be implemented across all service lines and monitors their implementation. The executive of each member entity is thus responsible for the implementation of the quality monitoring systems. This quality monitoring system applies both to member and correspondent firms.

### Our audit quality assurance framework

The International Federation of Accountants (IFAC) is the global organisation for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. Mazars Group is actively involved in IFAC with a presence on a number of its boards and committees.

Mazars Group is also a member of IFAC's Forum of Firms (FoF), an association of international networks of accounting firms that perform transnational audits. As members of the FoF we commit to:

- maintain quality control standards in accordance with the International Standard on Quality Control (ISQC1) – issued by the International Auditing and Assurance Standards Board (IAASB) – in addition to relevant national quality control standards;
- conduct, to the extent not prohibited by national regulation, regular globally coordinated internal quality assurance reviews;
- have policies and methodologies for the conduct of transnational audits that are based, to the

extent practical, on the International Standards on Auditing (ISAs) issued by the IAASB;

- have policies and methodologies that conform to Code of Ethics for Professional Accountants issued by the International ethics standards board for Accountants (the 'IESBA Code') and any relevant national code of ethics; and
- agree to submit to the Secretary of the Forum an annual report, in an approved format, indicating that it meets the membership obligations set forth above.

We have been committed to this since 2007 and make an annual declaration to set this out.

In line with our commitments, our Quality Assurance Framework is presented through our "Quality Assurance Manual" and "Risk Management Manual", both of which constitute the benchmark for audit quality control for all entities. This framework covers the following:

- responsibility and leadership;
- independence and objectivity;
- acceptance and continuance of engagements;
- human resources;
- audit methodology and engagement performance;
  - planning and supervision of engagements;
  - technical consultation; and
  - audit documentation;
- professional confidentiality and risk management;
- engagement quality monitoring reviews;
- quality monitoring; and
- procedures for dealing with and resolving differences of opinion; complaints, allegations and claims.

The policies and procedures in our global Quality Assurance Manual are complemented by our audit methodology. Our audit software has been developed to allow a structured audit approach in accordance with the most recent auditing standards.

We strive for improving the quality of audit work we undertake and continuing our investment in our core tools and resources that will help us in achieving

our quality agenda and responding to increasingly complex business environments.

Both our audit methodology and software are updated, as required, to include the evolution of international and national standards and as a result of operational suggestions by users. Our compliance with the Quality Assurance Manual is monitored through internal inspections.

Maintaining and improving audit quality is integral to our profession, as such the Hong Kong Executive Board is required to:

- promote the firm's internal culture of quality and reinforce this culture with clear, consistent and frequent messages and initiatives;
- remind individuals at all levels of the existence of the quality monitoring system; and
- underline the importance of respecting legal and regulatory obligations, particularly with regards to the IFAC code, local ethical requirements and professional standards of practice when accepting and carrying out new assignments.

In Appendix 5 we provide our statement of the effectiveness as to the functioning of the Quality Monitoring System.

### Responsibility for audit quality and quality assurance framework in Hong Kong

The Quality Assurance Department (QAD) is ultimately responsible for quality control within Mazars in Hong Kong. Led by the Head of QAD, the QAD oversees compliance with the Hong Kong profession and the Group's quality requirements of the firm.

As required by the Quality Assurance Manual, the work of every audit partner is subject to independent review by the QAD at least once every three years. Engagement files are selected on the basis of risk, including public interest, and reviewed using a standard checklist. Individual files are graded in terms of compliance and overall quality. Assessment results and follow up actions are discussed with the respective engagement manager and partner, if necessary.

A summary report is prepared at the end of the reviews and actions are proposed to address the findings resulting from the reviews. Actions may include immediate remedial action, changes in the

# Inspiring stakeholder confidence in audit quality

## 1.2 Delivering audit quality

firm's guidance or procedures, or additional training and support. Findings and actions required are communicated to audit partner and managers on a timely basis.

Each audit engagement is assigned to an engagement partner. The engagement partner is responsible for the engagement quality, and for the report that is issued. To this end, engagement partners must be certified public accountants registered with the Hong Kong Institute of Certified Public Accountants (HKICPA), the local regulatory body, and hold a practising certificate issued by the HKICPA.

In accordance with ISQC 1 (and the local equivalent, HKSQC 1) and relevant requirements of Mazars Group, clients that are classified as Public Interest Entities are subject to engagement quality control review.

In addition to these, Mazars in Hong Kong also implements additional review procedures for clients that are listed in Hong Kong. Financial statements of all Hong Kong listed clients have to be submitted to the QAD for technical review before issue. Technical review focuses on the financial statements presentation and disclosures.

### Audit policies and methodology

The Mazars Audit Methodology (MAM) is a global methodology that Mazars entities around the world apply, supplemented by local regulatory and legal requirements. Using a common methodology allows us to apply a consistent approach and level of quality globally on all client engagements irrespective of their size and international presence.

In an increasingly globalised world, the MAM allows us to provide our multinational clients with quality audits across borders. Specific policies and procedures are in place in respect of group audits, including the use of and reliance on other auditors. These procedures include consideration of the results of quality monitoring.

The MAM is continually enhanced as we seek to apply a systematic risk based audit approach, focusing on the things that matter and adjusting the areas of focus and effort based on the level of risk. Our methodology and associated application guidance are also designed to encourage challenge and professional scepticism in our audits.

Audit software is used to support the audit teams in

applying our risk based approach, from acceptance to completion of the audit. Over recent years, Mazars has been developing a new audit software, Atlas. In Hong Kong, the rollout of Atlas commenced in 2020 with a sample of non-PIE entity audits. The expectation is that for Mazars in Hong Kong the full implementation of Atlas, including for PIE audits, will commence with 31 December 2021 year ends. The deployment of Atlas will enhance the quality of audit documentation, ensure global consistency in the application of the MAM, strengthen the oversight of international group audits and provide our teams with access to enhanced technology and tools. We will continue to invest in and develop our audit software as new challenges and technologies impact on the audits of the future.

Data analytics is increasingly becoming a key aspect of our standard audit procedures, particularly with respect to the mandatory requirements to address the risk of management override of controls.

Our ability to maintain quality is not only dependent on the IT tools available to our professional staff, it also relies on the appropriate support being available. The MAM details the circumstances when there is a mandatory requirement to consult within the firm. Our technical experts are also available for audit and financial reporting technical consultations when support is required.

To aid the audit quality of specific areas of the audit, our core audit teams have access to our specialist auditors and experts, including IT, tax, actuarial and valuation specialists.

Our audit policies and procedures have been designed and implemented to ensure that we comply, and can demonstrate that compliance, with ISAs.

### Audit quality in Covid-19

2020 has been an unprecedented year due to the impact of the global pandemic. The firm acted quickly to respond to this crisis and to effectively manage the impact.

Our responses included among others:

- working together with our global organisation to develop practical guidance and training;
- reassessing and monitoring the sufficiency and appropriateness of personnel assigned to engagements; and

- enhancing the IT infrastructure and using technology to facilitate working remotely, for example use of video calls, regular audit specific updates and training utilising various online platforms.

### Investing in innovation

Innovation is a key driver in our ability to continue to deliver higher quality audits, as complex business environments require our audits to be more dynamic and focus on more innovative and technology driven solutions. As a firm we are committed to invest in innovation, as is evident through our on-going investment in our in-house developed audit software Atlas. Continued investments in innovation will be critical to enable us to continue to bring the best technology into the heart of our future audit approach.

### Monitoring audit quality

Monitoring of audit quality is integral to understanding our own audit quality and developing ways to challenge and improve it. It allows identification of areas for improvement within our policies and procedures, combined with additional training to allow for a consistent quality approach to audit work. Our audit quality policies and procedures are embedded as part of our firm's day-to-day activities.

### Engagement quality control reviews (EQCRs)

The purpose of an EQCR is to provide an objective evaluation of the significant judgements made by the engagement team and the conclusions reached in formulating the opinion. This review must be performed by a person with sufficient authority to be capable of imposing their professional judgement upon the engagement team. EQCRs are performed by experienced RIs and KAPs who have been internally licensed and they are also subject to rotation.



### 1.3 Quality monitoring

**Through its International Quality Control Committee (IQCC), the Group's Quality and Risk Management Board (Q&RM Board) defines the quality monitoring system and the relevant procedures that are required to be implemented across all service lines, as well as monitoring their implementation.**

Monitoring of audit quality is integral to maintaining and improving quality in our profession. It allows identification of areas for improvement within our policies and procedures, combined with additional training to allow a consistent quality approach to audit work. The executive of each member entity is responsible for the implementation of the quality monitoring systems. This quality monitoring system applies to both correspondent and member firms.

#### **Mazars Group oversight of quality monitoring**

The quality monitoring assessments undertaken by the IQCC monitor member entities' compliance with the IFAC standards. The Mazars entities' audit quality monitoring reviews organised by the IQCC have several components:

- self-assessment of the entity's audit methodology, ethics and the Quality Assurance System;
- internal monitoring of the effectiveness of the internal procedures and of the quality of the audit files. This is performed by each Mazars entity on an annual basis and constitutes the basis for the completion of the self assessment;
- Mazars international inspections: these are undertaken by experienced reviewers from other member entities within the organisation, generally every three years, and they aim to form an independent view on the results of the self-assessments and the internal monitoring while helping to spread best practices; and
- external inspections: entities are periodically subject to reviews by the audit regulators or other relevant bodies in their jurisdictions. Results of such reviews are communicated to the IQCC for their consideration.

The self-assessment includes the entity's compliance with the IFAC standards as well as reporting on the results of its internal and external audit quality monitoring reviews. This can be the basis for an action plan relating to all areas identified as requiring improvement including those identified through any Mazars international inspection.

Entities are required to communicate internally the results of their audit quality monitoring reviews to their Executive, Partners and audit managers. This communication is expected to be provided in sufficient detail to enable the necessary corrective measures to take place, both for the particular Partner in question, and the overall level of the entity.

As a minimum, the results of the audit quality monitoring reviews include:

- a description of the procedures applied and of the scope of the quality monitoring review;
- the results and conclusions of the reviews of the entity's procedures and audit engagements; and
- detailed action plans, where required.

Entities that are applying to join the Mazars organisation are subject to an inspection organised by the IQCC. The report setting out the results of the review is included in the admission file submitted to the GEB and the GGC for consideration before the vote at the General Assembly of Partners. The report may be accompanied by an action plan, progress against which would be monitored by the IQCC.

At Mazars we are passionate about audit quality so this positive feedback was rewarding and reflects the investment we have made in technical training and tools to support our audit teams deliver consistent quality audits.

#### **The approach to quality control and the quality control reviews in Mazars in Hong Kong**

Within Mazars in Hong Kong, audit quality control reviews operate as required by the Mazars Group with an internal monitoring review carried out on a yearly basis. In addition to engagement file review, which is mentioned in "Responsibility for audit quality and the quality assurance framework in Hong Kong" section above, firm-wide controls in respect of the following elements are evaluated:

- Leadership responsibilities for quality within the firm
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources
- Engagement performance
- Monitoring

Our office was visited by the HKICPA and the Financial Reporting Council (the "FRC") of Hong Kong for a full scope review of the practice in June 2019 and 2020 respectively which included reviews of engagements and the quality control system of the firm. The review by the HKICPA was concluded in 2020 with no additional actions required.

While the assessment results of the review by the FRC are yet to be finalised at the time this report was being drafted, certain areas for improvement were identified which have been subsequently communicated to all auditors and/or addressed by remedial actions.

The work of these external reviewers was much appreciated.

#### **Our contribution to the profession**

We believe that the voice of the audit profession brings value to the standard setting process. As a consequence, we are committed to the improvement of financial reporting, corporate governance and overall confidence in the capital markets on a global level. For example: Mazars responds to consultations on a variety of topics including auditing, corporate governance, financial reporting and relevant regulation changes issued by professional bodies such as IFAC and its committees and boards, FEE, EAIG, PCAOB, IASB; actively participates in international bodies, such as the IFAC, FEE, ESMA, EFRAG, IASB; and is active in the professional and auditing organisations in various countries.

