



# Transparency report 2023

Mazars in Hong Kong

mazars



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# Foreword

## Creating new opportunities for continued, sustainable growth

Growth prospects have never been more susceptible to change and global impact. Over the past few years, businesses, governments and individuals worldwide have had to operate in an eventful and demanding environment. No sooner had we all learned to contend with a global pandemic than a war on the border with the European Union broke out. Repercussions are continuing to spread across the world – from dwindling energy supplies to rising interest rates and record inflation across nations. These factors create a more uncertain international setting, where medium to long-term planning is put to the test.

In Hong Kong, our economy has been recovering from the COVID pandemic and the city has fully resumed convenient travel with the world. Although the vitality of recovery has not been rebounding than was expected due to the complex environment and uncertainties, it is picking up with positive growth. Looking forward to 2024, we hope to bring more significant opportunities coupled with challenges and to create a vibrant audit market alongside our sense of resilience and robustness in Hong Kong.

Staying true to our foundational values, we at Mazars are committed to helping our clients succeed in these unpredictable times. This is why we are building an even stronger firm; a global platform equipped to serve our clients with an unparalleled quality of service wherever they are in the world. Working as one team, with deep local expertise and consistency across borders, we are creating a unique top ten global network with FORVIS, which will operate under a single brand, Forvis Mazars, from 1 June 2024. This bold move is in line with our organisation's strategy and cements our purpose in action.

We recognise the challenges our clients face now and moving forward. There are greater demands to comply with increased regulation, from expectations to genuinely embrace sustainability, to adapting business models to support ground-breaking technologies. While there are many opportunities to broaden the scope of an auditor's work from financial considerations to the realms of ESG and technology, clients are experiencing a lack of choice in the market, especially for the audit of large multinational organisations. We will change this. In line with our commitment to serving the public interest and contributing to the health of financial markets, we are building a global, integrated, multidisciplinary firm, capable of serving domestic and international clients, both in audit and non-audit services.

### Quality above all else

Quality has always been a driving force at Mazars and remains at the core of the organisation we are building today. This year, we have continued to make progress on embedding a high-quality culture by our global code of conduct as a starting point. It is where we clearly define the expected behaviours of our global teams, with our partners acting as ambassadors for our people and setting the tone at the top. Our global code of conduct trainings are mandatory and we monitor this closely.

The introduction of the International Standard on Quality Management 1 (ISQM1) is a welcome opportunity for us to reinforce our quality culture. ISQM1 enables us to move towards a solid, structured and measurable quality management system

across all our jurisdictions, with consistent policies and procedures across the firm. As this is the first transparency report since ISQM1 came into effect, you will discover throughout the document how we have reviewed and enhanced our approach to how we manage quality and risk, and also to how we report on these topics.

### With complexity also comes opportunity

Today, we face fast-growing regulation in a variety of domains. From taxation to sustainability to cyber security, compliance now sits at the top of the business agenda, and this is a positive development.

Compliance is reshaping the market, encouraging more transparency and accountability, and supporting the needs of our clients and their stakeholders. This also means our profession is opening up to new fields, making it more multidisciplinary than ever before. It is essential for our organisation to stay abreast of evolving regulation, acquire the skills to adapt to and challenge new technology such as artificial intelligence (AI), and lead on best practice in ESG. This will put us in the optimum position to support and advise our clients on these multiple fronts.

In the sustainability arena, Europe has been spearheading the way with the introduction of the Corporate Sustainability Reporting Directive (CSRD), making huge strides in structuring the ESG reporting of companies. Outside of Europe, regulators are progressing too, in particular with the International Sustainability Standards Board (ISSB) and the SEC in the U.S., focusing predominantly on climate change. Businesses of all sizes increasingly require

support to structure their ESG policies, measure and communicate the results, and understand upcoming regulation. This is why, to meet global demand, we have focused on investing in our Sustainability services team in 2023. Across 43 countries we now have consultants and auditors engaged in the development and delivery of client solutions in this important area. Equally, we have remained committed to our own corporate sustainability strategy. One recent example of this is our public pledge to achieve net zero emissions by signing up to the Science-Based Targets initiative (SBTi), establishing our baseline carbon footprint and our global emissions reduction targets.

On the digital front, it is also a challenging and exciting time for auditors and consultants. We see new regulation aimed at raising the overall level of cyber security by tackling issues linked to the security of companies' network and information systems. This ultimately leads to reshaping how the performance of companies is viewed and understood in the market, and what we can expect from companies, especially large online players. This year, we continue to see the extraordinary power of AI and the infinite opportunities it can present businesses and the public sector. We are very much aligned with regulation aimed at harnessing the power of AI towards the common good, as, if done correctly, it could revolutionise our professional and personal lives.

## Another year of strong, balanced growth

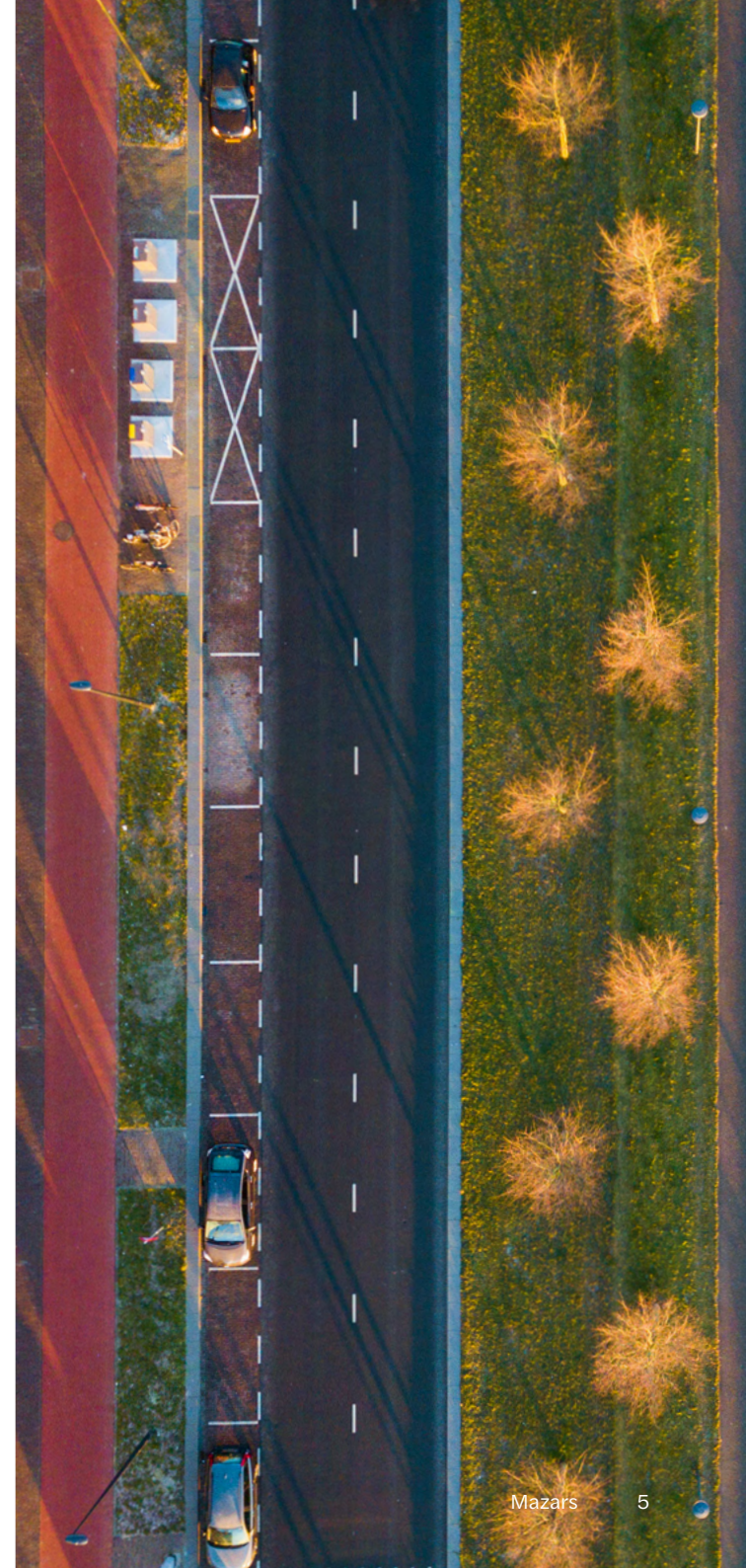
Our performance this year has again been strong across all regions, service lines and geographies, with overall growth at 13% globally. The strength of our multidisciplinary model is noteworthy. Indeed, all the service lines of the Mazars Group without exception have experienced double-digit growth, and we continue to offer a balanced offering between our audit and non-audit activities. We are convinced this diverse portfolio of services is our strength, and we will keep developing our key sectors, such as financial services.

Quality is first and foremost a mindset, which must be weaved into everything we do. At Mazars in Hong Kong, we are committed to helping our clients identify and seize the right opportunities to support their ambitions. We believe we could achieve more success for clients through sustainable, purposeful growth by taking advantage of Hong Kong's robust financial market.

Looking ahead, we are confident that our new network will boost our employer value proposition, offering broader client experience and career mobility opportunities. We will come away better informed and prepared for all opportunities and challenges now and well beyond.



**Jimmy Yip**  
Managing Director  
Mazars CPA Limited



# Introduction

## A year of many achievements

**In the increasingly complex landscape in which we operate, it has become ever more important to have a solid, robust approach to delivering quality engagements across all our service lines, underpinned by a robust internal quality control framework.**

This past year we've seen further developments impacting the profession, including the war for talent, new standards and requirements, and the fast pace of technological change. Against this backdrop, quality has remained the backbone upon which our professional reputation stands and is one of the core pillars of our One24 strategy.

Under the leadership of the Global Quality and Risk Management (Q&RM) board, during the year we have seen many achievements and significant milestones met and a number of change initiatives coming to fruition. In particular, 2023 saw us reinforcing our quality and risk focused culture, embedding global tools and technologies, refining our Q&RM governance and driving related transformation initiatives.

We also maintained a continued focus on embedding the new Mazars quality management framework, aligned to International Standard on Quality Management 1 (ISQM1), by driving a globally consistent approach. Each member firm in the Mazars Group adopts the global baseline materials, aligned to ISQM1, and then tailors to meet their individual circumstances. This year saw substantial focus in all

member firms on enhancing their systems of quality management (SoQM) and related control framework, testing the effectiveness of the control environment and designing, implementing and operating the new procedures that resulted.

At the global level, we continue to refine processes, update policies, refresh our control design and better articulate accountabilities to our leaders and our people – measures that will take us to the next phase in our continuous improvement journey.

This report demonstrates the number of ways in which we have delivered improvements throughout the year, and some specific highlights include:

- An updated Q&RM policy manual to reflect the new policies and controls introduced with ISQM1 implementation, and significant progress towards the launch of a global digital platform for the policy manuals.
- New global code of conduct training focusing on understanding and addressing unconscious biases to promote ethical behaviours and decision-making.



# Introduction

## A year of many achievements

“The quality & risk management systems that we have put in place at Mazars allow us to protect our reputation, satisfy our clients' expectations, and respond to the requests of our regulators. Quality will remain the cornerstone of all our activities, including our newest one, sustainability reporting and assurance.”



**Jean-Luc Barlet**  
Quality Management &  
Compliance Leader

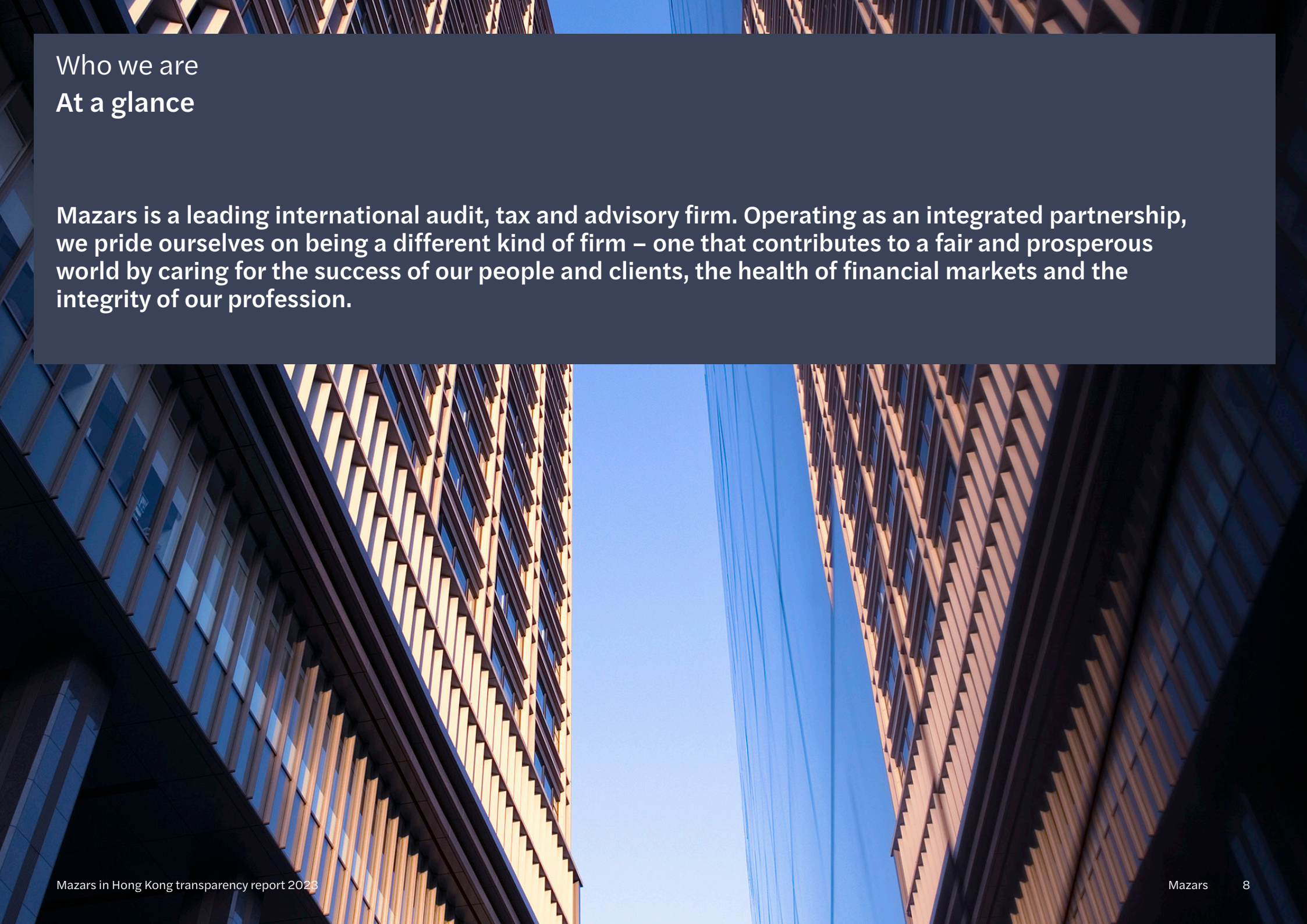
- Continuous improvement to our existing WeCheck independence and conflict checking tool, which is now fully implemented in 86 countries and includes integration of new know your client (KYC) functionality embedded within the tool.
- Designing and rolling out an innovative global ISQM1 tool to all firms to facilitate risk assessment processes and the testing and evaluation of each firm's SoQM.
- Launching a revised approach to our global monitoring programmes to maximise the benefit of the global ISQM1 tool, refining our approach to quality and risk indicators and introducing an enhanced methodology to support performance of root cause analysis of quality deficiencies.
- Reinforcing our Q&RM teams and skillsets at both group and country levels.