#### **Our Voice in Hong Kong**

Our directors and managers are actively involved in various committees of HKICPA and other professional bodies.

Our Managing Director participated in the Small and Medium Practices Committee ("SMPC") of the HKICPA, which serves as a channel of communication among the HKICPA and SMPs in Hong Kong.

Another Practising Director is the Chairman of the Qualification and Examinations Board of the HKICPA.

# Inspiring stakeholder confidence in audit quality

## 1.4 Audit quality indicators

**Indicators of audit quality are established to enhance transparency and comparability across the industry. We report on the established metrics, along with additional metrics that we consider impact on quality.**

We recognise that all firms are structured differently, and therefore whilst we endeavour to produce consistent information, differences are likely to arise in the reported information compared to other firms.

As such, explanations on how the data has been derived are also reported.

### 1. Metrics on audit quality reviews

#### Results of the firm's internal audit quality reviews

Number of engagements

5

2020

6

2019

#### Mazars commentary

The information presented is for the Hong Kong firm.

It is our target that no file reviewed is found to require significant improvements in the audit work performed. Where audit deficiencies are identified, we aim to identify the root cause of the failure and put in place actions to ensure they are not repeated. These actions are captured in our audit quality plan and this is reviewed on a regular basis by the management.

During the review, we identified areas which required significant improvements. Various actions had been carried out to enhance the audit quality.

Annualised percentage of audit partners subject to firm internal engagement performance reviews

42%

2020

60%

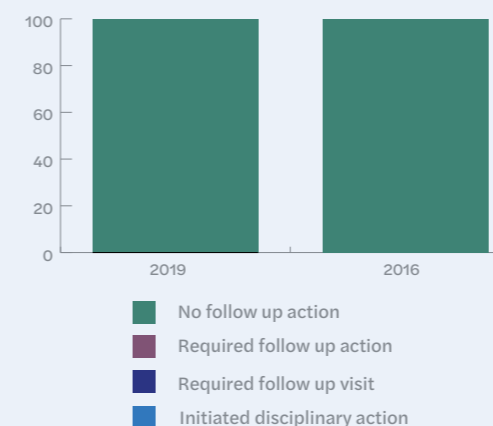
2019

#### Mazars commentary

Our approach to internal quality reviews ensure every audit partner is reviewed at least once every three years. Percentage of total number of audit partners reviewed in 2020 is lower mainly due to the appointment of 2 new audit partners.

### 1. Metrics on audit quality reviews

#### Results of audit inspections by the HKICPA



#### Mazars commentary

The HKICPA undertakes a full review every three years. In their most recent report following the 2019 inspection the HKICPA concluded with no follow up action.

We were pleased with the results of our review and believe that they demonstrate our firm-wide commitment to quality.

### 2. Metrics on investment

#### Number of training hours delivered in total in the Audit Practice

13,900

2020

12,300

2019

#### Mazars commentary

This metric is derived from the total number of training hours delivered to audit team members.

The total training hours have increased year on year, partially driven by significant investment in new hires in the year and also demonstrating our commitment to our dedicated technical training plan. This comprises audit and financial reporting training, sector specific training, webinars, audit induction training, combined with our business and professional skills development programmes and digital learning library which all audit team members have access to.

# Inspiring stakeholder confidence in audit quality

## 1.4 Audit quality indicators

### 3. Metrics on partners and staff

#### Average years of audit and assurance partners and staff with the firm

##### Partners tenure %

<2 years	0%	0%
2-4 years	0%	0%
4-10 years	0%	0%
>10 years	100%	100%
	2020	2019

##### Audit and assurance staff tenure %

<2 years	59.2%	60.2%
2-4 years	19.4%	15.9%
4-10 years	14.4%	16.5%
>10 years	7%	7.4%
	2020	2019

##### Number of audit staff to each audit partner

<b>18.3</b>	<b>19.6</b>
2020	2019

#### Mazars commentary

Retention of our staff within the business to drive quality through building on existing knowledge of both technical learning and understanding of our client base has been a key focus in the year. There has been a focus to educate team members in the benefits of a long-term career within the firm.

The tenure rate of partners remains unchanged. All partners, including the two newly admitted from internal team, have been working with the firm for 10+ years, demonstrating that our top talents are willing to stay for continuous self-development.

With our significant investment in recruiting new talents in the audit and assurance service team, the tenure rate for staff remains high for recent joiners who have been with the firm for less than two years. Although it is expected that a number of staff would consider other options after attaining two years' service, the percentage for two to less than four years shows a slight increment. This demonstrates our firm has been able to retain staff under the challenging economic environment in 2020.

Despite the rapid growth of the team, we are able to keep a good balance on the ratio of staff to partner. Partners are empowered to allocate more time in coaching and sharing knowledge with best practice to team members. All these contribute to improving the overall quality of our work.



# Inspiring stakeholder confidence in audit quality

## 1.5 Ensuring our objectivity and independence

**We work for the general interest and are convinced trustworthiness is the key to restoring public confidence in audit. This is why the policies we have devised and implemented aim at ensuring all our staff and partners do comply with the strictest objectivity and independence requirements, wherever they operate. We are fully aware of what is at stake and are willing to go all the way to make sure we do abide by the most stringent rules.**

### Our code of conduct for objectivity and independence

The Mazars Group has prepared a code of conduct for objectivity and independence (the ‘CCOI’) which complies with the IESBA code and introduces additional specific requirements for Mazars firms and staff. This forms an integral part of all member entities’ professional training programmes and is distributed to all partners and staff.

We also strongly promote ethical culture and values. A process has been defined to help people who face ethical dilemmas, and the consequences of breaching ethical rules and principles have been made clear to partners and staff in all member entities.

In addition, we have recently refreshed our global code of conduct. We have designed it as a practical guide to help all Mazarians, regardless of age, position or country, navigate difficult choices and make the right decisions, in line with our values.

Our new code of conduct clearly states who we are, what we expect from our people and how we deal with our clients, stakeholders and communities at large. In an intricate and fast-evolving environment, we use it as a moral compass for our daily activities, drawing

the line between what is recommended or acceptable and what would put our reputation and other people’s trust at risk. We handle all breaches seriously and take appropriate action to uphold this code wherever necessary.

### Responsibility for maintaining objectivity and independence

The Group Independence and Acceptance Committee (GIAC) is responsible for oversight of independence and acceptance for Mazars worldwide. It provides guidance for acceptance personnel in each country, approves first time appointments for PIE audit clients, and manages the annual independence reporting process, reporting the results to the group executive board. It adjudicates on any independence or acceptance issues brought to its attention, including any proposed departures from the CCOI by country and ensuring that all changes in international ethical standards are communicated to all countries in the organisation.

### Systems to safeguard our objectivity and independence

The systems implemented by the Mazars Group and adopted by member entities comprise the following:

Safeguard	How this safeguards our objectivity and independence
Acceptance and continuance of audit engagements	Procedures exist that require an evaluation of the client’s related risks, the entity’s ability to perform the engagement and any ethical risks in terms of independence and conflicts of interest.
Additional services	The provision of additional services to an audit client is subject to prior authorisation from the lead audit partner and, in some cases, our country risk manager. In certain circumstances this provision is also subject to authorisation by the client’s audit committee, for example when required by auditing standards or when the client has put in place procedures for the prior approval of non-audit services by the auditor.

Safeguard	How this safeguards our objectivity and independence
Non-audit services to audit clients	A complete list of non-audit services rendered to audit clients must be maintained. For group audits, this list must be communicated in response to the instructions circulated by the audit co-ordination team.
Annual declaration of independence	All partners and staff are required to provide an annual declaration of their independence. In this respect: <ul style="list-style-type: none"> <li>Mazars partners and their immediate family cannot hold a direct or indirect financial interest in a listed audit client;</li> <li>Personal or family relationships between a member of the audit team and a member of either the audited entity’s management or any person holding a key position in the audit client are prohibited; and</li> <li>Partners and staff working on an audit engagement must not have any financial or commercial relations with the audit client (or beyond normal financial relations with a banking or other credit institution audit client).</li> </ul>
Mandatory rotation	In relation to audits of PIEs, the same maximum time-on period of seven years applies to all Key Audit Partners (KAPs). However, there are different cooling-off periods depending on the role of the KAP. According to the Code of Ethics issued by the HKICPA, the cooling-off period is five years for the engagement partner, three years for the EQCR, and two years for other KAPs. Familiarity is a threat to our independence and this rotation mitigates the threat of familiarity arising from long association with a client. The Hong Kong Executive Board ensures appropriate allocation of Partners to audit engagements and an annual review of appointments to PIEs takes place.
Transparency of information	All Mazars staff have access to the list of our audit clients subject to specific ethical requirements.
Training	All audit staff are required to undertake training on ethical rules and the Mazars’ ethical procedures.
Consultation	Audit staff and partners are encouraged to consult with experts on technical matters, ethics and other areas where necessary.
Limits on client fees	Limits on client fees are imposed in order to avoid financial dependence on one or several clients.
Impact of an identified threats to independence	Clear rules regarding conflicts of interest have been communicated. Where there is a potential threat to our independence, the assignment is declined or appropriate safeguards are implemented.
Performance based remuneration	Mazars Group has adopted a method of remunerating partners which takes into account the quality of audit work (and not simply the level of fees billed, number of new clients obtained, additional engagements performed or other financial performance related metrics).



# Inspiring stakeholder confidence in audit quality

## 1.5 Ensuring our objectivity and independence

We have completed the implementation of our Global Independence Check tool, WeCheck, designed as a one-stop-shop, with a view to protecting our independence throughout the Mazars Group. All countries within our partnership now have access to WeCheck, and 65 of them, amounting for 91% of our global turnover, have secured their client data in WeCheck. 85% of requests are now processed and answered in less than two days, vs 50% in 2019.

In Appendix 5 we provide a statement on the effectiveness of the systems to safeguard our objectivity and independence.

### Rotation to strengthen both independence and quality

Within Mazars, rotation is applied to Public Interest Entity audit engagements on which key audit partners rotate, in compliance with country specific laws and regulations, including for EU countries, the European Directive on Statutory Audit or the IESBA Code of Ethics. This rotation reduces the risk of "closeness" to the audited company which may impair independence.

It enables the auditor to have greater independence of mind in dealing with client issues and in expressing an opinion on financial statements. The allocation of partner responsibilities on recurring audit engagements and major special engagements is decided by the entity's executive committee and ensures that partners can effectively conduct and supervise engagements under their responsibility. This allocation is reviewed annually as well as when there are any changes in the partner's situation or when any difficulties have been encountered.

In the rare case of a disagreement with the technical department's position, the head of quality will convene a risk review panel to arbitrate. The RI in charge remains the final decision maker within the context of the organisation's quality assurance and procedures. This point is of paramount importance in preserving each RI's personal commitment and sense of responsibility as well as in responding effectively to each client's specificities.

### Partner compensation policy

Profits are divided amongst partners according to the number of "base points" they are allocated. Two criteria are used to calculate the value of the base points: the overall performance of the Mazars Group and the performance of the national entity

to which they contribute. Each factor is measured equally. Several countries and territories, including Hong Kong, have opted to add a bonus system founded on individual performance.

Partners receive a portion of a global envelope based on his/her country's performance. Under the supervision of the GGC and based on the recommendation received from the country executive, based points are allocated to partners according to the overall performance of the country and the individual performance of each partner. This performance is assessed through various criteria:

- professionalism, technical contributions and adherence to business practice norms;
- partnership spirit;
- importance and complexity of assignments;
- contribution to the general development of local entities and the Group; and
- level of managerial responsibility.

None of these criteria is evaluated in isolation, but the greatest weight is placed on technical competence and partnership spirit. Financing business activity depends exclusively on each national member entity and follows the same proportionality as the division of profits.

### Partner remuneration

The firm's partner assessment framework assists in providing clarity to each partner as to what is expected of them and also the Hong Kong Executive Board as a body in approaching quality issues in a consistent manner.

In determining the variable bonus element of partners' remuneration in Hong Kong we make adjustments for quality, compliance and risk management matters, such as complaints, claims or failure to comply with the firm's policies and procedures. One of the ways we demonstrate our commitment to quality is by ensuring all partners have objectives around quality. In this way we are able to reward partners who meet our expectations of high quality, including as evidence through quality monitoring reviews.

Partners who are not shareholders in Mazars SCRL are allocated a fixed profit share and may be allocated a further profit share based on particular performance criteria.

### Independence and objectivity in Mazars in Hong Kong

In Mazars in Hong Kong, objectivity and independence are overseen by a Practising Director of the Audit Department, who is also the acceptance officer of the office. Internal systems described in various Mazars manuals, IFAC Code of Ethics and the local equivalent have been established to identify circumstances where Mazars in Hong Kong's independence could be impaired and to take appropriate safeguarding measures in these instances.

The management of Mazars in Hong Kong confirms that the independence procedures and practices have been implemented and the systems are effective in maintaining independence.

Furthermore, management confirms that the application of the independence procedures and practices have been subjected to internal review by the QAD.

### Whistleblowing procedures

Our values set a platform for what we believe will build long term sustainable success for the organisation. We want to work in a way that promotes our values and ensures we provide the best possible service for our clients, and best possible environment for our team. Mazars is committed to dealing responsibly, openly and professionally with:

- concerns raised internally, that partners or team members may have about possible malpractice within Mazars firms;
- concerns raised by persons external to Mazars (clients and other stakeholders) on the services provided by Mazars.

These group-wide whistleblowing procedures for our staff, our clients and our stakeholders reflect our zero-tolerance policy for unethical behaviours and have been deployed since 2014.

Both external and employee complaint forms are available on our Mazars websites (on the Group website: <http://www.mazars.com/Complaint-form>). All claims are directly processed through the Group's CCO except when stated otherwise by the local regulation.

### Confidentiality and information security

Confidentiality and information security are key elements of our professional responsibilities. Misuse or loss of confidential client information or personal data may expose the firm to legal proceedings and may also adversely impact our reputation.

The Group's Chief Information Security Officer is responsible for providing oversight, policy and strategic direction on information risk and cyber security matters. The Chief Information Security Officer directly reports to the Chief Compliance Officer and to the GEB.

In Hong Kong, staff and partners have undertaken specific training on information security to enhance their understanding and help ensure that our policies are embedded within how our teams approach their work.

The Regional Chief Information Officer also has oversight of the Hong Kong systems and monitors attacks or breaches liaising with the internal Hong Kong IT team. Day to day systems management has also been outsourced and is managed locally and regionally.



## Our risks

Effective management of risk underpins our day-to-day activities to ensure we provide good quality, consistent and reliable services to our clients and teams.



# Our risks

## 2.1 Our approach to risk management

Like other businesses we acknowledge our exposure to a wide range of risks and uncertainties which have the potential to impact on our services, people, finances and clients. We make every effort to ensure that risks are appropriately identified, assessed and managed to enable us to readily respond in the event they materialise.

### Identification of risks

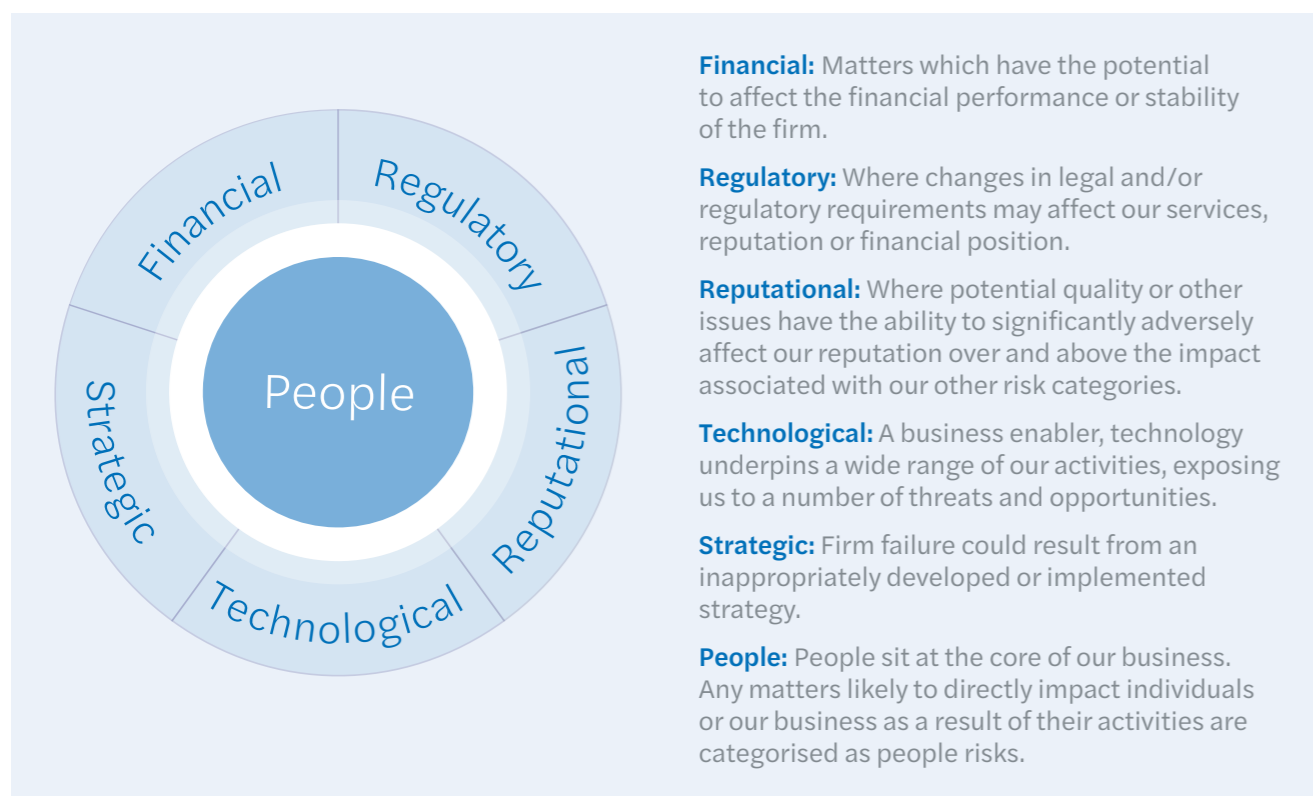
In some cases, risks have the potential to affect Mazars holistically; others are unique to individual services.

Our governance structure and enterprise risk management framework support us in identifying emerging risks and controlling those of which we are already aware.

During the year, the firm developed its Enterprise Risk Tolerance Statement to assist in assessing risks.

### Categorisation of risk

Our risks are managed under six categories:



### Governance

Risk management activities can only be effective where appropriate governance controls exist to ensure consistency and quality processes.

Overarching governance of risk sits with the HK Executive and the Group Executive Board, who are challenged as required by Group Governance Council.

Ongoing enhancement to embed risk management within Mazars continues in order to improve the identification and mitigation of the top risks the firm encounters.

### Key risks and uncertainties

We have recorded the following key risks and uncertainties within our business:

People		
Risk	Description	Mitigating controls
Team and culture	Failure to recruit, retain and develop sufficiently skilled resource to achieve the firm's strategy whilst maintaining our values-based culture.	<ul style="list-style-type: none"> <li>Formalised recruitment procedures.</li> <li>Resource planning, talent management and career pathways.</li> <li>Formalised training programmes.</li> </ul>
Extended workplace as a result of Covid-19	Failure to adequately adapt to the continuing Covid-19 pandemic and the resulting extended workplace environment may result in a negative impact on wellbeing, culture, staff collaboration and training, as well as service delivery.	<ul style="list-style-type: none"> <li>Business continuity plans in place.</li> <li>Best practice guidance being followed to safeguard our team, including robust risk assessments before client visits.</li> <li>Enhanced team communication, alongside wellbeing programmes and support in response to Covid-19.</li> </ul>

Regulatory		
Risk	Description	Mitigating controls
Regulatory environment	Failure to adapt to the impact of the changing legislative and regulatory environment across the whole firm, including the sustainability of the Hong Kong audit practice.	<ul style="list-style-type: none"> <li>Monitoring of changing regulatory requirements.</li> <li>Enhanced governance including HK Executive oversight.</li> <li>The Quality Assurance Department (QAD) providing guidance and support throughout the firm.</li> </ul>
Independence and ethics	Failure to ensure we comply with ethical and independence rules.	<ul style="list-style-type: none"> <li>Client and engagement acceptance processes, including conflict checking procedures.</li> <li>Group Independence and Acceptance Committee (GIAC) approvals for specific assignments.</li> <li>Independence training and confirmations.</li> <li>Monitoring of partner financial interests.</li> </ul>

## Our risks

### 2.1 Our approach to risk management

Financial		
Risk	Description	Mitigating controls
Macro-economic environment	Failure to adapt to changes in the macro-economic environment, including the impact of the Covid-19 pandemic and regulatory developments on the economy and firm.	<ul style="list-style-type: none"> <li>Established means of ongoing forecasting and associated mitigation planning.</li> <li>Business management protocols embedded.</li> <li>Effective technology and remote working arrangements in place.</li> </ul>
Financial failure	Firm failure resulting from solvency/liquidity issues.	<ul style="list-style-type: none"> <li>Regular reviews of firm financial performance against targets by HK Executive.</li> <li>Management information to guide business decisions, with lead KPIs.</li> <li>Service line engagement with markets to maintain knowledge of current trends affecting services.</li> </ul>