This is the first Transparency Report since ISQM1 came into effect. We have therefore used this opportunity to review and refresh our approach not only to how we manage quality and risk, but also to how we report on these topics. We recognise the continued importance of providing transparency and insights into our SoQM and our performance in this area. Following internal and external benchmarking of our approach, this year we have chosen to structure our report around the core pillars of our SoQM. Some of the wider information we included in previous reports regarding other engagements with our stakeholders and society in general will continue to be reported in our [annual sustainability report](#).

We have made solid progress during the year, and we look forward to embedding the lessons we have learnt as we strive for continuous improvement. We are particularly proud of the hard work and dedication of our Q&RM leadership and supporting teams, who have invested significant time and effort into implementing the enhancements to our quality management framework. We have seen first-hand the power of an open, quality-focused mindset and collaborative working, leveraging from the diverse and broad range of skills that exist across our partnership. As we continue to execute on the final year of our One24 plan, we are setting ourselves high standards and assessing ourselves against this high level, to ensure continued success in the short, medium and long term. Our focus on continuous improvement of quality has required us to challenge ourselves and be open to change – and we look forward to continuing that journey.



**Jo Connolly**  
Group Chief Quality and  
Compliance Officer, Mazars



## Who we are At a glance

Mazars is a leading international audit, tax and advisory firm. Operating as an integrated partnership, we pride ourselves on being a different kind of firm – one that contributes to a fair and prosperous world by caring for the success of our people and clients, the health of financial markets and the integrity of our profession.



# Who we are

## Mazars SC in a nutshell

### A global, integrated partnership

Mazars is a multicultural and integrated partnership with shared goals, values and service standards across the world. Present in over 100 countries and territories, we work together as a single, united and connected team, with aligned interests, consistent delivery models and a shared commitment to the highest standards of quality and transparency.

### Guided by our values

All our partners and staff are guided by our shared values, which are built upon the foundation set for us by our founder in the 1940s. More information about our shared values and the behaviours expected of all Mazars employees and partners can be found in [our global code of conduct](#).

### Our shared values and associated behaviours

- Integrity – Act with integrity
- Responsibility – Be accountable
- Diversity and respect – Respect people
- Technical excellence – Deliver outstanding quality
- Independence – Think independently
- Stewardship – Shape the future

### A wide range of services

As a leading international audit, tax and advisory firm, we help our clients make the most of opportunities, operate with transparency and grow confidently and responsibly. Our multidisciplinary approach is key to supporting our clients' changing needs and helping them achieve sustainable growth.

### A balanced offering

- Audit and assurance
- Consulting
- Financial advisory
- Legal
- Outsourcing
- Sustainability
- Tax

### Serving a broad range of clients

Whatever the issue, industry or stage of development, we bring expertise, agility and understanding to deliver the answers and experiences that are right for each client. We serve organisations of all sizes, from privately owned businesses and private individuals to large and listed companies, public bodies and non-governmental organisations across borders. We serve clients in a variety of industries, with a deep understanding of sector-specific environments, issues and trends.

# Who we are

## Key facts and figures

**Mazars works as one integrated team across borders, leveraging expertise, scale and cultural understanding to deliver exceptional and tailored services in audit and accounting, as well as tax, financial advisory, consulting, sustainability and legal<sup>1</sup> services.**

**1**  
international integrated  
partnership

**€2.8bn**

fee income<sup>2</sup>

**13%**

year-on-year growth

**1,200+**

Mazars SC partners

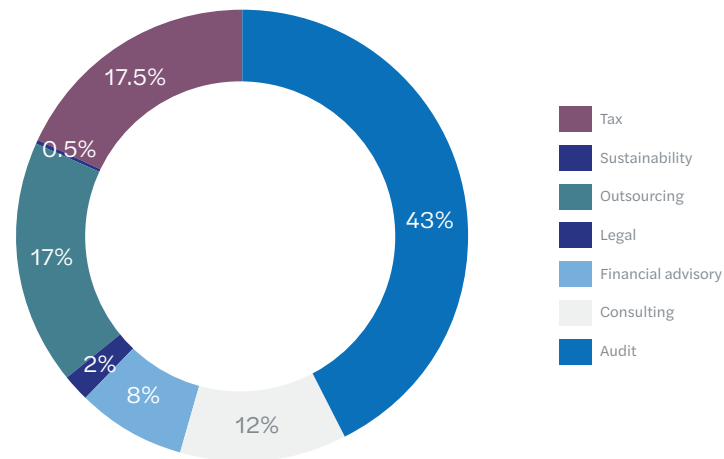
**50,000+**

professionals<sup>3</sup>

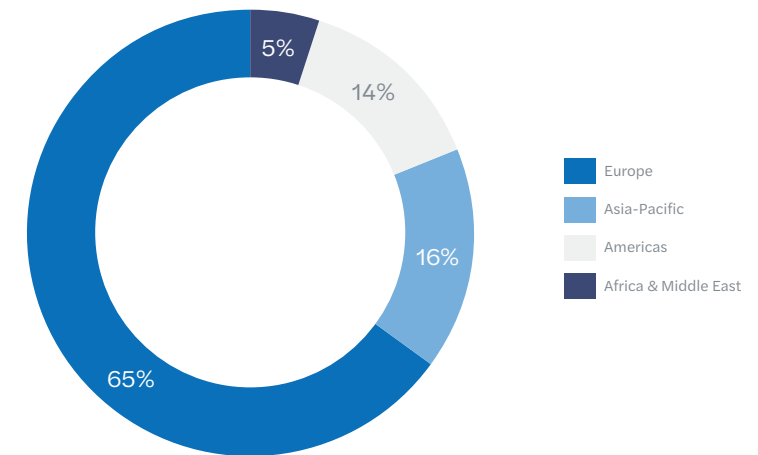
**2,900+**

public interest entity audit clients

Turnover by service line



Turnover by region



<sup>1</sup> Where permitted under applicable country laws.

<sup>2</sup> Fee income for Mazars Group 2021-2022 financial year, includes data for the ZhongShen ZhongHuan and ZhongShen Yatai practices. Figures as at 31 August 2023.

<sup>3</sup> Including 33,000+ in the Mazars partnership and 17,000+ via the Mazars North America Alliance. Figures as of 31 August 2023.

## Who we are

### A diverse and inclusive firm

**Diversity and inclusion lie at the heart of Mazars, shaping the modern firm we strive to be. We are dedicated to ensuring that Mazars is an organisation where there is a level playing field for all, that inclusive behaviours are role-modelled and embedded, that our workforce reflects our clients and communities, and that everyone feels like they belong and is proud of our inclusive firm.**

Women represent:

**53%**  
of total global workforce

**46%**  
of global talent list

**31%**  
of global leadership team

**43%**  
of global governance bodies

**22%**  
of Mazars SC partners



# Who we are

## Our global footprint

Operating in over 100 countries and territories around the world, we draw on the expertise of over 50,000 professionals – over 33,000 in the Mazars integrated partnership and 17,000 via the Mazars North America Alliance – to serve businesses of all sizes, from privately owned businesses and private individuals to large and listed companies, public bodies and NGOs, across borders and industries.

# 100

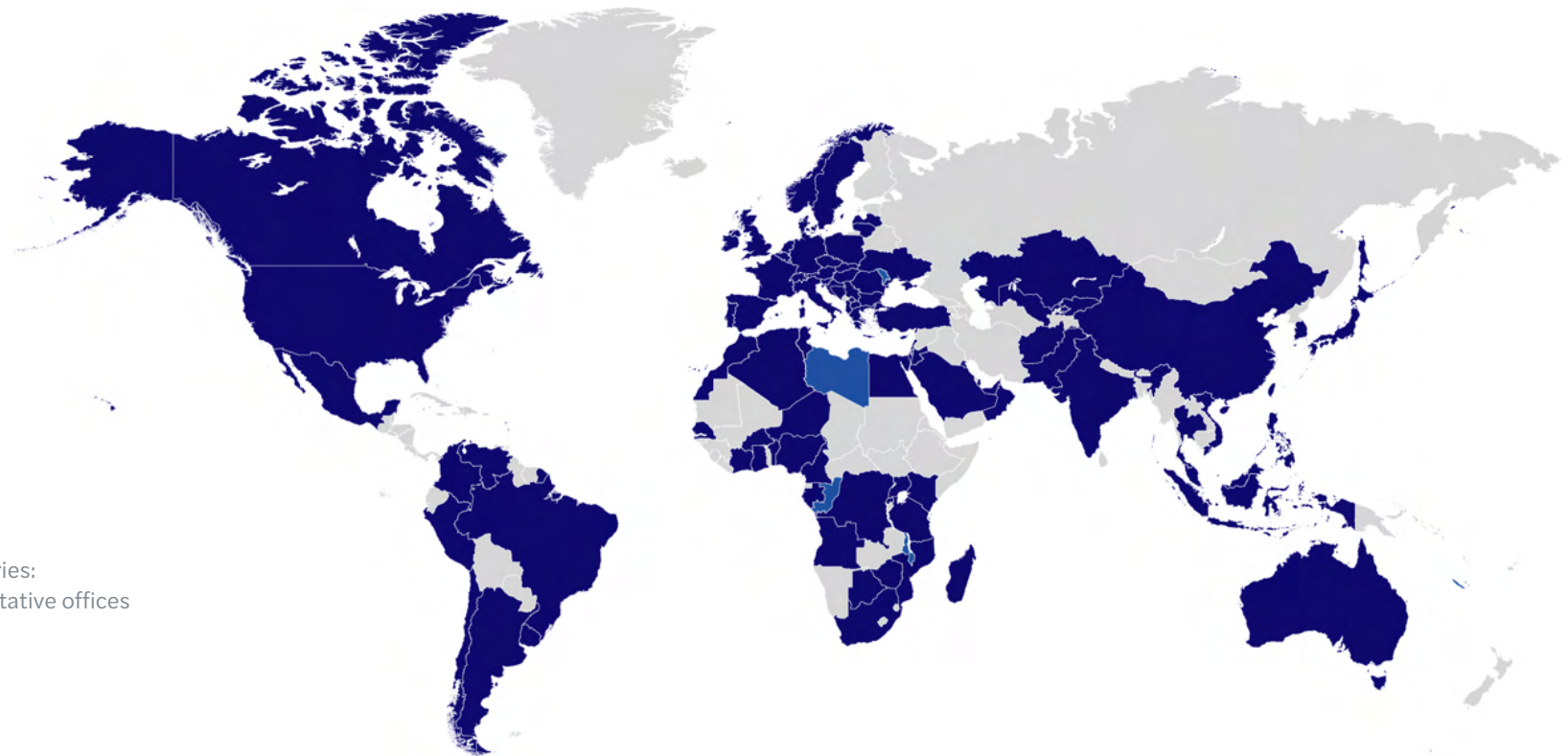
countries and territories

# 300+

offices

valid as at 31 August 2023

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

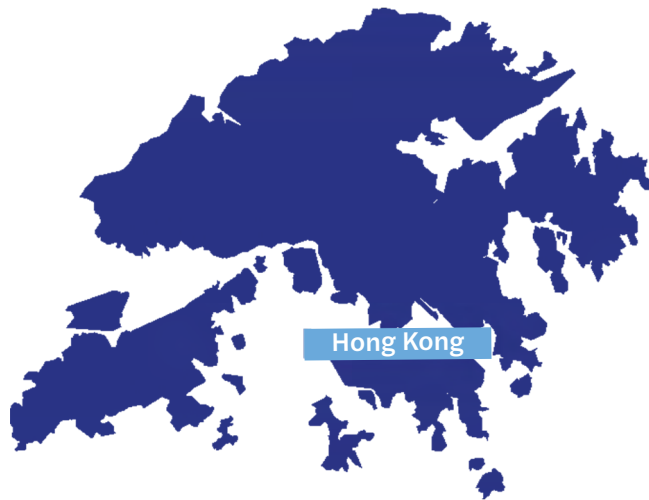




# Who we are

## Mazars in Hong Kong – our local presence

### Our coverage



**1** office  
**300+** professionals

**20** partners

valid as at 31 August 2023

### Ownership

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

### Our operational structure

Our business was structured through five service lines, namely Audit & Assurance, Financial Advisory, Outsourcing, Risk Advisory, and Tax 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 to Audit & assurance.

### Our people

**5,216**

hours audit training and development

### Female partners

**15%**

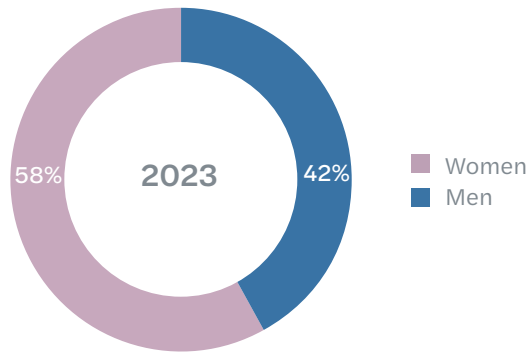
as % of total partners

**8%**

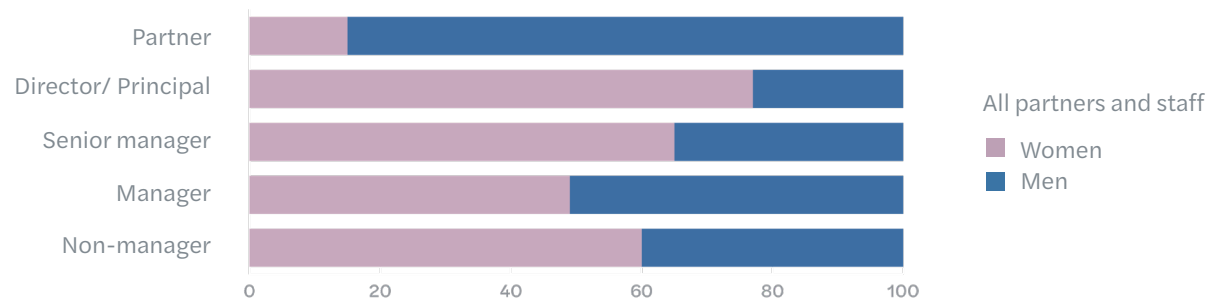
as % of audit partners

# Gender

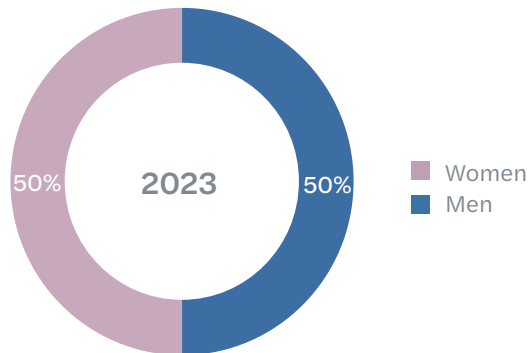
## Our firm



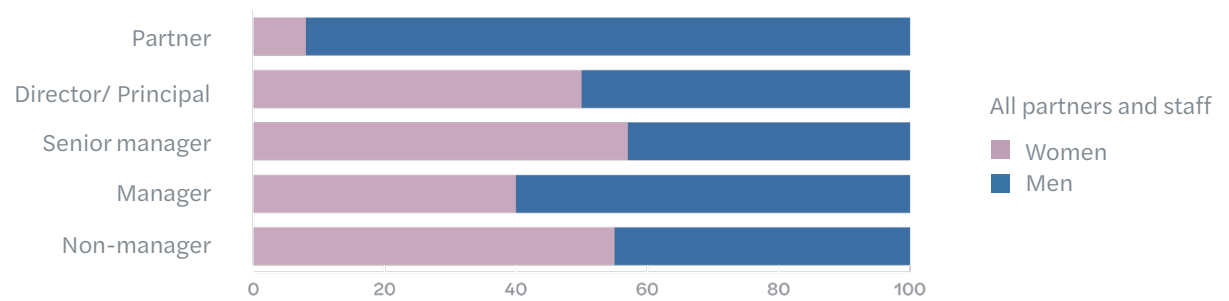
## Breakdown of our firm by gender



## Our audit service line



## Breakdown of our audit staff by gender



Who we are

## Our global structure, leadership and governance

**Since 1995, we have been organised as a global, integrated partnership. We work as one team and share the same values, work ethic and goal of providing the highest quality services to our stakeholders.**

### Mazars SC

Our integrated partnership is embodied by Mazars SC, a cooperative entity incorporated in Belgium. The role of Mazars SC is to define the strategic objectives of the organisation and coordinate the implementation of these objectives at the country level, and to promote and defend the Mazars brand.