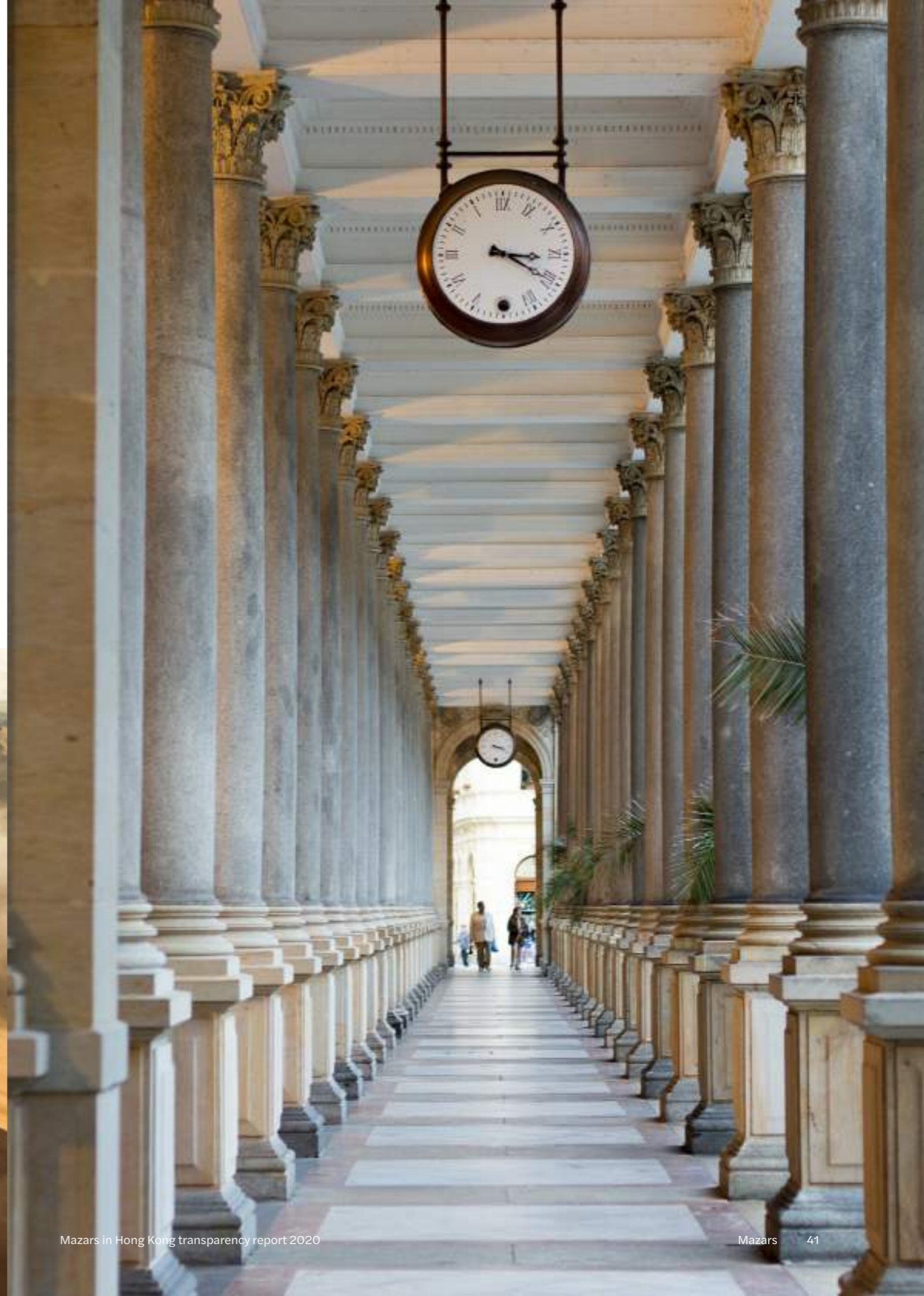
Technological		
Risk	Description	Mitigating controls
Information governance	Failure to manage information and cyber security effectively, resulting in service unavailability, data loss, reputational damage and loss of business.	<ul style="list-style-type: none"> <li>IT technical solutions including monitoring of networks, usage of systems, risks and formalised reporting processes.</li> <li>Adherence to regulations and legislation including Personal Data (Privacy) Ordinance.</li> <li>IT Security and Governance policies, with ongoing testing.</li> <li>Policies and procedures to manage staff actions, with associated training.</li> </ul>
IT alignment with firm's strategy	Failure of our IT systems and infrastructure to support and align with our current and future business operations, including offering sufficient resilience for the scale of operations.	<ul style="list-style-type: none"> <li>Governance in place to align IT to business plans.</li> <li>Monitoring of IT systems and suppliers to identify and resolve issues and identify further improvements.</li> <li>IT Disaster Recovery Plans implemented.</li> <li>Testing of IT infrastructure against industry standards.</li> </ul>

Reputational		
Risk	Description	Mitigating controls
Client acceptance and continuance	Failure to ensure that the firm only engages with appropriate clients, including potential impact of clients of the wider Mazars Group.	<ul style="list-style-type: none"> <li>Hong Kong client acceptance and continuance procedures including risk manager and Risk Committee oversight.</li> <li>Group Independence and Acceptance Committee (GIAC) oversight.</li> <li>Systems and processes to ensure appropriate AML and KYC procedures.</li> <li>Group Executive Board involvement where appropriate.</li> </ul>
Quality service	Failure to deliver a quality service to our clients.	<ul style="list-style-type: none"> <li>Quality Assurance Frameworks and technical resource implemented for service lines.</li> <li>Professional training for staff in key service lines.</li> <li>Licensing of principal activities.</li> <li>Implementation of findings following reviews undertaken by internal and external bodies.</li> <li>Client feedback programme.</li> </ul>
Business continuity	Insufficient business continuity planning and testing may result in the firm being unable to rapidly or sufficiently recover from an adverse issue affecting any aspect of its operations.	<ul style="list-style-type: none"> <li>Implementation of business continuity and crisis management plans, including mass notification system to effectively communicate with the full team.</li> <li>On-going assessment of enterprise-wide risks and mitigating controls.</li> <li>Annual testing of IT disaster recovery and continuity plans.</li> <li>Resiliency inbuilt into operations, including through remote working capabilities.</li> </ul>
Claims and non-compliance with obligations	Pressure on resources, availability of appropriate IT solutions, training and education standards may adversely impact quality exposing Mazars to risk of claims, reputational damage and liability for non-compliance with legal and regulatory obligations.	<ul style="list-style-type: none"> <li>Enhanced monitoring, including at HK Executive level.</li> <li>Investment plans in respect of team and technology.</li> <li>Improvements in supporting team engagement and wellbeing.</li> </ul>

## Our risks

### 2.1 Our approach to risk management

Strategy		
Risk	Description	Mitigating controls
Strategy and Brand	Failure to develop our brand and business strategy in line with the changing demands of clients, the market or innovative advancements, including dynamic monitoring and identification of strategic changes.	<ul style="list-style-type: none"><li>• Executive oversight of business plan development with key target initiatives in place.</li><li>• Monitoring of market and regulatory changes to support identification of changes required to strategy.</li><li>• Development of global initiatives to standardise our delivery model internationally.</li></ul>
Support structures	Failure to invest in a robust infrastructure to support the wider firm in meeting its overall strategy.	<ul style="list-style-type: none"><li>• On-going review of and continuing investments in systems and team.</li><li>• Governance structure includes HK Executive to provide further strategic focus in key areas.</li></ul>



### 3.1 Our unique business structure

#### A global, integrated partnership

Since 1995, Mazars SCRL have been organised as a global integrated partnership. All our 1,070 partners and 26,000 professionals\* in over 90 countries and territories in Europe, Africa & the Middle East, Asia-Pacific, North America and Latin America & the Caribbean share the same values and work ethic and the common goal of providing the highest quality client service. Our correspondent firms enable us to operate in a further 14 countries.

modern firm that we strive to be, in order to better serve our clients.

We are not simply a collection of national firms, but an integrated organisation of professionals.

The role of the group is to define the strategic objectives of the organisation and to coordinate the implementation of these objectives.

Each country of our unique integrated partnership has one or more separate legal entities that is a member entity of the Mazars Group. All shareholders of the Mazars Group are partners or shareholders (collectively 'partners') in the member entities. As part of being a shareholder of Mazars SCRL, each partner acknowledges the Charter of Association, which governs the operation and governance of the Mazars Group. In certain countries there are partners or shareholders of their local member entity who are not shareholders of the Mazars Group. A full list of statutory audit firms is included in Appendix I.

All members of our integrated partnership are member entities of Mazars SCRL, a Limited Responsibility Cooperative Company incorporated in Brussels, Belgium, through a cooperation agreement setting out the terms of the relationship.

The financial statements of the Mazars Group are consolidated with the results of the member entities and are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements of the Mazars Group are jointly audited by two independent audit firms.

The role of the Mazars Group is to "define the strategic objectives of the organisation and to coordinate the implementation of these objectives at the member firm level", combined with the responsibility for promoting and protecting the Mazars brand globally. Mazars' integrated international partnership was established with the principal objective of seeking to ensure consistent quality in our service to our clients.

We are unique; we are not simply a collection of national firms, but an integrated organisation of professionals, sharing commitments and resources at a global level with respect to investment in technical excellence, serving our clients and developing our teams.

The integrated partnership allows us to provide a quality service to our clients through the quality and diversity of our talent, the robustness of our values, our determination to fully embrace the digital revolution, and our commitment to creating shared value across territories, whilst remaining aware of the challenges that both our organisation and our stakeholders face. Discerning, knowledge-intensive, agile, sustainable: these are the attributes of the

New member firms are admitted into the integrated partnership upon criteria of quality of service and human resources, reputation and shared values. All new admissions must be approved by the General Assembly of Partners.

In July 2019, Mazars created its North America Alliance, which substantially enhances its on the ground coverage in North America, giving international clients access to an additional 16,000 professionals from five major accounting and consulting firms in the U.S. and Canada.

\* as of 31 August 2020

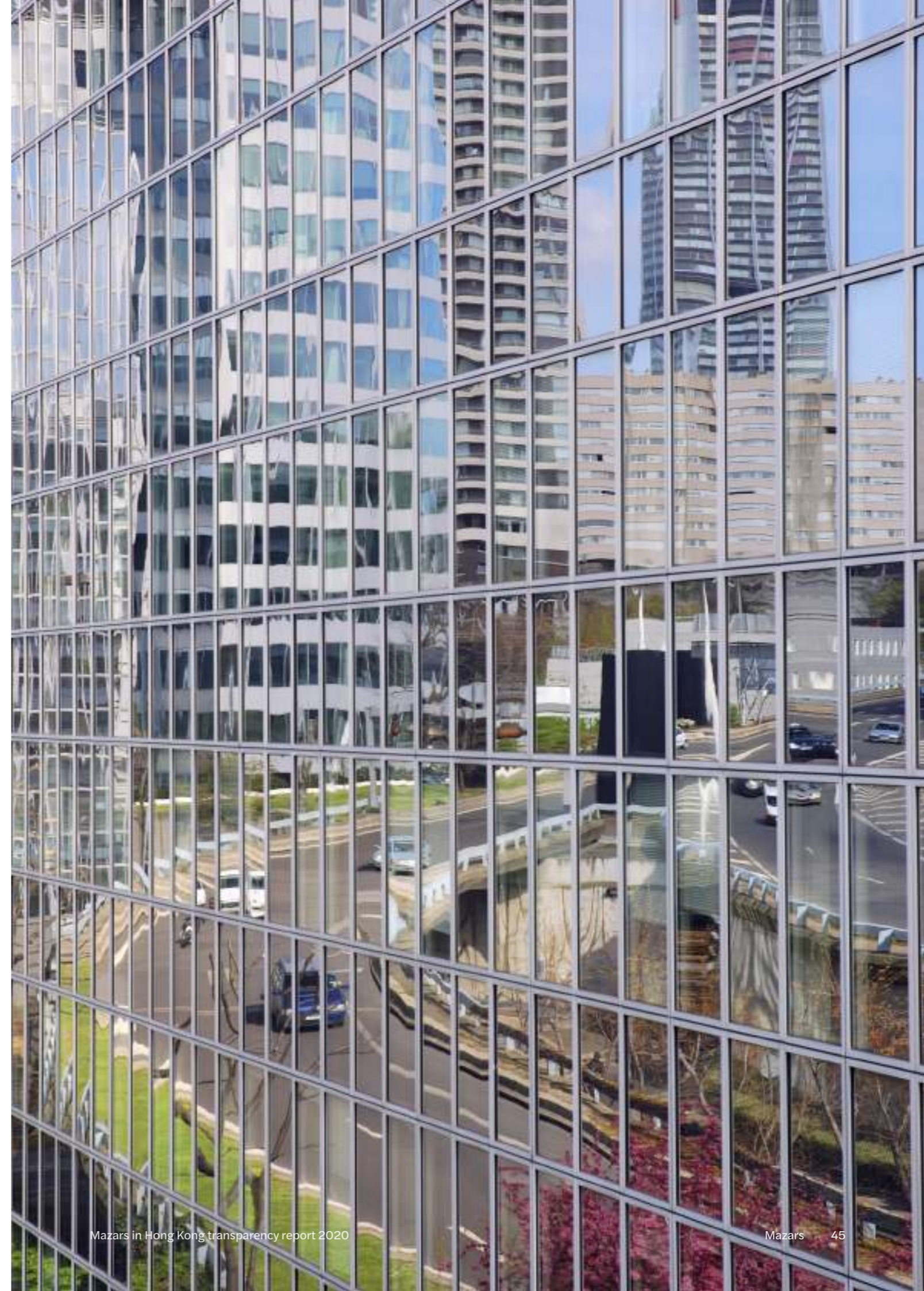
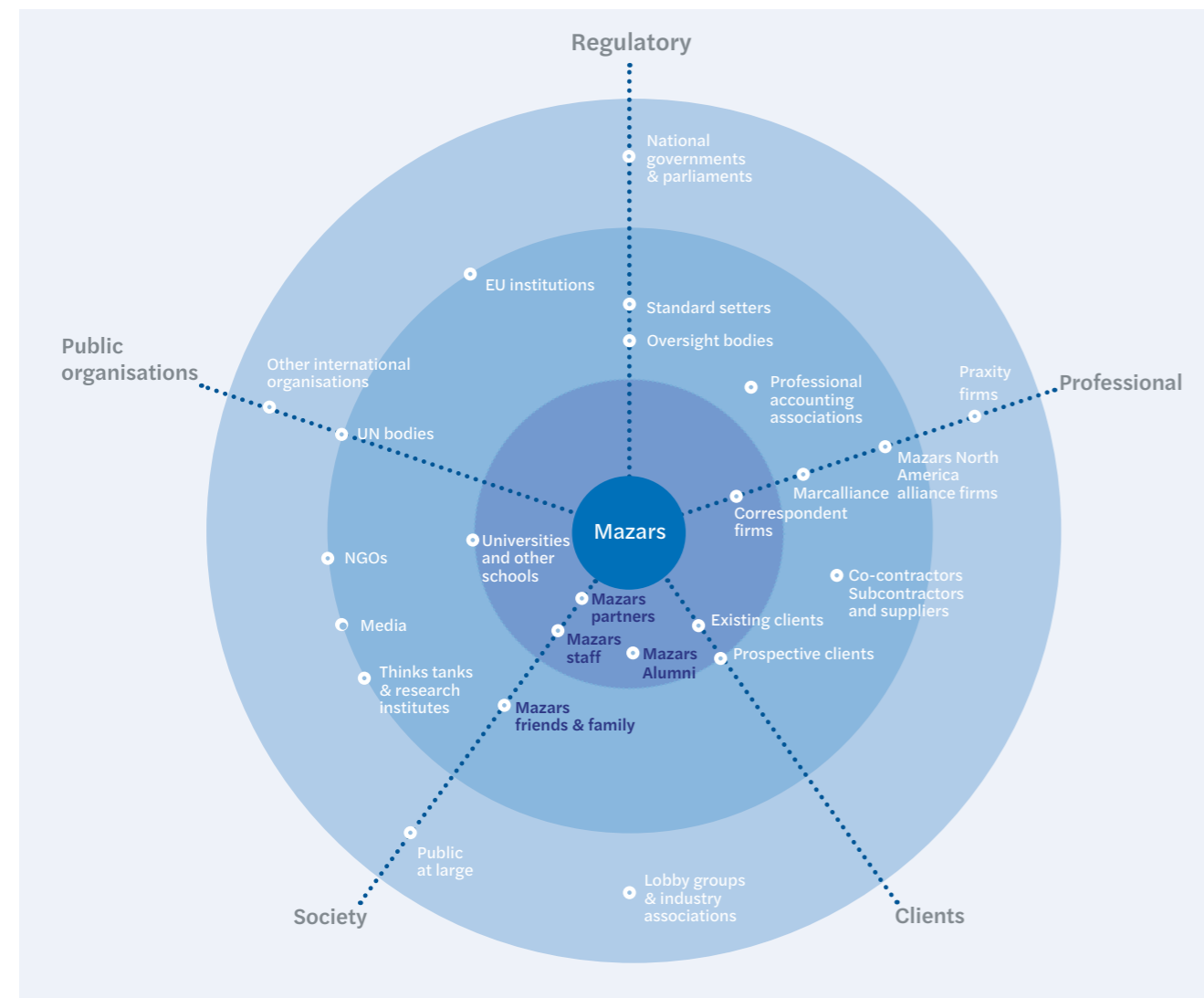
# Our structure, leadership and governance

## 3.1 Our unique business structure

Mazars North America Alliance is an alliance agreement between Mazars and five leading firms in the United States and Canada – BKD, Dixon Hughes Goodman, Moss Adams, Plante Moran (U.S. firms) and MNP (Canadian firm). Geographically, these five Alliance firms will complement Mazars USA and Mazars Canada, enabling Mazars to achieve full national coverage in North America.

With this Alliance, Mazars now has over 40,000 professionals serving clients around the globe: 26,000 professionals across over 90 countries and territories in Mazars' unique integrated partnership, and 16,000 professionals in the U.S. and Canada via Mazars North America Alliance. With this scale and breadth of talent, Mazars offers tailored, consistent and high-quality services to its clients wherever they are in the world.

### Stakeholder map

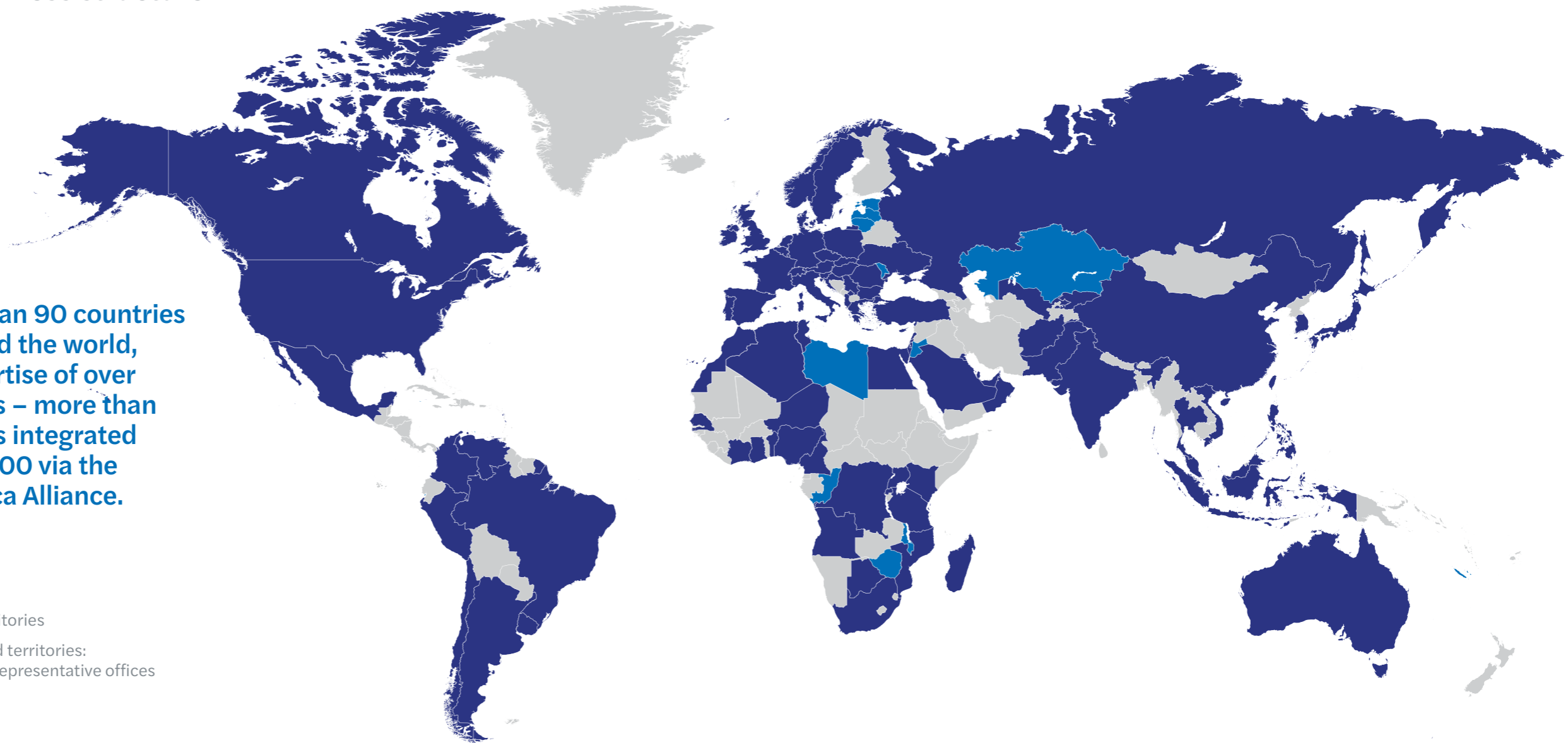


### 3.1 Our unique business structure

Operating in more than 90 countries and territories around the world, we draw on the expertise of over 40,000 professionals – more than 26,000 in the Mazars integrated partnership and 16,000 via the Mazars North America Alliance.

Valid as of 31 August 2020

- Integrated countries and territories
- Non-integrated countries and territories: Mazars correspondents and representative offices



#### North America

- Bermuda
- Canada
- United States

#### Latin America & the Caribbean

- Argentina
- Brazil
- Cayman Islands
- Chile
- Colombia
- Dutch West Indies
- Mexico
- Peru
- Uruguay
- Venezuela

#### Africa & Middle East

- |  |   |
|--|---|
| <span style="color: #003366;">■</span> Algeria             | <span style="color: #0070C0;">■</span> Malawi               |
| <span style="color: #003366;">■</span> Angola              | <span style="color: #003366;">■</span> Mauritius            |
| <span style="color: #003366;">■</span> Bahrain             | <span style="color: #003366;">■</span> Morocco              |
| <span style="color: #003366;">■</span> Benin               | <span style="color: #003366;">■</span> Mozambique           |
| <span style="color: #003366;">■</span> Botswana            | <span style="color: #003366;">■</span> Niger                |
| <span style="color: #003366;">■</span> Cameroon            | <span style="color: #003366;">■</span> Nigeria              |
| <span style="color: #0070C0;">■</span> Congo (Brazzaville) | <span style="color: #003366;">■</span> Oman                 |
| <span style="color: #003366;">■</span> Congo (Kinshasa)    | <span style="color: #003366;">■</span> Palestine            |
| <span style="color: #003366;">■</span> Egypt               | <span style="color: #003366;">■</span> Qatar                |
| <span style="color: #003366;">■</span> Ghana               | <span style="color: #003366;">■</span> Rwanda               |
| <span style="color: #003366;">■</span> Israel              | <span style="color: #003366;">■</span> Saudi Arabia         |
| <span style="color: #003366;">■</span> Ivory Coast         | <span style="color: #003366;">■</span> Senegal              |
| <span style="color: #0070C0;">■</span> Jordan              | <span style="color: #003366;">■</span> South Africa         |
| <span style="color: #003366;">■</span> Kenya               | <span style="color: #003366;">■</span> Tanzania             |
| <span style="color: #003366;">■</span> Kuwait              | <span style="color: #003366;">■</span> Tunisia              |
| <span style="color: #003366;">■</span> Lebanon             | <span style="color: #003366;">■</span> Uganda               |
| <span style="color: #0070C0;">■</span> Libya               | <span style="color: #003366;">■</span> United Arab Emirates |
| <span style="color: #003366;">■</span> Madagascar          | <span style="color: #0070C0;">■</span> Zimbabwe             |