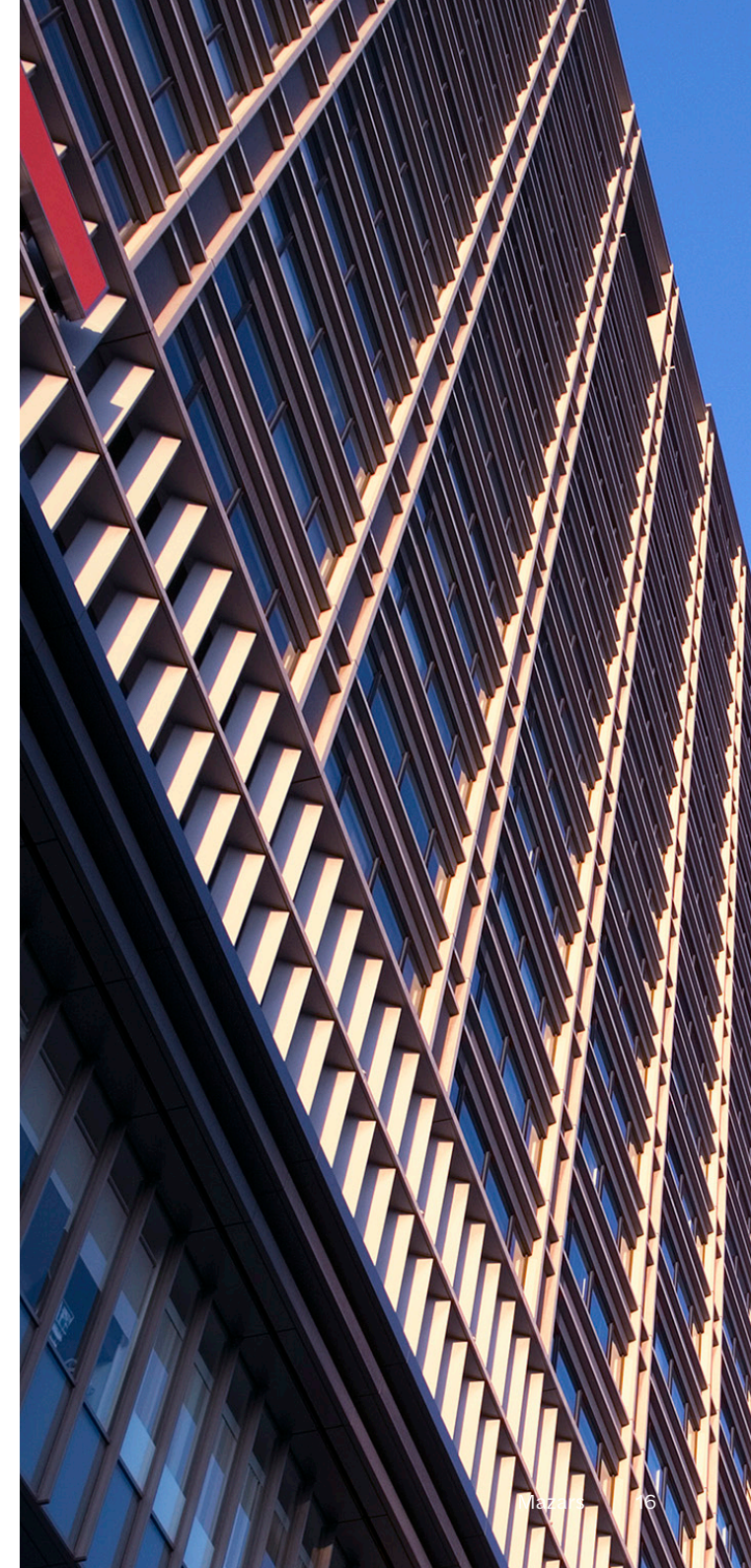
Each country-level member operates through one or more separate legal entities that are member firms of Mazars SC. All partners are shareholders in the member firms and in Mazars SC. Financial statements of Mazars SC are consolidated on a voluntary basis with the results of the member firms.

As a shareholder of Mazars SC, each partner acknowledges the internal rules (Charter of Association) and other institutional documents and policies that govern our organisation. This allows them to vote at the General Assembly of Partners, which drives key decision-making processes in Mazars'

leadership and governance bodies. Mazars' governance structure is thus based on a democratic and transparent model, where each partner has a say on strategic decisions about the future of the partnership.

We are therefore not simply a collection of national firms. We are an integrated organisation of professionals, sharing commitments at a global level with respect to investment in technical excellence, serving our clients, developing our teams and creating shared value.

Our two main global leadership and governance bodies are the Group Executive Board (GEB) and the Group Governance Council (GGC).





## Our Group Executive Board

The GEB is Mazars' executive body. It is responsible for the operational management of the partnership with regard to collectively defined strategic objectives, under the supervision of the GGC. The GEB focuses on pursuing and accelerating growth while ensuring the quality and sustainability of our activities. It is elected every four years. The mandate of the current GEB started in December 2020, with the next GEB elections due in December 2024.

The chairman and his team, forming the GEB, are elected by the General Assembly of Partners for a four-year term.

The GEB meets at least monthly. It also meets twice a year with country managing partners or senior partners at 'country forums' and once a year with all regional partners. Each GEB member is entrusted with specific geographical responsibilities, functional roles and/or the oversight of strategic projects, such as innovation, quality and risk management, business development or corporate sustainability.

As of 31 August 2023, the GEB comprised 11 members.

### GEB members 2022-2023



**Hervé Hélias**  
CEO and Chairman  
Based in France



**Pascal Jauffret**  
Based in  
Switzerland



**Marc Kennedy**  
Based in Ireland



**Rudi Lang**  
Based in the  
United Kingdom



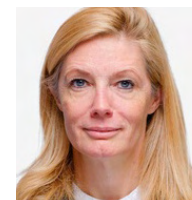
**Julie Laulusa**  
Based in China



**Taïbou M'Baye**  
Based in Senegal



**Dr Christoph Regierer**  
Based in Germany



**Véronique Ryckaert**  
Based in Belgium



**Ton Tuinier**  
Based in the  
Netherlands



**Phil Verity**  
Based in the  
United Kingdom



**Victor Wahba**  
Based in the  
United States

# Who we are

## Our global structure, leadership and governance

### Our Group Governance Council

The GGC is the Group's supervisory body. Since December 2011, it has included independent external members elected by the partners at the General Assembly of Partners. Elected for the same four-year term as the GEB, the GGC exercises a general supervisory function over the risk and operational management actions of the GEB. As set out in the partnership's charter of association, the GGC has specific responsibilities, which include:

- Monitoring and updating the legal obligations of partners and member firms
- Approving partnership candidates and external growth operations
- Assessing GEB members and determining their compensation
- Approving disciplinary action decided by the GEB.

The GGC meets once every two months, two or three times a year physically and otherwise virtually. To improve the efficiency and focus of the GGC's oversight, it is organised into risk, partnership development and remuneration subcommittees.

The current GGC was elected in 2020. The next GGC elections are due in December 2024. As of 31 August 2023, the GGC comprised 12 members, including two external independent members.

### GGC members 2022-2023



**Tim Hudson, Chair**  
Based in the  
United Kingdom



**Juliette Decoux**  
**Vice-chair**  
Based in France



**Åsa Andersson**  
Based in Sweden



**Gertrud Bergmann**  
Based in Germany



**Frank Bournois**  
Independent member  
Based in China



**Maria Cabodevilla**  
Based in Spain



**Fabrice Demarigny**  
Based in France



**Denise Fletcher**  
Independent member  
Based in the United States



**Chris Fuggle**  
Based in the  
United Kingdom



**Michelle Olckers**  
Based in the  
United Kingdom



**Wendy Stevens**  
Based in the  
United States



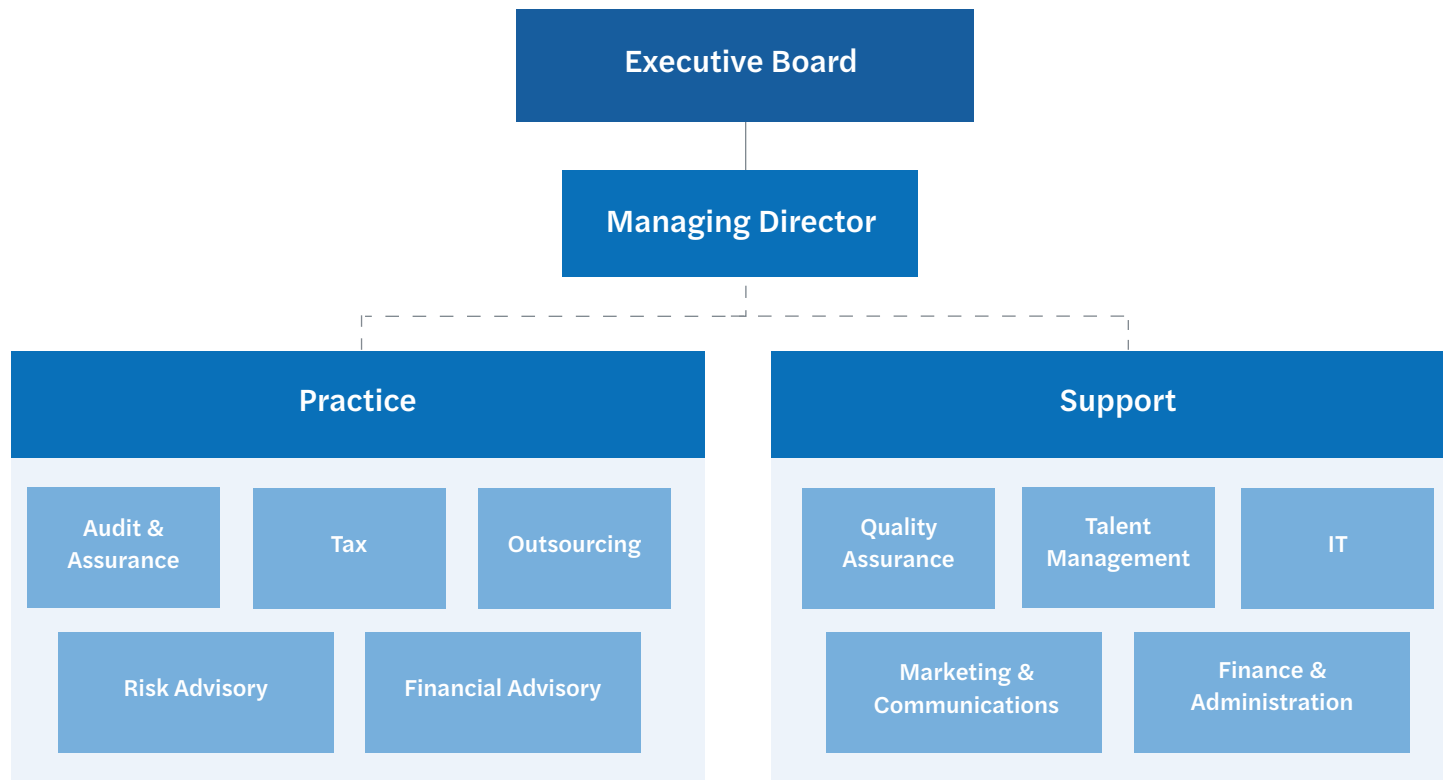
**Liwen Zhang**  
Based in China

Who we are

## Mazars in Hong Kong – our local structure, leadership and governance

One of our guiding principles is that we work together as a team with the aims of providing our clients with exceptional service and of creating a stronger firm on which future generations can build.

### Our leadership



## Who we are

# Mazars in Hong Kong – our local structure, leadership and governance

### Hong Kong Executive Board (HKEB)

As at 31 August 2023, the HKEB was comprised of 5 members:



**Jimmy Yip**  
Managing Director



**Alexandra Hui**



**Edmund Chan**



**Paul She**



**Shiu Hang Fung**

The Executive Board being the governance body of Mazars in Hong Kong is chaired by the Managing Director, Mr. Jimmy Yip as at 31 August 2023. Other members of the Executive Board include Ms. Alexandra Hui, Mr. Edmund Chan, Mr. Paul She and Mr. Shiu Hang Fung.

The HKEB 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 strategy;
- 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; and
- monitor the legal obligations of partners.

### Hong Kong Risk Committee (HKRC)

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

The members of the HKRC as at 31 August 2023 are set out below:

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

### Hong Kong Technical Issues Committee (HKTIC)

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 members of the HKTIC as at 31 August 2023 are set out below:

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

## Major entities in Hong Kong

Other than Mazars CPA Limited, Mazars Tax Services Limited, Mazars Outsourcing Limited, Mazars Corporate Services Limited, Mazars Forensic Investigation Services Limited, Mazars Financial Advisory Services Limited and Mazars Risk Advisory Limited are the major operating entities in Hong Kong.

## Audit and assurance service line

As of 31 August 2023, the audit and assurance service line is led by the Head of Audit, Mr. Shiu Hang Fung, and 11 Practising Directors with various expertise. Composed of four audit groups, we have in total about 30 well-qualified principals and managers in this service line, also with about 200+ professional staff at all grades from assistant managers to associates/trainees. Subsequent to 31 August 2023, we admitted 3 more Practising Directors to cope with our expanding service needs.

One of the audit groups (AUD4) is more focused on IPO projects and capital market deals. When the project is completed, AUD4 continues to serve these recurring audit clients. Also, subsequent to 31 August 2023, in order to enhance our continuous effort to develop the Mainland China market, we expanded our China Development team to become a full audit group "AUDCD" with dedicated team members from Practising Directors, senior managers to staff.

### Partners

20

### Directors/Principals

13

### Senior managers

23

### Managers

33

### Other staff

220+

### Total

300+

as at 31 August 2023



## Who we are

# Mazars in Hong Kong – our quality and value proposition

### What quality means for our local service offerings

Our five service offerings at **Mazars in Hong Kong** are as follows:

- **Audit & assurance** offers a distinctive, human-centric approach that goes beyond compliance, with an integrated structure that allows us to work seamlessly as one team. We serve regional, national and international companies of all sizes and structures by combining the right people with the right skills for every engagement, leveraging our collective knowledge and using consistent tools and methodologies.
- **Financial advisory** is a growing, dynamic and award-winning team whose goal is to provide high-quality financial advice and business support to our diverse client base and become their number one trusted advisor.

This multi-disciplined service line provides a vast array of advisory services including:

- Transaction services (including due diligence)
- Mergers & acquisitions
- Valuations
- Forensic investigation services, which helps firms to discover fraud at an early stage which helps in reducing losses. Implementation of anti-fraud controls helps minimize losses to fraud. We provide high-quality, timely and cost-effective investigations, advice, and expert

reports on financial and accountancy matters concerning fraud allegations, financial crimes, anti-money laundering, and other irregularities.

- Litigation support, which offers financial and accounting expertise to deal with complex accountancy issues. We act as party-appointed, single/ joint experts or advisors in litigation, national and international arbitration, and Alternative Dispute Resolution procedures.
- **Outsourcing** helps organisations enhance performance, secure accounting and compliance processes, moderate their international complexity, manage costs and provide a high level of flexibility in resourcing and skills.
- **Tax advisory** provides seamless delivery for Mazars' people and clients to build a fair and prosperous world. Tax works closely with clients to build transparent, integrated tax-efficient and sustainable solutions to help them achieve their strategic objectives. As national and international tax systems pose increasingly significant challenges for businesses and individuals, we build transparent, integrated tax-efficient solutions that give our clients confidence and help them excel in a sustainable way.

The services provided include tax advisory and compliance services, for national and international clients, for POB, PIE and private clients. Mazars' tax experts focus on transfer pricing, global mobility, indirect tax, M&A tax, PIE tax, tax dispute resolution & governance, the financial services

sector, international reporting obligations (IRO), global R&D and tax incentives, tax technology & transformation.

- **Risk advisory** helps leaders across the business – from top management through to department heads – to manage their risk and deliver peak performance through collaboration, thoughtful advice and up-to-date technical and digital expertise. Meanwhile, sustainability borrows from both audit and consulting and aims to assist companies along their sustainability journey.

This service line improves corporate resilience by identifying and managing sustainability risks and opportunities; increasing companies' awareness of and accountability for their environmental and societal impacts; and helping develop sustainable businesses, economies and societies.

Each of these service lines has set their own specific set of objectives, tools and indicators, to make sure they deliver on Mazars' overall commitment to the highest level of quality.

For our **audit** business, quality aims to serve the public interest offer our clients the best service and expertise, develop our business and protect our brand and reputation.

Quality is a mindset that is intrinsic to our value proposition for audit. Tone at the top is critical and we promote a culture of excellence at all times and at every level. Quality is a key differentiator on the market: it requires the effective deployment of audit teams that deliver audits in direct contact with the entities they audit, and quality management systems to control the delivery of quality audits.

In our **financial advisory** activities, which cover a wide scope of services ranging from deals and financing schemes to crisis and disputes, we uphold our commitment to quality by putting together teams with vast experience and deep expertise. As a uniquely integrated global partnership, Mazars is able to mobilise teams of multi-disciplinary experts from across the globe in a seamless and efficient way to ensure clients have the best team advising them regardless of where their project is based.

In our **forensic investigation** practice, we pride ourselves on our ability to undertake high-quality and in-depth investigations, remaining sensitive to businesses' concerns around reputation, confidentiality, and minimising disruption. Once problems are identified, we involve specialists who can solve problems such as quantifying and recovering loss, deterrence and prevention of future similar problems to ensure high service quality is delivered.

For our **litigation support** area, it is our practice to build an assignment team that best fits the requirements of the case, whether that means a team comprised solely of litigation and arbitration specialists or one that also includes specialists drawn from our audit and assurance, tax or financial advisory practices. Our partners oversee every aspect of each assignment, giving our client confidence in the quality of our service. We pride ourselves on our commercial and pragmatic approach, delivering a tailored service on each assignment that focuses on ensuring the highest quality in a cost-effective manner.

For our **outsourcing** practice, quality primarily rests upon clients' full compliance, operational excellence, talent management, knowledge sharing and training. It also requires strong check processes and internal quality control procedures, an up-to-date suite of tools and solutions for local and global monitoring, as well as an ongoing focus on proactivity, flexibility and serenity.

In our **tax advisory** team, by embedding excellent service quality as our paramount commitment, we act as one agile, integrated, and collaborative team, across sectors, services and geographies, our stakeholders can be benefited from both our local roots and the global perspective that comes from being part of an international firm.

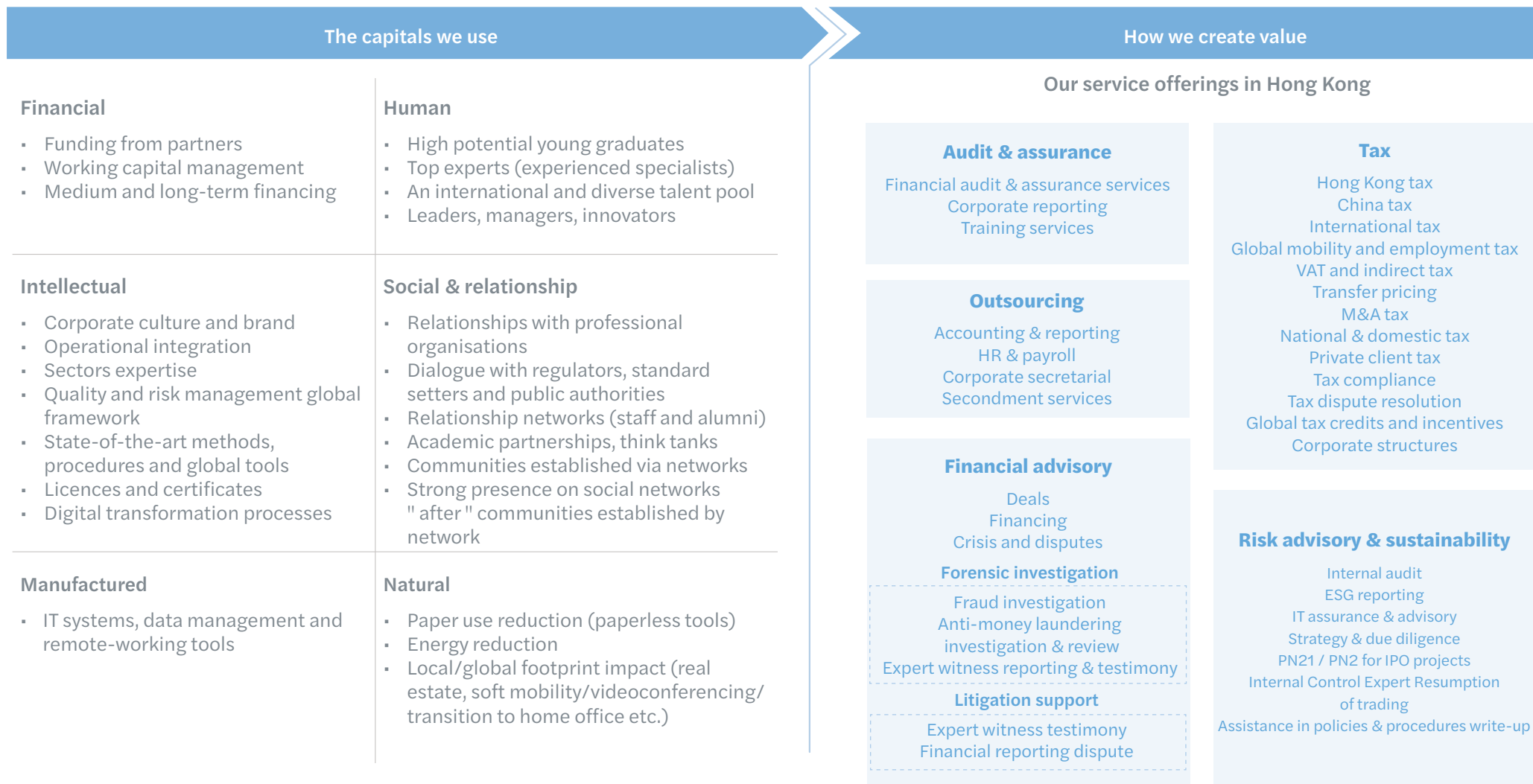
Finally, in our **risk advisory and sustainability** service line, quality is a combination of stakeholders' satisfaction, technical expertise, innovation and contribution to sound business practices. It essentially builds from:

- ability to create tailored risk management frameworks, systems, and controls that are the right fit for our clients to steer them towards future success;
- technical expertise of trained and skilled teams with up-to-date regulatory knowledge and who are able to provide both pragmatic and constructive solutions;
- ability to understand the clients' needs and meet their expectations in a fast-changing and complex environment; and
- active contribution in the current momentum, shaping the future of international sustainability assurance standards, in coordination with the current financial audit reform.

# Who we are

## Mazars in Hong Kong – our quality and value proposition

### Our value creation chain





## Our business model

### We develop skills and expertise inside our integrated partnership

- Attract and nurture talent, promote diversity
- Build and encourage one-team spirit, to combine local presence and global expertise
- Promote engagement and sharing
- Promote innovation and entrepreneurship in designing answers
- Develop a solution-focused, client-oriented attitude, with a different perspective

### We plan ahead in order to protect the public interest and build the foundations of a fairer world

- Develop a culture of technical expertise and quality
- Enforce worldwide quality standards and code of conduct
- Ensure quality and independence management and monitoring
- Thoroughly identify and comprehensively manage our internal and external risks
- Contribute to the reshaping of our industry
- Provide insights and thought leadership

## Clients

## How we share value

### Clients

- ▣ Help clients and industry sectors achieve their potential and do the right thing
- ▣ Be the right fit, with answers to the challenges, with respect and humility
- ⦿ Deliver high quality and independent services
- ⦿ Provide confidence and consistency in reporting and answers
- ⦿ Combine technical expertise, agility and understanding
- ⦿ Provide innovative solutions, keep data secured

### People

- ▣ Foster stewardship culture
- ▣ Ensure talent agility, readiness and succession
- ▣ Nurture the Mazars DNA
- ▣ Increase leadership, optionality and employability
- ⦿ Lifelong learning for professional development
- ⦿ Ensure compliant ethical behaviours
- ⦿ Care for work-life balance and celebrate success
- ⦿ Provide fair compensation
- ⦿ Promote innovation and change management

### Society

- ▣ Help build the economic foundations of a fair and prosperous world
- ▣ Seek to do what is right, with independence, accountability and a social conscience
- ⦿ Provide confidence in reporting, for sustainable growth
- ⦿ Promote transparency to our stakeholders
- ⦿ Give back to the communities in which we operate
- ⦿ Play our part in preserving the environment and combating climate change

### Regulators and the profession

- ⦿ Promote compliant ethical behaviours
- ⦿ Push frameworks and standards to evolve
- ⦿ Share our technical expertise and views
- ⦿ Promote open innovation

⦿ Outputs = what we do

▣ Outcomes = what difference does it make (impacts)



## Who we are

# Our global quality and risk management governance structure

**As one of our strategic priorities, quality and risk management (Q&RM) are overseen at the group level by the global Q&RM board, under the sponsorship of two GEB members.**

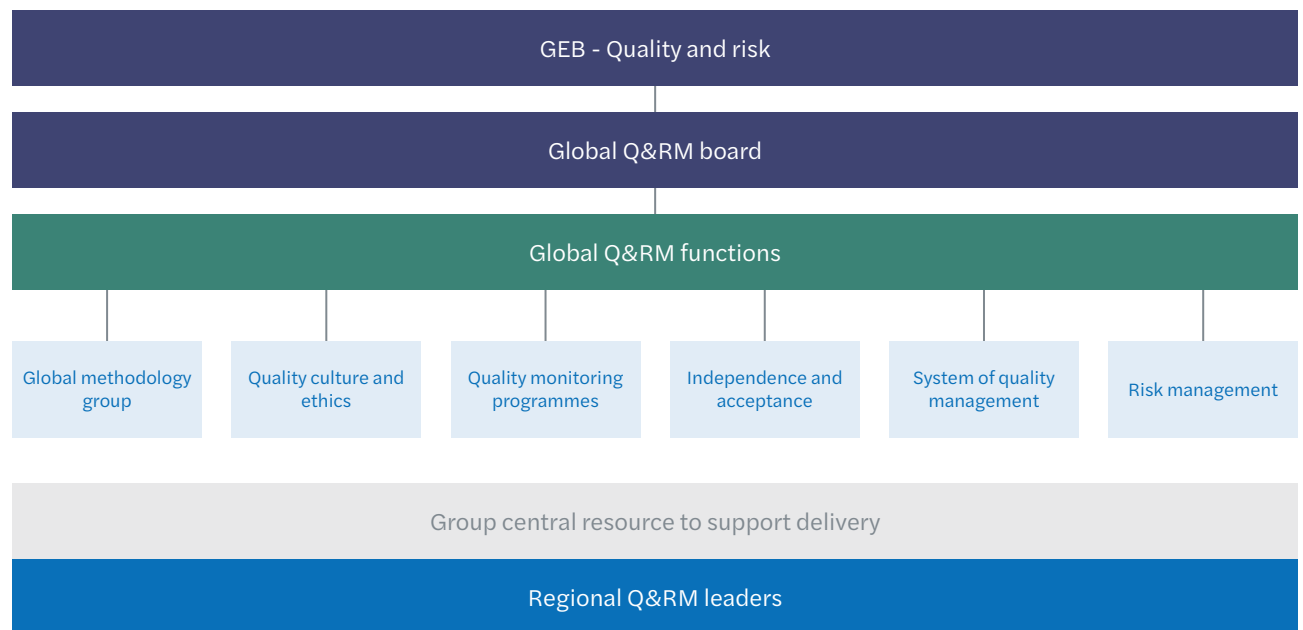
### Organisation and responsibilities

The global Q&RM board is responsible for setting Mazars overall quality and risk management framework, monitoring key risks and responses, setting expectations for quality assurance and overseeing compliance with standards and policies across the group.