#### Europe

- |   |   |
|---|---|
| <span style="color: #003366;">■</span> Albania        | <span style="color: #003366;">■</span> Luxembourg     |
| <span style="color: #003366;">■</span> Austria        | <span style="color: #003366;">■</span> Malta          |
| <span style="color: #003366;">■</span> Belgium        | <span style="color: #0070C0;">■</span> Moldova        |
| <span style="color: #003366;">■</span> Bulgaria       | <span style="color: #003366;">■</span> Netherlands    |
| <span style="color: #003366;">■</span> Croatia        | <span style="color: #003366;">■</span> Norway         |
| <span style="color: #003366;">■</span> Cyprus         | <span style="color: #003366;">■</span> Poland         |
| <span style="color: #003366;">■</span> Czech Republic | <span style="color: #003366;">■</span> Portugal       |
| <span style="color: #003366;">■</span> Denmark        | <span style="color: #003366;">■</span> Romania        |
| <span style="color: #0070C0;">■</span> Estonia        | <span style="color: #003366;">■</span> Russia         |
| <span style="color: #003366;">■</span> France         | <span style="color: #003366;">■</span> Serbia         |
| <span style="color: #003366;">■</span> Germany        | <span style="color: #003366;">■</span> Slovakia       |
| <span style="color: #003366;">■</span> Greece         | <span style="color: #003366;">■</span> Slovenia       |
| <span style="color: #003366;">■</span> Hungary        | <span style="color: #003366;">■</span> Spain          |
| <span style="color: #003366;">■</span> Ireland        | <span style="color: #003366;">■</span> Sweden         |
| <span style="color: #003366;">■</span> Italy          | <span style="color: #003366;">■</span> Switzerland    |
| <span style="color: #003366;">■</span> Kosovo         | <span style="color: #003366;">■</span> Turkey         |
| <span style="color: #0070C0;">■</span> Latvia         | <span style="color: #003366;">■</span> Ukraine        |
| <span style="color: #0070C0;">■</span> Lithuania      | <span style="color: #003366;">■</span> United Kingdom |

#### Asia-Pacific

- Afghanistan
- Australia
- China
- Hong Kong (SAR)
- India
- Indonesia
- Japan
- Kazakhstan
- Korea
- Kyrgyzstan
- Malaysia
- New Caledonia
- Pakistan
- Philippines
- Singapore
- Taiwan
- Thailand
- Uzbekistan
- Vietnam



# Our structure, leadership and governance

## 3.1 Our unique business structure

### Our global business organisation

During our 2016 general assembly of partners, a new Group Executive Board (GEB) was elected, on the basis of a strategic platform, called the Next20. The business organisation described below is aimed at fully implementing this platform. In order to deliver the best services to our clients, our international structure focuses on sectors and service lines.

The four key sectors we have identified are:

- financial services;
- industry & services;
- entrepreneurial businesses; and
- public sector

To organisations of all sizes in each of these sectors, we deliver high quality services via our six service lines:

- accounting and outsourcing services (AOS);
- audit and assurance services (AAS);
- consulting;
- financial advisory services (FAS);
- law; and
- tax services (TAX).

Global sector & services team (GSST) leaders and global support business (GSB) leaders, along with soon-to-be appointed regional leaders, make up Mazars' global leadership team (GLT). It gathers the Group international leaders who carry responsibilities

that go across countries, thus requiring coordination of functions, markets, services and other responsibilities. The GLT is led by the group executive board.

This structure ensures coordination of member entities within the Mazars Group. Our integrated international structure permeates every aspect of our operations:

- partners and their member entities are linked by a series of agreements intended to achieve maximum consistency and standardisation within the Mazars Group;
- sectors and service lines are represented in member entities, enabling coordination of assignments and cross-border relations between countries;
- each assignment requiring an international team is managed and carried out by an integrated team sharing common standards and procedures;
- each global or international assignment is managed and carried out by an integrated team and coordinated by an engagement partner in charge who takes final responsibility for reporting to clients; and
- partners and the national member entities in which they work are linked by a series of agreements intended to achieve maximum consistency within the Group. They all report to the elected representatives of the Group.

All the entities of the Mazars integrated international partnership are thus committed to enhancing the quality of services provided to large, cross-border groups in an increasingly complex and global environment.

### Our HK business organisation



1

Office

350+

Professionals

21

Partners

as of 31 August 2020

### Ownership

Mazars CPA Limited is a firm of certified public accountants registered with the Hong Kong Institute of Certified Public Accountants. We are a limited liability company incorporated in Hong Kong and owned by our members who are also directors of the firm.

### The operational structure of Mazars in Hong Kong

At 31 August 2020, our business operated with over 350 professionals. Our staff held the following roles: Within Mazars in Hong Kong, for the year ended 31 August 2020 our business was structured through our service lines, which were responsible for managing results, developing strategies for growth and supporting our staff. As at 31 August 2020, there were five service lines, namely Audit & Assurance, Accounting & Outsourcing, Business Risk Services,

Tax Compliance & Consulting, and Financial Advisory Services. Details of our service lines are available on our website. Each service line is responsible for:

- quality, standards and risk management;
- setting the service line strategy;
- talent management and development;
- technical training;
- business model definition and implementation; and
- innovation.

The Quality Assurance department, which is independent from the five Service Lines, is responsible for setting standards, monitoring quality and risk management and providing technical training.

### Breakdown of global turnover by service line

2%

Legal services

47%

Audit

6.5%

FAS

11%

Consulting

17%

AOS

16.5%

Tax

## Our structure, leadership and governance

### 3.1 Our unique business structure



#### Major entities in Hong Kong

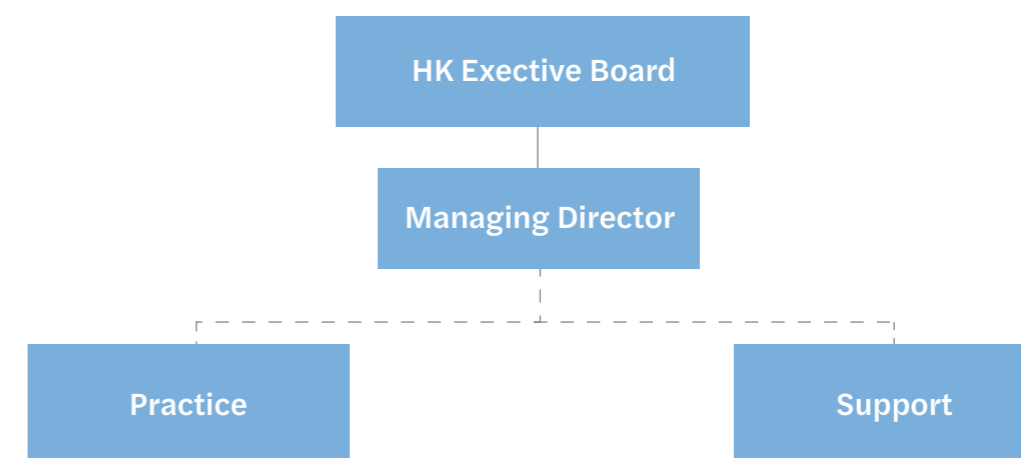
Other than Mazars CPA Limited, Mazars Corporate Recovery & Forensic Services Limited, Mazars Tax Services Limited, Mazars Outsourcing Limited and Mazars Corporate Services Limited are the major operating entities in Hong Kong.

## Our structure, leadership and governance

### 3.2 Leadership and governance

Our global leadership and governance platform relies on two main bodies, whose respective roles and missions are clearly defined in our Charter of Association. Together with our national, regional and functional leaders, both our Group Executive Board and our Group Governance Council are working to ensure the sustainable development of our partnership and of the Mazars Group.

#### Leadership in the HK



#### Hong Kong Executive Board

The Executive Board being the governing body of Mazars in Hong Kong is chaired by the Managing Director, Mr. Jimmy Yip since 1 January 2021. Other members of the Executive Board include Ms. Alexandra Hui, Mr. Edmund Chan, Mr. Paul She, and Mr. Shiu Hang Fung.

The MZHK Executive Board provides strategic and operational leadership to the Firm, with a specific mandate to:

- develop and implement the Hong Kong strategy, in line with the international strategy of the Firm, and establish a management structure to deliver this;
- ensure that the Firm's services to clients and conduct in respect of staff are carried out ethically and in accordance with the principles of technical excellence and quality service;

- ensure that the Firm recruits, develops, retains and adequately rewards an appropriate number of people with relevant skills and experience;
- oversee support functions, including the setting and monitoring of objectives, approving budgets and expenditure and ensuring efficiency between local, national and international support functions;
- ensure that appropriate policies and procedures are in place for risk and catastrophe management;
- monitor the legal obligations of Partners.

Bio of the Hong Kong Executive Board as at 1 January 2021 and 31 August 2020 are set out in Appendix 2.



# Our structure, leadership and governance

## 3.2 Leadership and governance

### Hong Kong Risk Committee

The Risk Committee is led by the Country Risk Manager and is responsible for making final recommendations to mitigate risks and answering (for approving an answers to) risk issues identified by the firm or when required.

### Hong Kong Technical Issues Committee

The Technical Issues Committee is responsible for formulating policies and procedures in dealing with technical issues raised and providing support and advice on technical matters when required.

The composition of HKRC and HKTIC as at 1 January 2021 and 31 August 2020 are set out in Appendix 2.

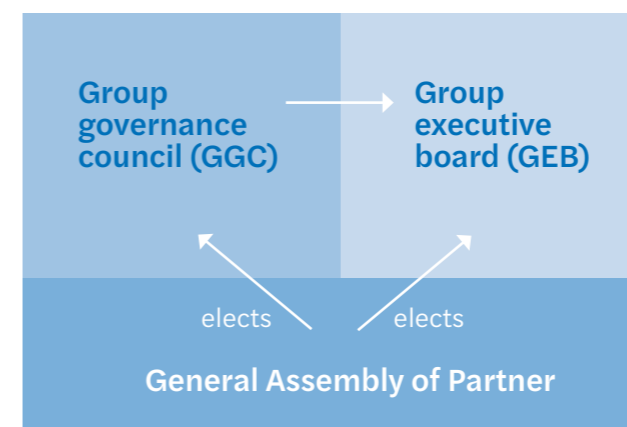
### Audit and assurance service line

The audit and assurance service line is led by the Head of Audit, Mr. Shiu Hang Fung, and 13 Practising Directors with multiple expertise. Composed of four audit groups, this service line owns about 250 principals, managers, and professional staff. One of the audit groups (AUD4) is more focused on IPO projects and capital market deals newly sourced in the market. When the project is completed, AUD4 continues to serve these recurring audit clients. One China development division is led by a manager who is seconded from ZSZH head office. We have in total about 25 well-qualified managers in our Hong Kong office, with more than 260+ professional staff at all grades from assistant managers to associates/trainees.

### Mazars Group

Our leadership and governance platform relies on two main bodies, whose respective roles and missions are clearly defined in our Charter of Association. Together with our national, regional and functional leaders, both our group executive board and our Group Governance Council are working to ensure the sustainable development of our partnership and of the Mazars Group.

### Our strategic leadership ecosystem



### Group Executive Board

The GEB is Mazars Group's executive body. It is in charge of operational management of the partnership with regards to collectively-defined key strategic objectives, under the supervision of the Group Governance Council. It focuses first and foremost on pursuing and accelerating growth, while ensuring the quality and sustainability of our activities.

As at 31 August 2020, there were 11 members of the GEB. The current GEB was elected in December 2016 and with an election every four years, the next one is due in December 2020.

The GEB is supported in its role by:

- the GLT, which comprises all Group business leaders (sectors and service lines, including our audit activity), Group Quality & Risk Management leaders, and Group support function leaders;
- executives in each member entity: these executives, led by a senior or managing partner, have the responsibility for managing that member entity, for leading the business on a day-to-day basis, and for providing strategic and operational coordination; and
- the executives are elected by the partners of the particular member entity, with their candidacy being subject to the consideration of the GEB.

The GEB meets at least monthly; it also meets twice a year with the country managing or senior partners at "Country Forums". Each GEB member is entrusted with specific geographical responsibilities, functional roles and the sponsorship of key strategic projects, such as innovation, diversity, quality and risk management, business development or integration processes for new additions to the partnership.

### The general assembly of partners

All the partners of the Mazars Group meet at least once a year, at the General Assembly of Partners, within six months following the end of the financial year.