In 2023, we continued to devote significant efforts and resources to our global Q&RM teams, investing in people, tools and processes to provide consistent and integrated systems to all firms in Mazars Group and to deliver on our promises.

Seizing the opportunity to refresh our commitment to Q&RM presented by ISQM1, we restructured the global Q&RM board and approach. Following the appointment of a Group Chief Quality and Compliance Officer in 2022, we have built a revised structure for Q&RM that will enable us to continue to improve how we deliver Q&RM in the final year of our One24 strategic period, while preparing us to take the required next steps and build on our previous successes.

Q&RM organisational structure 2023





## Who we are

# Our global quality and risk management governance structure

During the year the global Q&RM board was co-chaired by the Group Quality Management and Compliance Officer and the Group Chief Quality and Compliance Officer. Its permanent membership is comprised of Q&RM leaders from larger firms and service lines, regional Q&RM leadership and Q&RM function leaders.

On behalf of the GEB, the global Q&RM board manages and oversees the quality and risk management activities and strategic roadmap of the Group.

### Global Q&RM committees

The global Q&RM board is assisted by six Q&RM committees that help carry out its role. The key responsibilities of each committee are explained below.

1. The **Group Independence and Acceptance Committee** (GIAC) is responsible for all matters related to independence and acceptance. The GIAC's mission is to maintain related policy and implement and monitor a rigorous acceptance and independence process for Mazars worldwide, which contributes to the sustainable growth of the firm globally while minimising reputational risk to the Group and facilitating compliance with relevant professional standards and regulatory requirements.
2. The **International Quality Management Committee** (IQMC) is responsible for the design and operation of the ongoing International Quality Monitoring (IQM) programme, building and maintaining high standards of quality, independence, ethics and professional competency, to maintain

and continuously improve quality and to drive consistency across the group.

3. The **Methodology Committee** is responsible for managing and overseeing the development of the group's audit and assurance methodologies, including designing and maintaining the Mazars Audit Manual (MAM), Public Company Accounting Oversight Board (PCAOB) methodology and Sustainability Assurance Methodology (SAM).
4. The **Quality Culture and Ethics Committee** is responsible for building and maintaining a consistent quality culture across Mazars Group, ensuring the highest standards of quality and conduct are embedded in everything that we do, including through design and maintenance of the global code of conduct and related training.
5. The **Group System of Quality Management Committee** (SoQMC) is responsible for the design, implementation and operation of ISQM1 across the group. This includes understanding the requirements of ISQM1 and how they translate into the global quality management framework and driving consistency in design across the Mazars group through common methodologies and training.
6. The **Enterprise Risk Management Committee** (Risk Co) is responsible for acting as a line of communication between countries, regions and the global Q&RM board on ERM topics as well as analysis and discussion to enable mapping and consolidation for group purposes.

## Service line leadership

Our largest global service lines are represented on the global Q&RM board. Service line representatives help to ensure consistent messaging and implementation of group quality initiatives.

As a multidisciplinary firm, our principles of quality management apply equally to each of our service lines. Each service line has taken our global definition of quality and made it relevant to its specific activities through the implementation of service-line-specific Q&RM programmes.

In our **Audit** service line, we believe constructive challenge, based on mutual trust and respect, builds confidence in how organisations report to their stakeholders. Providing a quality audit means delivering insight, promoting transparency and applying professional scepticism. There are also a number of key projects underway in the Audit service line, all of which are aimed at enhancing the quality of services delivered to organisations of all sizes and in all industries. These are detailed further in the ‘**Delivering audit quality**’ section of this report.

For **Consulting**, by working collaboratively as one integrated, international team, our professionals support our clients in achieving their most critical business objectives, from strategy to implementation, wherever they operate. To further support our commitment to quality, the Consulting practice has undertaken a multi-year effort to build and update global methodologies and delivery tools to enable our professionals to provide consistent and high-quality services in every part of the world where our clients call upon Mazars for assistance.

Across our **Financial advisory** (FA) practice, during the year, we have continued our focus on developing a robust quality and risk management framework. After the launch of our first International Quality Monitoring (IQM) programme last year, which reviewed FA practices in four countries, we continued the roll out of the IQM programme with four further countries reviewed during the year. Going forward, resources have been identified to scale up the IQM programme to review more countries annually. Our internal licensing system is fully embedded in our practice, with over 270 FA licence holders worldwide. Adherence to our licensing procedures is regularly reviewed and training provided to our FA community on its purpose and application. Finally, during the year we also undertook a review of our existing FA procedures manuals. Our work identified commonality across our practice in terms of our quality and risk management procedures, as well as the need to establish a consistent framework. This resulted in the creation of an overarching global FA procedures manual, which is applicable to the whole FA practice – the manual was launched successfully during the year.

Our **Legal services** service line provides our clients worldwide with comprehensive expert legal advice tailored to their needs on a wide range of business law matters. We stand for innovative and smart solutions to complex legal issues and work closely with our clients to help them make smarter and better-informed decisions. In both complex legal matters and in their day-to-day needs, we help our clients to become sustainably more successful. The key to this is the outstanding quality of our legal services. Excellent work, a deep understanding of our clients’

needs, a precise analysis of their legal challenges and our integrated, collaborative, pragmatic and business-orientated approach are the basis for this.

In **Outsourcing**, we support clients in a variety of ways, including global compliance and international payroll. Over the past year, our centralised approach, supported by international delivery centres (explained below), has helped drive double-digit percentage fee growth and improved our quality and efficiency of delivery, in an environment where resources are scarce in certain countries. This approach has also facilitated increased consistency in the quality of our processes and systems.

For **Tax**, we work closely with clients to build transparent and integrated tax-efficient solutions that give clients confidence and help them excel while following a sustainable path. Quality means several things for our global Tax practice. This includes continually reinforcing the importance of ethics and professional behaviour and maintaining a rigorous system of internal quality controls and monitoring procedures. Additionally, quality involves developing our teams’ skills, knowledge and capabilities through ongoing, tailored professional and personal development opportunities. Third, it also entails investing heavily in innovation and new technologies tailored to support the specific needs of our Tax service line.

Lastly, our **Sustainability** service line builds on our deep experience of audit and consulting to assist companies along their sustainability journey. Here, quality is evident through a combination of the satisfaction of stakeholders, technical expertise, innovation and contributions to sound business practices.

## Our global system of quality management

### Our global standards

Global standards are set at the group level and all firms must design, implement and operate a local SoQM which mitigates the identified quality risks and covers all globally prescribed controls. These are codified in the group policy manual (GPM), which was updated during the year.

# Our global system of quality management

## ISQM1

To provide a globally consistent, robust, proactive and effective approach to quality management we have implemented a refreshed global system of quality management (SoQM). This is aligned to the requirements of the International Standard on Quality Management 1 (ISQM1).

Mazars' system of quality management





## Our global system of quality management

### Embedding quality in our culture by living our values

**Our values are what drive us to do the right thing and to behave in a way that demonstrates our commitment to a culture of both quality and transparency.**

#### **A global quality culture roadmap**

Knowing the importance of our behaviours associated with quality, we have developed a quality culture roadmap, which includes various projects aligned to our purpose of embedding quality in our culture.

#### **Partner quality and risk reports**

In 2023 we rolled out a global partner quality risk report (PQRR) framework for incorporation into our year-end partner performance reviews. The report includes various metrics and KPIs that measure behaviours and activity across three areas, namely, quality contribution, quality performance and risk environment. The report is to be completed for all partners across all service lines, and has been partially implemented in 2023, with full implementation expected in 2024. The information gathered is factored into promotion decisions as well as the remuneration of partners, which demonstrates our commitment to driving the right quality behaviours, rewarding outstanding quality and, when necessary, penalising deficiencies in quality.

#### **Our global code of conduct**

Our global code of conduct helps us understand the behaviours we expect from our partners and staff in order to live our values on a day-to-day basis. During 2023 we launched our second series of code of conduct training, focusing on unconscious and other biases that we are exposed to and experience. The training is compulsory for all partners and staff.



## **Our leadership demonstrates their commitment to creating an environment that supports quality through an emphasis on the importance of accountability in all aspects of the business.**

### **Communication**

We nurture a culture that is communicative and promotes the ethics and values of the business, as well as one that reinforces our commitment to quality, both internally and externally. The leadership teams are reminded of their responsibility in terms of tone at the top and the critical role it plays in the maintenance of an ethical and accountable environment.

### **Embedding ethics and integrity**

Our leadership understands that for the business to succeed, ethics and integrity must be part of our DNA. They emphasise the importance of quality above commercial considerations. 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 to ensure we provide the best possible environment for our teams to thrive.

### **Encouraging speaking up**

We are committed to dealing responsibly, openly and professionally with concerns that partners or team members may have about possible misconduct within our global organisation. The raising of any concerns is encouraged and supported through our global whistleblowing process and reporting lines.

### **Ensuring accountability**

We have started to develop an accountability framework, which defines the quality KPIs for various leadership roles. We have used a consultative approach to ensure that there is a deep understanding that ultimate responsibility for quality sits at various levels within leadership roles and these KPIs need to be embedded in role profiles in order to ensure accountability.

### **Commitment to diversity and inclusion**

Our GEB is committed to diversity and inclusion and ensuring that this is considered in everything we do.





## Our global system of quality management Understanding and managing our risks to quality

**Risk assessment is at the core of our SoQM and enables us to implement policies, procedures and controls that address the risks, based on the nature and circumstances of our firms and the engagements we perform.**

### Our approach to risk management

Each firm in the Mazars Group is ultimately responsible for the design, implementation and operation of its local SoQM. Fundamental to this is the Mazars global risk assessment process, which sets out the global baseline minimum controls, policies and responses. From this baseline, firms are then required to:

- Identify quality objectives and the quality risks associated with achieving those objectives.
- Design and implement responses and controls to mitigate those risks, reflecting the nature, circumstances and complexities of the local firm, in line with the global baseline minimum controls and policies.
- Test the design, implementation and operating effectiveness of the controls.

Our global risk assessment process is an annual iterative exercise which takes account of the results of each year's effectiveness testing, considers and analyses information about relevant conditions and events, reviews available quality and risk indicators, considers the impacts on the objectives and risks for the next cycle, and makes amendments as necessary.

### Enterprise risk management

In addition, in 2023, our global enterprise risk management (ERM) programme ensured that regular engagement took place with the largest countries and regions across the group in order to share best practices and discuss risk evolution, trends, market needs and regulatory requirements.

This consultation process, in conjunction with external engagement, has helped throughout the year in the identification of top group risks, which included quality management as one of the key risks facing our business.

### Governance

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

For Mazars in Hong Kong, overarching management of any responsibility for risk first rests with the HKEB. At an international level, management of risk rests with the Group Executive Board, with oversight from the Group Governance Council.

# Our global system of quality management

## Communicating clearly

**The information we obtain, generate, use and share is another key aspect of our approach to quality management. Without accurate and timely information, we cannot make informed decisions or monitor our performance effectively.**

### Communicating with colleagues

Our global rebrand, which was delivered in 2020, put a strong emphasis on quality, consistency and excellence in everything related to our brand. Since then, we have launched a variety of global communications campaigns to help support, educate and inform all Mazars partners and employees regarding some of the different elements of quality. Highlights from the last year include the following.

#### Why do good people make bad decisions?

To support the release of our updated training on our code of conduct, we launched a global campaign aiming to answer the question: 'why do good people make bad decisions?'. The campaign highlighted some of the biases that we can all be susceptible to by providing insights into topics such as unconscious biases, overconfidence, and conformity.

The campaign and associated training were designed to build awareness of these (and other) biases, provide support so that we don't succumb to these biases, and ensure that all our partners and staff are equipped to call them out in a supportive environment if they observe them in others.

### Mazars lived experiences

One of the core elements of our culture is how we offer a human, caring and modern work environment for all our people. During 2023, we shared this throughout the group via a campaign called 'Mazars lived experiences'. This showed partners and employees of Mazars sharing real stories about designing a career, working smart, going the extra mile and reaching their potential.

#### Gen You, the next generation of auditors at Mazars

Also in 2023, we implemented a global employer branding campaign aimed at promoting the attractiveness of audit to young people aged 18-25. The campaign, which ran throughout 2023 and will continue into 2024, highlights the important role audit plays in society, the transformative nature of the profession, the endless learning and career opportunities, and ultimately why a career in auditing at Mazars is a smart choice. It is a multichannel campaign, leveraging both digital and print channels.

The campaign featured our very own auditors and we adopted a regional approach by launching first in Europe and North America in March 2023. Following the successes in these regions, the campaign will now be rolled out in Asia Pacific from October 2023 and

in Africa and the Middle East in January 2024. We are also exploring how to leverage the Gen You concept across service lines so that it becomes our global campaign for our young target audience.

### Mazars impact awards

In 2022 Mazars launched the Mazars impact awards, which were designed to recognise outstanding achievements in six categories: brand and communications, business wins, business innovation, corporate sustainability, quality, and talent and people. Mazars partners voted on the finalists and the inaugural winners were announced at the 2023 annual General Assembly of Partners, showcasing some of the high-quality projects rolled out across our firm over the preceding year.

### Global CEO broadcasts

Another key highlight in 2022-2023 has been the launch of our all-hands Global CEO broadcasts to give our Global CEO a platform to communicate directly with all staff, setting the tone at the top on critical issues for the firm. The Global CEO live broadcast is an important employee engagement event, aimed at educating and inspiring our people, creating a sense of belonging to one international firm and, ultimately, driving performance towards shared goals. This event is organised twice a year.

# Our global system of quality management

## Communicating clearly

### Understanding our clients

Understanding the needs, perceptions and experiences of our clients helps us deliver and continuously improve the quality of our service. One way we do this is through our client listening programme, a formal client feedback programme which, in 2023, received responses from private and organisational clients spanning a wide range of industry sectors, across all regions of the world.

Within the survey, clients are asked to evaluate the service they have received from Mazars against a range of attributes related to overall quality. These questions measure metrics commonly used in the industry, including the Net Promotor Score (NPS) and Customer Satisfaction Score (CSAT).

From the results of this feedback, we understand where we are doing well and where we have opportunities to make improvements, which helps us identify and solve issues, and continuously improve the service our clients are receiving.

For more information about other ways that we are ensuring we deliver quality outcomes for our clients, see the 'Delivering for our clients' section of this report.

### Global People Survey

Internally, employee engagement surveys are a great way to give a voice to our people and hear what they really think about life at Mazars. Previously, the surveys were run locally at the country level. In 2023, we invested significant time and resource in developing a Global People Survey (GPS), which will be deployed in 2024.

The GPS was designed under the leadership of a steering committee comprised of representatives from countries that are experienced at delivering engagement surveys. It will gather insights on a set of scientifically validated questions related to employee engagement and quality. Once the insights have been gathered, results will be interpreted to provide deep, cross-area analysis and defined action plans, supported by toolkits and accountability requirements.





## Our global system of quality management Developing talented teams

**Operating in a knowledge-intensive industry, our people are critical to our delivery of quality. Attracting, retaining, educating and developing talented teams means that we can consistently meet and exceed the demands of all our stakeholders.**

### Developing our partnership

Under the employer promise of ‘the smart choice’, our global HR framework supports all our countries to attract, retain and develop the best people.

Overall, 2023 was an active year of development for both our leadership pool and the wider partnership. There was steady growth in the number of partners, with increased gender diversity, and our partnership and leadership development programmes welcomed record numbers of participants, with an increasing global presence.

Among our flagship programmes, 175 participants from 51 countries took part in the Women Leadership Seminar (an increase of 48% in 2022); 60 partners from 28 countries participated in our Executive MBA; 25 participants completed TheNextMBA; 110 future partners attended the LEAD programme (a 30% increase in 2022); and the revamped, on-site U-Spring programme sold out, with 60 partners, representing 22 countries, participating.

Furthermore, during the year, 65 live webinars were attended by more than 200 colleagues. With a major focus on Web 3.0 training content, we are helping our leaders to prepare for advanced management challenges.

In parallel, the Mazars School of Excellence increased the deployment of our digitally enabled education strategy through our global U-learn platform, increasing individual registrations to 33,000 participants (up from 18,000 in 2022).

### Partner compensation policy

Under the supervision of the GGC, and based on the recommendations received from country executives, the profits of Mazars SC are divided among partners according to the number of ‘base points’ (BPs) they are allocated.

The value of BPs is calculated based on both the overall performance of Mazars SC and the performance of the member firm to which the partner contributes. Both criteria have equal weighting. BPs are allocated to partners for a period of four years, according to the overall average performance of the country and the individual performance of each partner in the previous year.

Some countries have also introduced additional bonus systems for partners, based on individual performance.

# Our global system of quality management

## Developing talented teams

### Talent acquisition

Leveraging our application tracking system, we have a robust and centralised mechanism to collect and select candidates all year round. Understanding specific needs of service lines, our selection process which, depending on the role, may include application screening, competency-based interview, case study, presentation, and group exercise. We design practical assessments to ensure fair, consistent, and transparent decision making in the acquisition process.

Through our careers website and various recruitment platforms, all roles are widely advertised to ensure that candidates from a diverse range of backgrounds can access our career opportunities.

We purposefully advertise ourselves to a broad range of universities, schools, and colleges to ensure that our entry level career opportunities are widely promoted and easily accessible to students from all walks of life across multiple locations.

In this people-oriented business, we value candidates' communication and social skills as the most important attributes in performing their roles. Recruiting the right candidates with diverse backgrounds and different perspectives is critical to the future success and growth of our firm.

Working as an agile team, we will continue to evolve our hiring strategy to recruit high quality talents with diverse range of backgrounds who align with our firm's values and culture.

### Campus recruitment

We have built a close and long-term relationship with local universities and professional organisations. Through active participation in campus events such as various career fairs and interactive sessions, we connect with students and showcase our employee value proposition to people. Along with local universities, we collaborate with esteemed overseas universities to engage diverse sources/qualities of students through various virtual recruitment talks.

Our experts share their insightful career stories in various career sharing sessions to promote our career opportunities and provide students with meaningful career conversations that can facilitate their career search after graduation. On top of these, our Practising Directors have been taking up the role of mentoring students from a few top universities in Hong Kong to nurture the future leaders of the industry.

By establishing partnerships with universities, we offer various internship programmes to help students gain valuable work experience and prepare them to adapt to the work environment.

To ensure a smooth transition from school to the workplace, we provide comprehensive pre-onboarding activities and a two-week induction programme for our newly graduated new joiners. These activities provide them with valuable insights into our culture and values.

We are committed to providing a positive candidate experience by communicating promptly, providing feedback, and personalised interactions to make candidates feel valued and respected.

### Experienced hire

We aim to hire talented people and are dedicated to providing them with the support they need to excel in their roles.

We look for people that bring in new ideas to the firm and have distinctive qualities. We tap into purpose-driven individuals who think creatively about their work, embrace challenges, and can resolve complex problems.

Our experienced talent acquisition team is responsible for managing the talent acquisition life cycle in conjunction with hiring managers for all identified vacancies. We aim to attract and hire high potential talents with the relevant skills, qualifications, experiences, and values which match our own, to address the on-going business strategies and developments.

The recruitment of experienced professionals in Audit and Assurance, Tax and Advisory specialty, continues to be challenging with the impact from macroeconomic environment. Apart from various traditional recruitment channels, the team is devoted to working with the respective business lines as well as the Group & Regional HR to enhance corporate branding and promote opportunities via social media channels such as LinkedIn and Instagram. The referral programme has also been in place to attract colleagues' peers to join us.

## Employee support

We sponsor employees to attain and complete their professional qualifications whilst earning a competitive salary and gaining invaluable experience. These include the HKICPA, ACA, ACCA, CPAA, CFA etc., depending on their roles.

The firm will also reimburse fees for their professional designations and memberships to encourage employees' professional growth and development.

As auditors and consultants, we are entrusted with building and maintaining secure markets and economies, and making sure the financial information provided to investors, regulators, lawmakers and the public at large is reliable. It is our responsibility to train our talents to uphold the highest professional and ethical standard. They must be able to apply professional scepticism, display strong analytical capabilities and express their ideas and opinions with discernment and clarity.

Our commitment to offering lifelong educational and development opportunities comes from who we are and what we see as our economic, social and societal responsibilities. Educating our professionals to become top-notch experts with impeccable ethics and strong leadership skills is how we provide the highest quality services, ensure our sustainable development and keep our promise of employability to all our talents.

## Reward and recognition

An effective 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 is provided to recognize staff' 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, our employees are eligible for our firm-wide discretionary bonuses based on business and individual performance.

A high engagement level fosters productivity and positively contributes to sustainable business development. Our firm continues to make a concerted effort on enhancing our people's engagement to address this all-encompassing priority for Mazars.

## Performance reflection

There is a much greater emphasis on continuous conversation throughout the year between team members and their appraising partners and managers. We upskill people managers as well as team members to make the most of these conversations and encourage formal and informal opportunities for conversations on expectations, goals, progress, overall performance, and career development.



# Our global system of quality management

## Upholding ethical standards

**As a multidisciplinary professional services firm, we are duty bound to act in the public interest and uphold relevant ethical standards. These include the applicable laws and regulations wherever we operate, the requirements of our regulators and the standards we set ourselves.**

### Maintaining our independence

We are trusted advisors. Maintaining our independence is vital for us to retain the trust of our stakeholders and to ensure that we can give unbiased and objective advice. We continuously strive to achieve the highest levels of objectivity and independence in all our assignments and have devised and implemented policies and procedures which aim to ensure all partners and staff comply with the relevant standards, wherever they operate.

One key internal document supporting colleagues to uphold these standards is the Code of Conduct for Independence and Objectivity (CCOI). The CCOI complies with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (the IESBA Code) and introduces additional specific requirements for Mazars firms and staff. It was updated during the year to reflect the latest changes to the IESBA Code.

### Managing threats to our independence

Our independence and acceptance work is overseen at the group level by the Group Independence and Acceptance Committee (GIAC), one of the group Q&RM functions identified in the 'Our global quality and risk management governance structure' section of this report.

### Identifying conflicts of interest

Conflicts of interest, whether personal or professional, create threats to our independence and could undermine our judgements. The CCOI outlines the approach to be taken when potential conflicts of interest and threats to our independence are identified, including where appropriate safeguards must be implemented.

### Fees and other types of remuneration

Through the negotiation of fees with clients, self-interest and intimidation threats may be created. The CCOI provides guidance to all staff on the relevant factors to consider in evaluating the threats to independence and ensuring appropriate safeguards are in place, including ensuring appropriate reviewers,

disclosures to clients where applicable and thresholds for quality reviews in the case of high levels of fee dependency.

### Inducements, gifts and hospitality

Gifts and hospitality can be an effective way of building professional relationships; however, care must be taken not to provide or receive inducements that are inappropriate or may improperly influence behaviour.

Mazars firms set local limits for the giving and receiving of inducements, including gifts, hospitality and entertainment, which consider relevant laws and regulations. As a global rule, firms or audit team members must not accept any gifts or hospitality from an audit or assurance client unless the value is considered to be trivial and inconsequential.



## Financial interests

The CCOI provides clear guidance on who can and cannot hold what financial interests in clients. This includes both direct and indirect financial interests. When potential financial interests in clients arise, each occurrence must be analysed on a case-by-case basis by the local partner responsible for ethics, and appropriate safeguards put in place.

## Business relationships

Business relationships with clients can have a material impact on our objectivity and can therefore also create threats to our independence. Our rules for member firms and members of assurance teams (and their immediate family members) are set out in the CCOI with regard to joint ventures, arrangements to combine services or products, distribution and marketing arrangements, and ownership interests. To manage and mitigate these potential threats, country executives must define the relevant local safeguards that need to be put in place.

## Family and personal relationships

Family and personal relationships with clients can also create potential or perceived threats to our independence. Again, the CCOI sets out the rules that must be applied globally to ensure that individuals are not found to be in situations where personal interests may conflict with the interests of Mazars and the requirement to act in the public interest due to their personal or family relationships. Such relationships should be reported in our annual independence declaration (explained further on next page).

## Employment and association with an audit/assurance client

To preserve our independence, partners and professional staff must not serve as members of the audit or assurance team if they served as officers or directors of audit or assurance clients during the period covered by the audit report. Similarly, partners and professional staff are not permitted to serve as directors or officers of audit or assurance clients of Mazars.

Compliance with these requirements is managed locally through policies and procedures which require audit team members to notify the firm if they enter into employment negotiations with an audit client.

## Temporary personnel assignments

The loan of Mazars personnel to audit clients can also create threats of self-review, advocacy or familiarity. We therefore have a number of prohibitions in place to prevent these practices. Such assignments are only permitted in rare circumstances and in these cases, safeguards must be in place to mitigate the identified threats.

## Long association of personnel (including partner rotation) with an audit/assurance client

Using the same personnel on engagements over prolonged periods can create familiarity and self-interest threats to our independence. We have clear rules in place at the global level to ensure that prolonged 'time on' periods are followed by sufficient 'cooling off' periods, in line with our global requirements and best practices. Many countries have stricter rules in place locally, which must be applied where applicable.

## Provision of non-assurance services to audit/assurance clients

Provision of non-assurance services to audit or assurance clients can also create threats to our independence. Accordingly, such services are prohibited particularly for public interest entities (PIEs). Where non-assurance services are permitted, we have clear guidance in place to facilitate informed decision-making, which covers a number of different factors which may be relevant. In the case of the provision of multiple non-assurance services, assessments must be conducted at both an individual and combined level.

## Ensuring confidentiality

Our clients and stakeholders trust us with large amounts of information, much of which is confidential. We have ethical, legal and professional obligations to ensure that data is treated carefully and confidentially, and only used for its intended purposes. The Group Chief Information Security Officer (CISO) is responsible for providing oversight, policy and strategic direction on information risk and cyber security matters.

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. Further information on data privacy and information security is provided in the 'Securing our digital offering' section of this report.

# Our global system of quality management

## Upholding ethical standards

### Associating with third parties and clients who share our values

We are committed to ensuring that we only associate with third parties and clients who share our values. Our decisions as to whether to initiate or continue with pre-existing client relationships are based on making an informed judgement on the integrity and ethical values of the third party. This includes ensuring that financial and operational priorities do not lead to inappropriate judgements.

We have implemented global know your client (KYC) and client due diligence (CDD) tools and processes, which cover a variety of topics, including anti-money laundering (AML), fraud, corruption, economic and trade sanctions, and tax offences, as well as independence checks and identification of beneficial owners. Where politically exposed persons are identified through our CDD processes, additional safeguards are in place to ensure the appropriateness of the relationship and any engagements, including conducting enhanced due diligence (EDD).

The decision to continue client relationships is reviewed at regular intervals. As a general rule, this must be reviewed annually but is also required whenever major triggering events occur (such as restructuring, mergers or acquisitions, or other events that substantially change the risk profile of the client).

### Conflict checks

Before accepting any professional engagements, we ensure that potential conflicts of interest are identified, and engagement teams are asked to apply a 'reasonable person' test to consider whether a reasonable and informed observer with knowledge of all the facts could perceive that our objectivity in the matter may be impaired.

Our global independence check tool, WeCheck, is available to assist with conflict checks on both potential and existing clients and protect the independence of Mazars.

### Annual independence declarations

All partners and staff complete a declaration of independence questionnaire on an annual basis. The questionnaire is based on the requirements of the CCOI and any additional locally applicable rules and regulations. Results are reported to the GIAC and the GEB to ensure global oversight.

All newly hired staff and partners complete an independence declaration as part of their onboarding. Partners and staff working on audit engagements are also required to complete additional personal confirmations of independence for prospective clients and at the commencement of any new engagements.

### Integrating new countries into Mazars SC

All new countries entering Mazars SC have rigorous onboarding programmes, which include dedicated training on independence and acceptance to ensure complete integration into our culture, systems and processes.

### Breaches of ethical standards

If breaches of ethical standards are identified, clear global processes are in place to ensure that action to satisfactorily address the matter is taken as soon as possible. Documentation must be prepared to summarise the issue and the conclusions reached.

On an annual basis, countries are required to produce a summary of any reported breaches and send it to the Group Acceptance team. Results are reported to the GIAC and the GEB to ensure global oversight.

## Independence and objectivity in Mazars in Hong Kong

For Mazars in Hong Kong, objectivity and independence are overseen by the Head of Quality Assurance 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 Quality Assurance Department.



# Our global system of quality management

## Delivering for our clients

**Performing quality engagements is fundamental to our approach. Our engagement teams and partners are committed to ensuring that our clients receive outstanding work from us, every time.**

### Engagement supervision/oversight

Engagement partners are expected to understand and fulfil their responsibilities for managing and achieving quality on each engagement and for being appropriately involved throughout engagements.

We require engagement partners to complete a number of tasks at the different stages of each engagement. During the planning phase of the engagement, this includes sufficiently engaging with the client, taking responsibility for the engagement strategy, acquiring appropriately skilled, qualified and competent resources, and setting reasonable budgets and timetables. During the execution phase of the engagement, they are expected to manage the relationship with the client, address queries that arise, and ensure ongoing compliance with methodologies, policies and applicable standards, among other matters. During the final phase of the engagement, key responsibilities include review of conclusions reached, approval of deliverables and presentation of deliverables to client management.

Engagement supervision and oversight are not limited to engagement partners and our processes require that work performed by less experienced colleagues is directed, supervised and reviewed by more experienced colleagues as appropriate.

### Our responsibility for audit quality

The quality and effectiveness of our audit services are critical to all our stakeholders and are 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 that at the top is of paramount importance.

The 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 QM&C board.

Through its quality control committee (QCC), the QM&C board defines the quality monitoring system and procedures required across all service lines and monitors their implementation. The executive of each member entity is therefore responsible for the implementation of the quality monitoring systems. This quality monitoring system applies both to member and correspondent firms.