The General Assembly of Partners is a pivotal point in the governance and decision-making processes of the Mazars Group. Every four years it is at this meeting that the partners elect the GEB and the GGC. Annually the assembly approves major strategic and operational decisions, the admission of new partners, and the approval of Mazars Group's audited financial statements.

Since our last Transparency Report, we have held a General Assembly in London in December 2019 and, due to the pandemic, a remote General Assembly in December 2020.



## 3.2 Leadership and governance

### Group Governance Council

Elected for the same term as the GEB, the GGC is the Group's supervisory body.

The GGC has decision-making powers in three specific areas as set out in the partnership's Charter of Association:

- the approval of partnership candidates and external growth operations;
- the compensation of the members of the group executive board; and
- the approval of disciplinary action decided by the latter.

The GGC is required to meet at least every four months. It may comprise between eight and 16 members including two members who are not Mazars' partners. As of 31 August 2020, there were 11 members of the GGC. Elected every four years, the next GGC elections were held in December 2020. The GGC as at 31 August 2020 are in Appendix 2.



## Appendix 1

### Mazars Group statutory audit firms

#### Africa & The Middle East

Country	Name of entity
Algeria	Mazars Hadj Ali
Angola	Mazars Angola - Auditores & Consultores, S.A.
Bahrain	Mazars Chartered Accountants
Benin	Mazars Benin
Botswana	Mazars
Cameroon	Mazars Cameroon
Djibouti	Mazars (Sofracor S.A.R.L.)
Egypt	Mazars Mostafa Shawki
Ghana	Mazars Ghana
Israël	Bri, Rotbart, Raz, Mazars Israel
Ivory Coast	Mazars Côte d'Ivoire
Kenya	Mazars Kenya
Kuwait	Mazars Hend Abdullah Alsurayea & Co Mazars Kuwait - Consultancy
Lebanon	Mazars Saade
Madagascar	Mazars Fivoarana
Mauritius	TK Uday Ltd
Morocco	Mazars Audit et Conseil SARL
Mozambique	Mazars, Lda
Nigeria	Mazars Coker & Company MNO Nominees
Oman	Mazars Chartered Accountants & co. LLC
Palestine	El Wafa Co. for Financial Consulting and Accounting Services
Qatar	Mazars Ahmed Tawfik & Co. CPA Mazars LLC
Rwanda	Mazars in Rwanda
Saudi Arabia	Alkharashi & Co.
Senegal	Mazars Senegal
South Africa	Mazars Port Elizabeth Mazars Services Trust Mazars Partnership Mazars Central Inc Mazars Durban
Tanzania	Mazars Wiscon Associates
Tunisia	ECC Mazars SBCI
Uganda	Denge Bağımsız Denetim
Ukraine	Mazars BRJ
United Arab Emirates	Mazars Chartered Accountants

#### Asia-Pacific

Country	Name of entity
Afghanistan	Mazars Afghanistan Limited
Australia	Mazars Audit (Qld) Pty Limited Mazars Risk & Assurance Mazars Melbourne Assurance Pty
China Hong Kong	Mazars CPA Limited
China mainland	Mazars Certified Public Accountants Zhongshen Zhonghuan
India	Kalyaniwalla Mistry & Associates Kalyaniwalla & Mistry LLP Mazars Advisory LLP S. N. Dhawan & Co LLP
Indonesia	KAP Aria Kanaka & Rekan PT Mazars Consulting Indonesia
Japan	Mazars Audit LLC
Korea	Mazars Sebit Korea
Kyrgystan	Mazars LLC Mazars Audit LLC
Malaysia	Mazars PLT Mazars Risk Management Sdn Bhd
New Caledonia	OCEA Nouvelle-Calédonie
Pakistan	Mazars MF & Co
Philippines	Yu Villar Tadeja and Co
Singapore	Mazars LLP Mazars Asia Pacific
Thailand	Mazars Ltd.
Vietnam	Mazars Vietnam Co Ltd

#### Europe

Country	Name of entity
Albania	Mazars sh.p.k
Austria	Mazars GmbH Wirtschaftsprüfungsgesellschaft
Belgium	Mazars Bedrijfsrevisoren - Réviseurs d'Entreprises B.C.V
Bulgaria	Mazars OOD
Channel Islands	Mazars
Croatia	Mazars Cinotti Audit d.o.o.
Cyprus	Mazars Limited (Cyprus)
Czech Republic	Mazars Audit s.r.o.
Denmark	Mazars Denmark statsautoriseret revisionspartnerselskab
France	Mazars SA Mazars SPCC Franex Mazars Uniconseils CBA Mazars aCéa Mazars (Rouen) Mazars (Bezannes) Mazars (Labège) Mazars (Strasbourg) Mazars Bourgogne Franche-Comté Mazars et Associés Mazars Figeor Mazars Data Mazars Dijon Mazars Pontarlier Mazars Lons Pluris Audit Mazars & SEFCO Sud Est Expertises Financières Comptable et d'Organisation SEFCO Mazars Gource Mazars-FIDUCO Mazars experts-on-line Mazars Saint Exupery Mazars Metz Mazars Entrepreneurs (Villeurbanne) Mazars Rodez Mazars Immobilier Thomas & Associés Mazars ASC D.D.A. Mazars CPA Mazars Inreco AGEC

#### Europe

Country	Name of entity
Germany	MAZARS GmbH Wirtschaftsprüfungsgesellschaft Roever Broenner Susat Mazars GmbH RBS BBE GmbH Wirtschaftsprüfungsgesellschaft Steinberg & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Greece	Mazars Certified Public Accountants Business Advisors S.A.
Hungary	MAZARS Könyvszakértő és Tanácsadói Korlátolt Felelősségű Társaság
Ireland	Mazars Mazars NI Ltd
Italy	Professionisti Associati Società Semplice (P.A.S.S) Mazars Italia S.p.A
Kosovo	Mazars in Albania
Luxembourg	MAZARS Luxembourg
Malta	Mazars Malta
Netherlands	Mazars Accountants N.V. Ten Kate Huizinga Audit N.V.
Norway	Mazars Revisjon AS
Poland	Mazars Audyt Mazars Polska Mazars Expertise
Portugal	Mazars & Associados, SROC, SA
Romania	Mazars Romania SRL
Russia	Mazars Audit Limited Liability Company
Serbia	MAZARS AUDIT d.o.o.
Slovakia	Mazars Slovensko, s.r.o.
Slovenia	Mazars d.o.o
Spain	Mazars Auditores S.L.P.
Sweden	Mazars SET Revisionsbyrå AB
Switzerland	MAZARS SA Suisse Aunexis AG
Turkey	Denge Bağımsız Denetim
Ukraine	Audit firm Mazars Ukraine
United Kingdom	Mazars LLP Mazars Channel Islands Limited

## Appendix 1 Mazars Group statutory audit firms

### Latin America & The Caribbean

Country	Name of entity
Argentina	Estudio Urien & Asociados Estudio Urien S.R.L
Brazil	Mazars Cabrera Assessoria, Consultoria E Planejamento Empresarial Ltda. Mazars Auditores Independentes - Sociedade Simples Mazars Auditores Ltda.
Chile	Mazars Chile Ltda Mazars Auditores Consultores
Colombia	MCA Auditing & Accounting SAS
Mexico	Mazars Auditores, S. de R.L. de C.V. Mazars Mexicali, S. de R.L. de C.V. Mazars Guadalajara, S. de R.L. de C.V.
Peru	Contreras y Asociados S.Civil de R.L
Uruguay	Mazars Uruguay
Venezuela	AAdrianza Rodriguez Cefalo & Asociados Mazars Venezuela

### North America

Country	Name of entity
Bermuda	Mazars Bermuda Limited
Canada	Canada Mazars Harel Drouin, SENCRL
United States	Mazars USA LLP

### List of correspondents

Regions	Country	Name of entity
	Congo Brazzaville	M3B Audit & Expertise
	Ethiopia	ASGB Consulting
Africa/ Middle East	Jordan	International Professional Bureau Consulting & Auditing CO.
	Libya	Mazars Libye
	Malawi	AMG Global Chartered Accountants
	Zimbabwe	KLM Chartered Accountants
	Kazakhstan	Nurteam Audit LLP
Asia Pacific	New Caledonia	OCEA Nouvelle-Calédonie
	Estonia	OÜ Audiitorteenuse
	Latvia	SIA TaxLink
Europe	Lithuania	Persense Audit UAB
	Serbia	AGM Audit d.o.o
	Caymen	Mazars Cayman
Latin America &	Dutch West	MPHC Accountants &
	Ecuador	Hansel Holm Partners S.A

## Appendix 2 HK and Group leadership

### Since 1 January 2021 the HK Executive Board was comprised of:



#### Jimmy Yip

Jimmy joined Mazars in Hong Kong in 2000. He has been auditing companies of all sizes, ranging from SMEs to listed local, PRC and overseas companies, as well as H-share listed companies. Besides audit and assurance works, he is also engaged in special assignments including investigation and IPOs. Jimmy's clients are involved in businesses of manufacturing, trading, assets management, computer software development, hotel operation and fitness & beauty centre operations, etc.

Jimmy is currently the Managing Director at Mazars in Hong Kong.



#### Alexandra Hui

Alexandra has more than 30 years of experience working in Inland Revenue Department and International accounting firms. She is specialized in Hong Kong taxation and has extensive experience in advising clients on tax issues related to their investments in Hong Kong, including mergers and acquisitions, corporate reorganization, structure for minimization of tax exposures. She is experienced in serving international clients engaging in various industries including manufacturing, retail and distribution, media and telecommunications, construction, transport and logistics, brokers, asset management, shipping, insurance and hotel operation etc. Alexandra has served as a Tax Committee member of ACCA for more than 10 years.



#### Edmund Chan

Edmund has over 30 years of experience in auditing and business advisory. Prior to joining the firm in 1995, he spent seven years with a major international CPA firm in Hong Kong. Edmund has been serving a wide range of clients including manufacturing and trading companies, financial institutions, listed companies (both local and overseas) and PRC state-owned enterprises. Edmund also actively participates in the liaison and coordination of students' activities of local universities maintaining a closer tie between next-generation accountants and the firm.

## Appendix 2

### HK and Group leadership

#### Since 1 January 2021 the HK Executive Board was comprised of:



##### Paul She

Paul joined Mazars in Hong Kong in 2002. His audit experience spans over Hong Kong listed companies (GEM and Main Board) as well as companies listed in US New York Stock Exchange and NASDAQ Global Market. Besides audit and assurance works, he has also been engaged in special assignments including investigation, expert determination and IPO.



##### Shiu Hang Fung

Hang joined the firm in 1989. Since his joining to Mazars in Hong Kong, he has been auditing companies of all sizes, from SMEs to listed local, PRC and overseas companies. His clients include those from the regulatory industries such as securities and commodities dealers and financial advisory service providers. Aside from performing assurance services on accounts which are prepared in accordance with HKGAAP/USGAAP/IAS, Hang also conducted due diligence and was engaged in special projects in relation to mergers and acquisitions, IPOs (in Singapore, Hong Kong, the UK, the US and Norway), other fund raising activities and special investigation.

#### Members of the HK Risk Committee

The members of the Hong Kong Risk Committee as at 1 January 2021 are set out below:

- Jimmy Yip (Chairman)
- Ivan Chan (Deputy risk manager)
- Leo Cheuk
- Shiu Hang Fung

#### Members of the HK Technical Issues Committee

The members of the Hong Kong Technical Issues Committee as at 1 January 2021 are set out below:

- Andy Chan
- Jimmy Yip
- Leo Cheuk
- Shiu Hang Fung

#### As at 31 August 2020 the HK Executive Board was comprised of:



##### Stephen Weatherseed

Stephen joined Mazars in January 2011. His role within the firm includes international audit clients, both as contact and / or engagement partner, and special projects in relation to corporate finance and litigation support. He also focuses on increasing Mazars' brand awareness within Hong Kong.