To ensure a culture of quality is embedded within Mazars as a core value, the Head of Audit Hong Kong is one of the members of the HKEB. The Managing Director with the assistance of Quality Assurance Department are ultimately responsible for quality control within Mazars in Hong Kong. Led by the Head of Quality Assurance Department, the Quality Assurance Department oversees compliance 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 Quality Assurance Department 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 firm's guidance or procedures, or additional training and support. Findings and actions required are communicated to audit partners 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 Accounting and Financial Reporting Council (AFRC), the local regulatory body, and hold a practising certificate issued by the AFRC.

Within Mazars in Hong Kong, only partners who are practising certificate (PC) holders can sign the audit reports. For PIE audit reports, those PC holders have to further register with the AFRC as PIE auditors.

In accordance with ISQM1 (and the local equivalent, HKSQM1) and relevant requirements of Mazars Group, clients that are classified as Public Interest Entities are subject to engagement quality 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 listed clients have to be submitted to the Quality Assurance Department for technical review before issuance. Technical review focuses on the financial statements presentation and disclosures.

The role of Head of Audit Hong Kong is to promote and ensure delivery of a high level of audit quality and risk management in the audit practice.

The terms of reference for the Head of Audit Hong Kong include:

- responsibility for the governance and leadership of the audit service line reporting to the HKEB;

- delivering the strategic objectives of the firm insofar as they relate to audit work;
- to develop and support an audit culture in line with the firm's values (as set out in the Code of Conduct) which aligns with:
  - the delivery of quality work;
  - support, development and growth of the firm's people; and
  - current and future sustainability, profitability and growth of the business.
- identifying and managing risk that may impact on the wider firm, the audit service line, its people and clients in relation to the activities and environment of audit.

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 Management and Compliance Committee.





## Our global system of quality management

### Delivering for our clients

#### Exercising professional judgement and professional scepticism

Our engagement teams are expected to exercise appropriate professional judgement and professional scepticism in all engagements.

#### Consultation

For difficult or contentious matters, we expect and encourage a culture of consultation in order to agree appropriate conclusions, which can then be implemented by engagement teams. To support this, countries are required to make available competent individuals who are capable of addressing technical queries. Where applicable, records of consultations must be included in engagement documentation, and should include any decisions taken, the basis for each decision and how the decision was implemented.

#### International delivery platforms

Our global service lines and support functions are further assisted in the timely and high-quality delivery of engagements by eight international delivery platforms. With over 800 dedicated staff in our delivery centres, we are able to provide expertise and centres of excellence to support the local delivery of our work. In 2023, approximately 30 countries across the Group benefitted from the work of these international delivery platforms, in areas such as digital, audit and outsourcing.

#### Resolution of differences of opinion

Where differences of opinion exist, we have mechanisms in place to facilitate resolution, including escalation processes.

#### Engagement documentation

Delivering quality engagements is dependent on high-quality engagement documentation which is assembled in a timely manner and in compliance with our internal policies. We also ensure that engagement documentation is appropriately maintained and retained to meet our needs and comply with relevant laws, regulations, ethical requirements and professional standards. This includes policies and procedures to ensure the secure storage of all engagement documentation.

Our engagement teams are required to prepare documentation that is sufficiently detailed to enable an independent party to understand the work that has been performed and how conclusions or recommendations were reached.

#### Engagement quality reviews

Our engagement quality review process enables an objective evaluation of the significant judgements made by an engagement team to be conducted by an individual of suitable seniority and adequate technical expertise who is not a member of the engagement team.

# Our global system of quality management

## Securing our digital offering

**Our use of technology can expose us to both internal and external threats. We therefore implement rigorous information security and data protection protocols to preserve the integrity and confidentiality of all the data for which we are responsible.**

### How we use technology

We utilise various technologies to support our people in the delivery of quality across our business. Failure to effectively manage technology resources, information security and governance requirements exposes us to a number of risks, including financial loss, reputational damage, quality and delivery continuity risks and reduced competitive ability. Therefore, all our technology resources comply with strict IT governance controls and meet minimum IT security standards as defined at the global level.

During the year, we initiated a programme to align our global IT environment to facilitate increased collaboration between our member firms.

### Training and education

To help keep all our people up to date on the latest requirements, we have annual training and education programmes related to technology resources and require all new joiners to acknowledge that they have read and understand Mazars' IT security policies. Existing staff are required to confirm continued compliance with these standards on an annual basis.

### Information security

To ensure that information is sufficiently protected, we only make it accessible to authorised personnel, and our global standards ensure that local policies are in place to protect information security. This minimises the risk of information in our possession being subjected to inadvertent loss or corruption.

Our global information security requirements for countries became mandatory for all member firms during 2023. We also enhanced our operational and governance structures for information security at the global level by moving the governance of the function into global risk management to provide more independence in our information security oversight. This year we integrated our information security KPIs into the performance assessment and BP allocation of country managing partners.

To date, the global cyber awareness programme has a completion rate of 55%, which is a positive start, but suggests that there is still room for improvement. One area of particular success during the year was a phishing campaign, which showed a substantial decrease in the number of colleagues entering their information in response to controlled phishing tests.

As we move forward into 2024, we will be further enhancing our standards and introducing new controls based on the US National Institute of Standards and Technology – Cybersecurity Framework (NIST-CSF).

### Data privacy

Data privacy is managed within each country in accordance with local and international regulations, as applicable. This decentralised approach is supported by global requirements and guidance provided by the group data privacy team.

A new Personal Data Protection Policy was created during the year and implemented as part of the GPM.

# Our global system of quality management

## Monitoring and improving

**Designing our system of quality management is only the first step. To ensure that we meet our strategic objectives, we also continually monitor, review and seek to improve our approach wherever necessary.**

### Global monitoring programmes (inspections)

The group international quality monitoring (IQM) function acts as the third line of defence in our risk-based approach to ensuring robust and consistent delivery of quality at the global level. The global team is supported by regional quality monitoring teams, providing reliance to country-level monitoring programmes.

Two types of quality reviews have been put in place by the IQM team. The first is annual self-assessment by the country when it comes to its SoQM and reporting. The second is periodic inspections delivered by independent Mazars reviewers from different countries. Such inspections are generally conducted on each country every three to five years and involve desktop reviews of the country-level SoQM, and in-depth, on-site review of a sample of country engagements, selected following a risk-based assessment approach.

Engagement file reviews (also referred to as ‘cold reviews’) are designed to monitor the quality of work of engagement partners. Each year, the IQM team issues guidance/training and questionnaires for

engagement file reviews, which include questions on acceptance and continuance practices, ethical and independence considerations, resource allocation, competency and engagement documentation.

Some 91 inspections are planned for file reviews relating to work conducted in 2023 and covering our Audit, Tax, Outsourcing and FA service lines. Of these, 22 inspections relate specifically to SoQM. Additionally, 54% of countries were subject to a globally coordinated internal quality review for at least one of their service lines.

### Results of the firm’s IQM reviews

Each year, Mazars in Hong Kong reviews a sample of our audit engagements through our internal quality monitoring process.

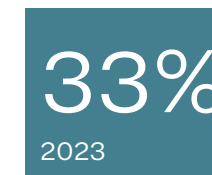
It is our target that no file reviewed is found to require significant improvements in the audit work performed. Where audit deficiencies are identified, we aim to identify the root cause of the failure and put in place actions to ensure they are not repeated. These actions are captured in our audit 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 have been carried out to enhance the audit quality. Our approach to internal quality reviews ensures every audit partner is reviewed at least once every three years.

### Number of engagements reviewed



### % of files that did not identify significant improvements required





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

HKSQM1 requires each audit partner's work to be subject to a cold file review at least once every three years. These reviews are supervised by the Quality Assurance Department, and conducted by experienced partners and senior staff, or our dedicated audit quality monitoring team. All our reviewers are specifically selected for this role because of their knowledge and skill set and are appropriately briefed on our QM approach and requirements. We allocate our reviewers to file reviews to reflect their knowledge and skills. We also ensure reviewer independence which we ask reviewers to confirm as part of the file allocation. Reviewers are also supported by a technical consultant when required.

Each year a quality monitoring plan for audit work is prepared by the Quality Assurance Department which sets out details of the audit partners and key audit partners (KAPs) to be reviewed, together with any planned thematic reviews.

Audit files are selected for review based on a number of criteria, including risk and public interest, with the basis for file selection recorded along with the risk assessment. At the closing meeting any findings from the review are discussed and when agreed the audit partner or KAP is required to respond to the findings in writing, this response considers the 'cause' of the findings as well as the 'action' to address. The files are then graded in terms of overall quality.

Findings and grades for these reviews are presented to members of the HKEB and these findings were discussed during the annual update training session.

A summary report is prepared for proposed actions to be taken in response to the key findings recorded. Action may include immediate remedial action, changes in the firm's guidance or additional training and support.

Lessons learnt from quality monitoring are communicated to all audit partners and managers on a timely basis and embedded into training or reflected in new tools and guidance as appropriate.

Also, 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 above, firm-wide controls in respect of the following elements are evaluated:

- Risk assessment process
- Governance and leadership
- Relevant ethical requirements
- Acceptance and continuance
- Resources
- Information and communication
- Engagement performance
- Monitoring and remediation process

During the year Mazars in Hong Kong submitted an annual self-assessment around audit quality to Mazars

Group which was reviewed centrally. Periodically, we are reviewed by a Group quality monitoring reviewer, and that review covers our whole firm procedures as well as file reviews. The last completed review in 2023 showed that HK is considered to have a system in place to comply with the ISAs, the IFAC code and the provisions of ISQM1.

## Hong Kong external review

Mazars undertakes audits which fall within the remit of the AFRC (previously known as the Hong Kong Financial Reporting Council (FRC)), resulting in the firm being subject to reviews of its audit work, systems and processes by the AFRC.

The AFRC undertakes a full review at least once within the three-year inspection cycle. Our office was visited by the AFRC of Hong Kong for a full scope review of the practice in 2020 and 2023 respectively which included reviews of engagements and the quality control system of the firm.

We communicated the findings of the AFRC to all auditors and implemented remedial actions. The work of these external reviewers was much appreciated.

At Mazars in Hong Kong, we are passionate about audit quality, so the results of the independent reviews challenge us to revisit our technical training and tools to ensure they support our audit teams to deliver quality audits. We are committed to the continuous improvement of the quality of our audit work to address findings from external reviews as discussed above.

# Our global system of quality management

## Monitoring and improving

### Our contribution to the profession

For many years, Mazars has brought a pragmatic approach to the changes in accounting regulations. Our contributions are widely acknowledged for their technical accuracy. This is reflected in the responsibilities Mazars' partners hold in a variety of regulatory bodies and professional organisations in Hong Kong, and at global level.

Mazars closely follows regulatory works throughout their process of preparation and adoption – discussion papers, exposure drafts, additional consultation – while actively contributing to the related lobbying groups.

Mazars is one of the seven firms IASB systematically consults as part of its outreach activities. This enables us to obtain information at a very early stage. Mazars systematically brings its contribution to accounting-related debates by responding to calls for comments on projects carried out by IASB and the IFRS Interpretations Committee. We also contribute to the works of the IASB on a regular basis and in an informal manner. We take part in meetings between IASB and the major audit firms, and regularly meet with the IFRS IC senior staff to express our opinions and specify our stance on current topics.

### Our voice in Hong Kong

Our directors, principals and managers are actively involved in various committees of HKICPA and other professional bodies, such as the Small and Medium Practices Committee, the Audit and Assurance Standards Committee, the Qualification and Examinations Board of the HKICPA and the Investigation and Compliance Committee of the AFRC.

### Firm-level monitoring programmes

All firms are required to establish monitoring programmes that provide relevant, reliable and timely information about the design, implementation and operation of the local SoQM. Monitoring programmes also focus on continuous improvement and are able to recommend appropriate actions in response to identified findings and deficiencies to ensure that they are resolved in a timely way.

To ensure quality, the programme must be overseen by an individual who is suitably senior and independent of the design and implementation of the SoQM and must be delivered by individuals who are sufficiently objective with regard to the monitoring activities to be performed.

### Identification and remediation of known issues

Findings identified through global monitoring procedures are analysed in accordance with global standards. If deficiencies are identified, further analysis is conducted to determine whether the deficiencies are systemic or repetitive. Corrective action plans with clear timelines for improvement are agreed and responsibility is assigned to appropriate relevant stakeholders to ensure timely resolution.

### Root cause analysis

Where deficiencies related to the operation of the SoQM are identified, firms conduct root cause analysis (RCA) to identify the cause(s). Remedial actions are implemented, aligned to our global RCA methodology.

### External monitoring and regulatory reviews

All firms subject to external oversight have processes in place for responding to the requirements of any external regulatory or oversight body inspection or review. This includes identifying relevant personnel to lead liaisons with regulators.

## Delivering audit quality Serving the public interest

In delivering our audit and assurance work, we promote transparency and share insights. Through constructive challenge, based on mutual trust and respect, we build confidence in corporate reporting. It is this robust approach that ensures a Mazars audit delivers full benefits to a company, its shareholders and its other stakeholders. It also ensures maximum benefit for society, contributing to the development of sustainable businesses and economies.





## Delivering audit quality Global audit governance

Our Audit service line is governed by the global audit board (GAB), which is chaired by Mazars' Global CEO and made up of 16 members from ten countries, covering all regions. Members represent global functions including quality, audit learning, talent, transformation and methodology as well as our privately owned business (POB) and PIE markets. The GAB is supported by four committees, which focus specifically on: regions, our five largest countries, quality and projects.

# Delivering audit quality

## Our commitment to audit quality

**Quality is what makes audit relevant. We actively develop our methodology, review quality recommendations and findings of regulatory inspections, and improve the skills and knowledge of our professional staff. We are continually raising our expectations of audit quality, as this is something that is constantly evolving in line with societal changes.**

Our Audit service line offers a distinctive, human-centric approach that goes beyond compliance, with an integrated structure that allows us to work seamlessly as one team globally. We serve regional, national and international companies of all sizes and structures by combining the right people with the right skills for every engagement, leveraging our collective knowledge and using consistent tools and methodologies.

The key priorities for the GAB in 2023 were technology and tools, talent management and quality, and the highlights for the year are summarised below.

### Atlas NextGen

Atlas is our global platform for audits. During the year, we began the migration of our global platform from Atlas 1 to Atlas NextGen. Atlas NextGen overhauls the user interface and user experience, resulting in improved efficiencies for our auditors. The platform architecture was also upgraded to offer a more reactive and responsive application, and ISA 315R was at the heart of the development work to ensure ongoing compliance with the new regulations for all our engagements.

The Atlas NextGen system was built to be compliant with ISO 27001, which has now been certified. The system will be pen-tested annually to ensure further IT data security and maintenance of the platform.

In Hong Kong, the rollout of Atlas commenced in 2021 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 happen in 2024. 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.

### A global grade structure and competency framework

A global grade structure and competency framework is being implemented to ensure consistency across regions, countries and offices.

### Global Audit Learning Path

Our Global Audit Learning Path is continuously updated to incorporate mandatory training courses related to key technical topics for our auditors. Implementation of the Global Audit Learning Path in all countries is being monitored as an audit quality indicator.

### Audit quality survey

Results from our audit quality survey dedicated to group audits are monitored and communicated to the relevant stakeholders to facilitate conversations among engagement teams and continuously improve quality in group audits.

## Delivering audit quality

### Audit policies and methodology

**The Mazars Audit Manual (MAM) sets out the Mazars audit methodology in accordance with International Auditing Standards (ISAs) issued by the International Audit & Assurance Standard Boards (IAASB) of the International Federation of Accountants (IFAC). It is supplemented by applicable local regulatory and legal requirements for all countries.**

The MAM applies to all audits performed by integrated Mazars firms. It is supplemented with application guidance, a glossary, FAQs and tools for auditors.

Using a common methodology allows us to apply a consistent approach and level of quality globally to all client engagements irrespective of the size and international presence of the client. The MAM allows us to assure our multinational clients of the quality of our audits across borders. Specific policies and procedures are in place in respect of group audits, including the use of and reliance on other auditors.

Further to the work we began in 2022, we are continuing to develop an innovative and modern Sustainability Audit Methodology (SAM) to ensure a level of quality that meets the expectations of regulators and wider stakeholders. With this goal in mind, we have representation in and communicate regularly with standard setting, advisory and regulatory bodies. We also have regular discussions with, and actively seek participation from, internal practice professionals with the objective of making our methodology and related solutions meet user expectations.



# Delivering audit quality

## Our audit quality indicators

During the year, global audit quality indicators (AQIs) were defined and communicated to countries for further consideration regarding the reliability and relevance of the information. These AQIs include information on supervision, client survey feedback, feedback from county audit leaders, internal and external inspection results, and compliance with the Global Audit Learning Path.

### KPIs of Mazars in Hong Kong

# 25

hours of training on average per auditor in 2023

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

The decrease in average training hours per person was due to the introduction of the revised MAM audit methodology and IT audit in the context of One Team audit in 2022.

We have been able to deliver effective learning through a variety of different means, including eLearning and virtual breakout rooms in order to improve learner engagement.

In addition, delivering virtual learning has improved accessibility; learners can select the most suitable sessions to meet their requirements. The other added advantage of remote delivery is the ability to record live sessions, allowing attendees to refresh their knowledge at the point of need. We store recorded learning in U-Learn, our Learning Management System, for point-of-need access in the future.

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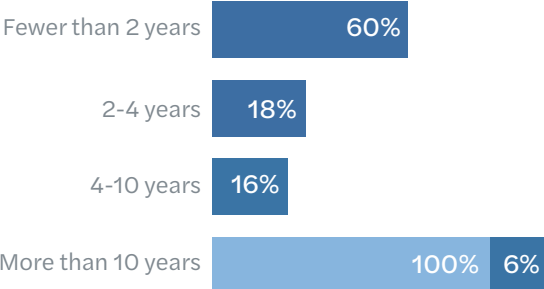
audit staff/manager ratio in 2023

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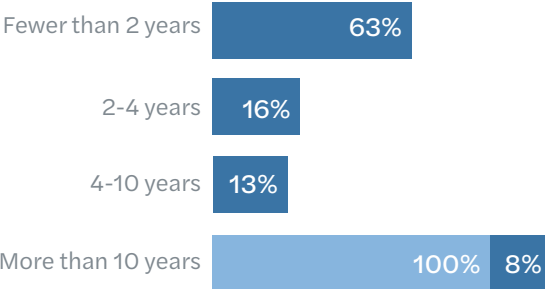
audit staff/partner ratio in 2023

### Metrics on audit partner and staff tenure

2023



2022



Partner Staff



## Delivering audit quality Rotation to strengthen both independence and quality

Key audit partners are rotated in PIE audit engagements, in compliance with national and EU laws and regulations, the EU Statutory Audit Directive and the IESBA Code. This rotation reduces the risk of ‘closeness’ to the audited company and the risk of impaired independence. It also enables the auditor to have greater objectivity in dealing with client issues and in expressing an opinion on financial statements.



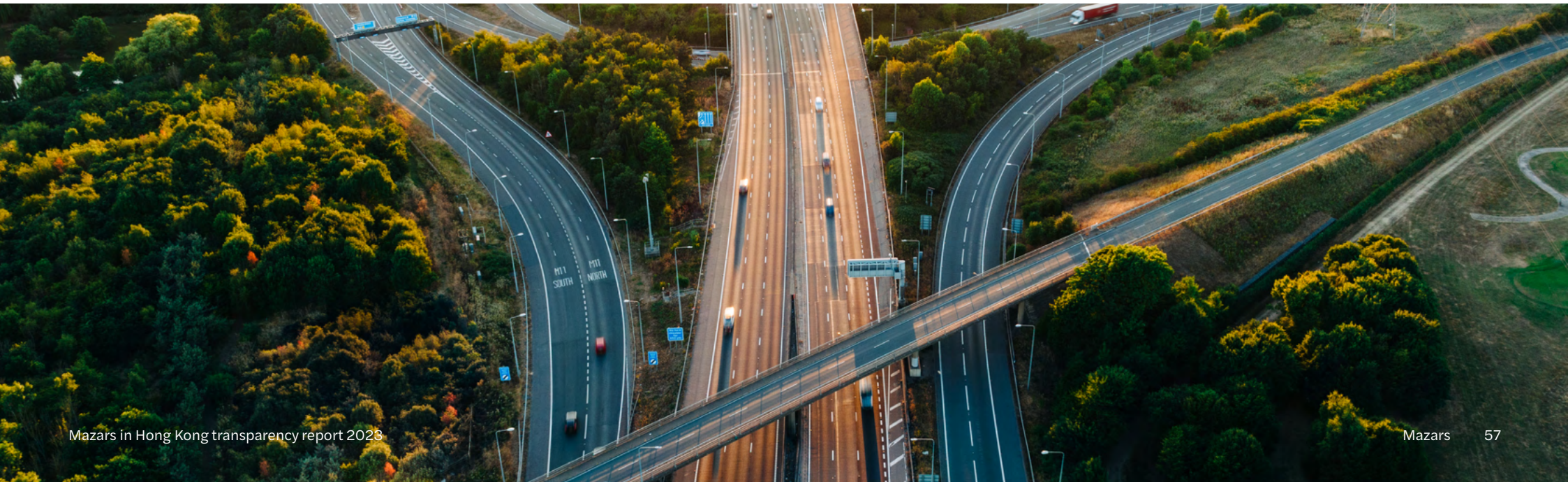
# Delivering audit quality

## Environmental, social and governance expectations

With the introduction of mandatory audits on environmental, social and governance (ESG) reporting in Europe and other parts of the world, the role of the auditor is changing and has to go beyond traditional accounting skills. This presents both an opportunity to further support our clients and a risk management challenge as there is the potential for a significant rise in ESG-related controversies and greenwashing litigation, from which auditors are unlikely to be immune. Finally, we also strongly believe that ensuring our clients are fully engaged in ESG reporting is aligned to the auditor's duty of serving the public interest by contributing more reliable, relevant and transparent information in public reporting.

In the last year, true to its DNA, Mazars has heavily invested in building the foundations of our Sustainability service line, notably with regard to “assurance” provision. At the global level, we have created Sustainability technical functions, comprised of a Sustainability reporting standards team, a Sustainability assurance standards team, a Sustainability quality management team and an ESG Acceptance working group. This structure is expected to be replicated in all major countries.

In parallel, we are rolling out global training programmes and tools (e.g., on the European Sustainability Report Standards (ESRS) and ESG audit methodologies) to our Sustainability team members in all major geographies. This also includes equipping traditional financial auditors for the new challenges they will face.



# Delivering audit quality

## Our contributions to the public interest

**We pride ourselves on being a different kind of firm – one that contributes to a fair and prosperous world by caring for the success of our people and clients, the health of financial markets and the integrity of our profession.**

New missions are emerging for auditors, and these are expected to have a significant impact on our societies and economies. As companies must increasingly account for their performance in new strategic areas such as ESG/sustainability and their use of digital tools, auditors face growing demands to provide assurance in these areas. This is a challenging and exciting time, and we are paving the way, helping to shape new approaches to fuller understanding of company performance, including establishing new benchmarks in these fast-evolving areas.

That is why we contribute to the conversations on the future of audit and the need to adapt audit regulations, standards and frameworks to the new context. We share our expertise, our experience and feedback on the most efficient levers to improve audit quality and build confidence by engaging with key stakeholders and regulators through our involvement in professional organisations, key working groups and institutions around the world. In 2023, this included:

- Board membership of IFAC and IAASB, the international audit standard-setters
- Board membership and chairing working groups at Accountancy Europe and the European Group of International Accountancy Networks and

Associations (EGIAN), professional organisations that represent auditor associations and accountants across Europe

- Participation in various key working groups of national audit institutes around the world

We are active participants in the conversations regarding audit reforms in multiple jurisdictions and forums, seeking to contribute solutions to the common challenges faced by the profession around the world. These challenges include questions regarding audit quality arising from significant audit scandals, which have had a substantial impact on the economy, financial stability, retail shareholders and trust in the profession, in addition to the increasing demands for audit in different fields, coupled with the decreasing number of auditors and audit firms able to address such challenges.

At Mazars, we take part in these conversations by sharing our views and responding to public consultations at the national, regional and global levels. Our key recommendations include:

- Incentivising the opening of the PIE audit market to additional audit players, in order to build trust and audit quality and properly address new demands and new expectations.

- Ensuring that companies have a real choice and say regarding their auditors, thereby protecting them from the inherent risks of a concentrated market.
- Making sure the biggest entities benefit from the ‘four eyes’ principle and cross-reviews, which are key features of joint audits.
- Allowing auditors to benefit from the widest skills and securing the multidisciplinary model within existing safeguards.

Mandating a level playing field for sustainability reporting by implementing reliable, consistent and comparable sustainability standards such as the ESRS in EU member states and the International Financial Reporting Standards Sustainability Disclosure Standards in other jurisdictions.

Our contributions to these debates are public and available on a dedicated webpage of the Mazars global website as well as on the websites of the institutions leading these consultations.

# Statement of compliance



# Statement of compliance

## Statement on the effectiveness of the quality control system

Mazars Group 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 that it met the membership obligations of the FoF in all material respects, for the 2021-2022 year.

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 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



# Appendix 1

## Public interest entities

Public Interest Entities in respect of which Mazars in Hong Kong has served as the auditor during the year ended 31 August 2023 are detailed below.

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

#### Hong Kong Stock Exchange

Applied Development Holdings Limited	Haina Intelligent Equipment International Holdings Limited	Sanai Health Industry Group Company Limited
Asia Energy Logistics Group Limited	Hatcher Group Limited	Shengli Oil & Gas Pipe Holdings Limited Limited
Be Friends Holding Limited	Hua Yin International Holdings Limited	Sino Gas Holdings Group Limited
Billion Industrial Holdings Limited	Huafang Group Inc.	Skymission Group Holdings Limited
Capital Finance Holdings Limited	Huakang Biomedical Holdings Company Limited	Snack Empire Holdings Limited
CBK Holdings Limited	IDT International Limited	Sun Kong Holdings Limited
China Baoli Technologies Holdings Limited	IMS Group Holdings Limited	Sunshine 100 China Holdings Limited
China ITS (Holdings) Co., Ltd.	Infinity Logistics and Transport Ventures Limited	SV Vision Limited
China Sinostar Group Company Limited	IPE Group Limited	Swang Chai Chuan Limited
China Smartpay Group Holdings Limited	JLogo Holdings Limited	Tian Chang Group Holdings Limited
China Treasures New Materials Group Limited	K & P International Holdings Limited	Tingyi (Cayman Islands) Holdings Corp.
China Vered Financial Holding Corporation Limited	Litu Holdings Limited	Universal Health International Group Holding Limited
CHK Oil Limited	MBV International Limited	Vongroup Limited
Christine International Holdings Limited	Metropolis Capital Holdings Limited	Wing Fung Group Asia Limited
Confidence Intelligence Holdings Limited	Michong Metaverse (China) Holdings Group Limited	Wonderful Sky Financial Group Holdings Limited
Dafeng Port Heshun Technology Company Limited	Mindtell Technology Limited	Yuxing InfoTech Investment Holdings Limited
Daido Group Limited	Modern Chinese Medicine Group Co., Ltd.	
Daisho Microline Holdings Limited	MOS House Group Limited	
DreamEast Group Limited	Nan Nan Resources Enterprise Limited	
DTXS Silk Road Investment Holdings Company Limited	Nexion Technologies Limited	
Eggriculture Foods Ltd.	OOH Holdings Limited	
Ever Harvest Group Holdings Limited	Orient Victory Smart Urban Services Holding Limited	
Get Nice Financial Group Limited	Oriental Enterprise Holdings Limited	
Get Nice Holdings Limited	Oriental Payment Group Holdings Limited	
Global Bio-Chem Technology Group Company Limited	Oshidori International Holdings Limited	
Global-Sweeteners Holdings Limited	Pak Fah Yeow International Limited	
Great China Holdings (Hong Kong) Limited	Planetree International Development Limited	
Green Energy Group Limited	Royal Century Resources Holdings Limited	
Hailan Holdings Limited		

## Appendix 2

# Glossary of terms

ACCA	Association of Chartered Certified Accountants	QR&M	Quality Risk and Management Board
AFRC	Accounting and Financial Reporting Council	SCRL	Societe Cooperative a Responsabilite Limitee (Limited Responsibility Cooperative Company)
AUD	Audit Department	The firm	Mazars CPA Limited
CCOI	Charter of Conduct for Objectivity and Independence	The Group	The member entities of Mazars SC
CPD	Continued Professional Development	Us/we	Mazars CPA Limited
CSR	Corporate Social Responsibility	ZSZH	ZhongShen ZhongHuan
EU	European Union		
FoF	Forum of Firms		
FRC	Financial Reporting Council		
GIAC	Group Independence and Acceptance Committee		
GEB	Group Executive Board		
GGC	Group Governance Council		
HK	Hong Kong		
HKEB	Hong Kong Executive Board		
HKTIC	Hong Kong Technical Issues Committee		
HKICPA	Hong Kong Institute of Certified Public Accountants		
HKSQM	Hong Kong Standards on Quality Management		
IAASB	International Auditing and Assurance Standards Board		
IESBA	International Ethics Standards Board for Accountant		
IFAC	International Federation of Accountants		
IFRS	International Financial Reporting Standards		
IQM	Internal Quality Monitoring reviews		
IQMC	Internal Quality Monitoring Committee		
ISA	International Standard on Auditing		
ISQC	International Standards on Quality Control		
ISQM	International Standards on Quality Management		
IT	Information Technology		
KPI	Key Performance Indicator		
MAM	Mazars Audit Methodology		
Mazars Group Partners	The member entities of Mazars SC Partners and shareholders of Mazars entities in the Mazars Group		
PC	Practising Certificate		
PIE	Public Interest Entity		
QCC	Quality Control Committee		

# Contact

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 100 countries and territories around the world, we draw on the expertise of more than 50,000 professionals – 33,000+ in Mazars' integrated partnership and 17,000+ via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*Where permitted under applicable country laws

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