Stephen has spent over 35 years in professional financial services, with more than 20 years based in Hong Kong and Asia, and the remainder in UK and Europe. His experience includes practice management; developing new service lines; establishing and appointing representative firms in new countries; advising clients on corporate finance, audit, risk management and cross border transactions, and also on China/Asian investment/trading strategies.



##### Edmund Chan

Edmund has over 30 years of experience in auditing and business advisory. Prior to joining the firm in 1995, he spent seven years with a major international CPA firm in Hong Kong. Edmund has been serving a wide range of clients including manufacturing and trading companies, financial institutions, listed companies (both local and overseas) and PRC state-owned enterprises. Edmund also actively participates in the liaison and coordination of students' activities of local universities maintaining a closer tie between next-generation accountants and the firm.



##### Eunice Kwok

Since Eunice joined Mazars in Hong Kong in 1998, she has been responsible for audit and other assurance engagements of a wide range of clients including Hong Kong and US listed companies. Eunice is experienced in auditing companies of all sizes in various industries including manufacturing, retailing, property investment and development, shipping, trading and telecommunications. In addition to being in charge of high-risk large assurance assignments, Eunice's responsibilities extend to cover administration and financial reporting of the firm.

## Appendix 2 HK and Group leadership

### As at 31 August 2020 the HK Executive Board was comprised of:



#### Michael To

Michael joined Mazars Hong Kong in 2008. He has more than 30 years of experience working in international accounting firms and commercial organisations, of which over 28 years are related to China tax areas.

Michael has extensive experience advising clients on tax and operation issues related to their investments in China, in particular, the structure for direct investment in China, mergers and acquisitions, corporate reorganisation, structure for the purposes of minimisation of tax exposures, planning for individuals to reduce their personal tax liabilities etc. He is always involved in negotiation with the PRC officials in the process of setting up clients' establishments in China and optimising their tax position.



#### Oliver Or

Oliver joined Mazars in Hong Kong in 1988. He has over 30 years of experience in auditing at Mazars in Hong Kong and has particular experience in insurance. Oliver has been serving a wide range of clients including manufacturing and trading companies, insurance companies, listed companies (both local and overseas) and PRC enterprises. He also has extensive experience in due diligence and investigation work and IPO reporting.

### Members of the HK Risk Committee

The members of the Hong Kong Risk Committee as at 31 August 2020 are set out below:

- Stephen Weatherseed (Chairman)
- Oliver Or (Deputy risk manager)
- Jimmy Yip
- Shiu Hang Fung

### Members of the HK Technical Issues Committee

The members of the Hong Kong Technical Issues Committee as at 31 August 2020 are set out below:

- Andy Chan
- Jimmy Yip
- Oliver Or
- Shiu Hang Fung

## Appendix 2 HK and Group leadership

### As at 31 August 2020 the GEB was composed of:



France  
Hervé Hélias  
CEO and Chairman



Spain  
Antonio Bover



Italy  
Pascal Jauffret



United Kingdom  
Rudi Lang



Senegal  
Taïbou M'Baye



Germany  
Dr Christoph Regierer



Belgium  
Véronique Ryckaert



China  
Wenxian Shi



Netherlands  
Ton Tuinier



United Kingdom  
Phil Verity



United States  
Victor Wahba



## Appendix 2 HK and Group leadership

As at 31 August 2020 the Group Governance Council was composed of:



United Kingdom  
**Tim Hudson**  
Chair



France  
**Thierry Blanchetier**  
Vice-chair



Germany  
**Gertrude Bergmann**



United States  
**Kathryn Byrne**



France  
**Juliette Decoux**



France  
**Fabrice Demarigny**



India  
**Bharat Dhawan**



United States  
**Denise Fletcher**  
Independent member



Singapore  
**Chris Fuggle**



South Africa  
**Michelle Olckers**



China  
**Liwen Zhang**

## Appendix 3 Public Interest Entity Audit clients of Mazars in Hong Kong

Public Interest Entities in respect of which Mazars in Hong Kong has expressed an audit opinion in the year to 31 August 2020 are detailed below.

### Companies that have issued transferable securities admitted to trading on:

#### Hong Kong Stock Exchange

Applied Development Holdings Limited  
Ares Asia Limited  
Asia Energy Logistics Group Limited  
Beijing Gas Blue Sky Holdings Limited  
Capital Finance Holdings Limited  
Century Sage Scientific Holdings Limited  
China ITS (Holdings) Company Limited  
China Sinostar Group Company Limited  
China Smartpay Group Holdings Limited  
Comtec Solar Systems Group Limited  
Dafeng Port Heshun Technology Company Limited  
Daisho Microline Holdings Limited  
DreamEast Group Limited  
Enterprise Development Holdings Limited  
Ever Harvest Group Holdings Limited  
Get Nice Financial Group Limited  
Get Nice Holdings Limited  
Global Bio-Chem Technology Group Company Limited  
Global-Sweeteners Holdings Limited  
Great China Properties Holdings Limited  
Great Wall Belt & Road Holdings Limited  
Ground International Development Limited  
Hailan Holdings Limited  
Hao Bai International (Cayman) Limited  
Huakang Biomedical Holdings Company Limited  
IDT International Limited  
IMS Group Holdings Limited  
Infinity Logistics and Transport Ventures Limited  
K & P International Holdings Limited  
KNK Holdings Limited  
Kunming Dianchi Water Treatment Company Limited  
Mindtell Technology Limited  
MOG Holdings Limited  
MOS House Group Limited  
Nan Nan Resources Enterprise Limited  
Nexion Technologies Limited  
Northeast Electric Development Company Limited  
Oriental Payment Group Holdings Limited  
Oshidori International Holdings Limited  
Pak Fah Yeow International Limited  
Planetree International Development Limited  
Rentian Technology Holdings Limited  
Royal Century Resources Holdings Limited  
Sun Kong Holdings Limited  
Target Insurance (Holdings) Limited  
Tian Chang Group Holdings Limited  
Tingyi (Cayman Islands) Holdings Corp.  
Universal Health International Group Holding Limited  
VBG International Holdings Limited  
Vongroup Limited  
Yuxing InfoTech Investment Holdings Limited

## Appendix 4

### Effectiveness of the system of internal controls

Mazars in Hong Kong has conducted an annual review of the effectiveness of the internal control system, which covered all material controls, including financial, operational and compliance controls and risk management systems, as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the firm. This review included a consideration of:

This review included a consideration of:

- the firm's structures and boards;
- the enterprise risk management framework;
- internal and external reviews, including:
  - compliance with ISQC1;
  - internal audit reviews;
  - whole of firm compliance reviews; and
  - reporting from our external auditor;
- crisis management and business continuity arrangements;
- the control environment in operation in our finance and other selected central functions;
- regulatory compliance; and
- oversight of the HK office at a Mazars Group level.

As a result of the reviews above, we have identified improvements which either have been actioned or are being actioned by the firm. It is not considered that any of the areas for improvement highlighted by these reviews represent a significant failure or weakness, either which requires disclosure or which undermines the current systems of internal control.

In addition, there have also been external reviews of certain of the firm's processes during the year which have been valuable in identifying further areas for improvement.

## Appendix 5

### Group and Hong Kong statements of compliance

#### Statement on the effectiveness of the quality control system

Mazars Group's and Mazars in Hong Kong's Quality Control System is designed to provide reasonable assurance that the Firm, its Partners and staff comply with professional standards and regulatory and legal requirements, work is performed to a consistently high standard and that reports issued by the Firm are appropriate.

On the basis of its Quality Control monitoring conclusions, Mazars positively confirmed in December 2020 that it met the membership obligations of the FoF in all material respects.

The management of Mazars Group and Mazars in Hong Kong are content that the system is effective in the maintenance and improvement of audit quality, including work carried out as a local public auditor. They considered the results of the relevant regulatory inspections in reaching this opinion.

#### Statement on the effectiveness of our systems to safeguard our objectivity and independence

The operation and effectiveness of Mazars Group's and Mazars in Hong Kong's systems to safeguard our objectivity and independence form part of the review of the Quality Control System. Furthermore, management confirms that the practices have been subjected to internal review. Based on the evidence obtained in these reviews, the management of Mazars Group and Mazars in Hong Kong confirms, with a reasonable level of assurance, that the independence procedures and practices, including those relevant to our work as a local public auditor, have been implemented and the system is effective in maintaining independence.

#### Statement of compliance with professional training obligations

Registered auditors are required to complete at least 120 hours or equivalent learning units of relevant professional development activity in each rolling three-year period, of which 60 hours or equivalent units should be verifiable. They also have to complete at least 20 hours or equivalent learning units of relevant professional development activity each year.

Mazars Group has established a professional education program that includes the organisation and delivery of technical in-house and external seminars, the active involvement of professional staff in major national and international professional accounting and auditing organisations and the development of extensive opportunities for staff to attend technical seminars and conferences.

Each year, member entities of the Mazars Group must compile an inventory of training attended by their professionals, and membership of professional bodies/institutes, in order to ensure compliance with the above-mentioned requirements on a multi-year basis.

Mazars in Hong Kong complies with the Continuing Professional Development policies of the HKICPA which are, in turn, compliant with IES 7 and IES 8. Mazars in Hong Kong also confirms that its Key Audit Partners and other staff working on local public audits are competent and suitably trained to deliver audit work within this sector.

Partners and all audit personnel are required to provide an annual declaration that they have complied with the relevant requirements.

## Appendix 6 Glossary of terms

AAS	Audit and Assurance Service	IT	Information Technology
AOS	Accounting and Outsourcing Services	KAP	Key Audit Partner
CCOI	Code of Conduct for Objectivity and Independence	KPI	Key Performance Indicator
CPD	Continued Professional Development	MAM	Mazars Audit Methodology
EQCR	Engagement Quality Control Review	Mazars Group	The member entities of Mazars SCRL
FAS	Financial Advisory Services	Mazars HK	Mazars in Hong Kong
FoF	Forum of Firms	MZHK	Mazars in Hong Kong
GIAC	Group Independence and Acceptance Committee	MZHK Partners	Partners and shareholders of Mazars entities in the Mazars Group
GEB	Group Executive Board	QAD	Quality Assurance Department
GGC	Group Governance Council	QCA	Quoted Companies Alliance
GLT	Global Leadership Team	QRB	Quality and Risk Board
GSB	Global Support Business	QSG	Quality Steering Group
GSST	Global Sector & Services Team	Q&RM	Quality and Risk Management Board
HK	Hong Kong	RI	Responsible Individual
HK Executive	Hong Kong Executive Board	SCRL	Societe Cooperative a Responsabilite Limitee (Limited Responsibility Cooperative Company)
HKGC	Hong Kong Governance Council	TAX	Tax services
HKRC	Hong Kong Risk Committee	The Charter	Charter of Association
HKTIC	Hong Kong Technical Issues Committee	The Firm	Mazars CPA Limited
HKICPA	Hong Kong Institute of Certified Public Accountants	The Group	The member entities of Mazars SCRL
IAASB	International Auditing and Assurance Standards Board	Us/we	Mazars CPA Limited
IES	International Education Standards	ZSZH	ZhongShen ZhongHuan
IESBA	International Ethics Standards Board for Accountants		
IESBA Code	IESBA Code of Ethics for Professional Accountants		
IFAC	International Federation of Accountants		
IFRS	International Financial Reporting Standards		
INE	Independent Non Executive		
IPO	Initial public offering		
IQCC	International Quality Control Committee		
ISA	International Standard on Auditing		
ISQC	International Standards on Quality Control		



# Contact

Mazars CPA Limited  
42nd Floor, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

Tel: (+852) 2909 5555  
Fax: (+852) 2810 0032  
Email: [info@mazars.hk](mailto:info@mazars.hk)

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of more than 42,000 professionals – 26,000+ in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws

**Website: [www.mazars.hk](http://www.mazars.hk)**

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