

MAZARS UK  
TRANSPARENCY  
REPORT

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# MAZARS GROUP AT A GLANCE

Mazars SCRL (hereafter 'Mazars Group', 'the Group') is an international, integrated and independent organisation, specialising in Audit, Advisory, Accountancy, Tax and Legal services. Across our 300 offices worldwide, our global partnership brings together 20,000 international experts who share the same vision, the same entrepreneurial and collaborative mindset, and the same determination to create shared value for all our stakeholders: our staff, our clients, the business community and society as a whole.

MAZARS GROUP AT A GLANCE

## GLOBAL COVERAGE



## MAZARS' STORY



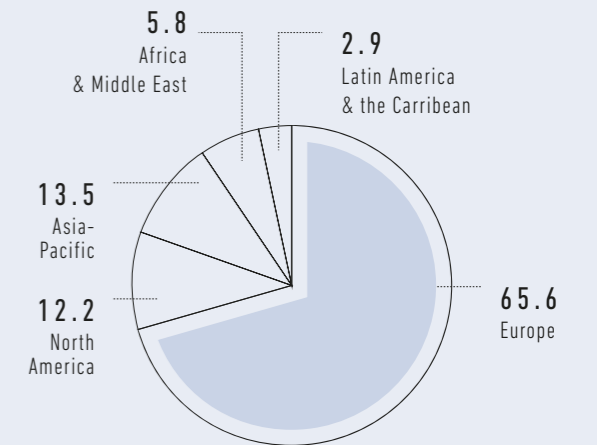
## GROUP GLOBAL TURNOVER 2016-2017



## TALENT

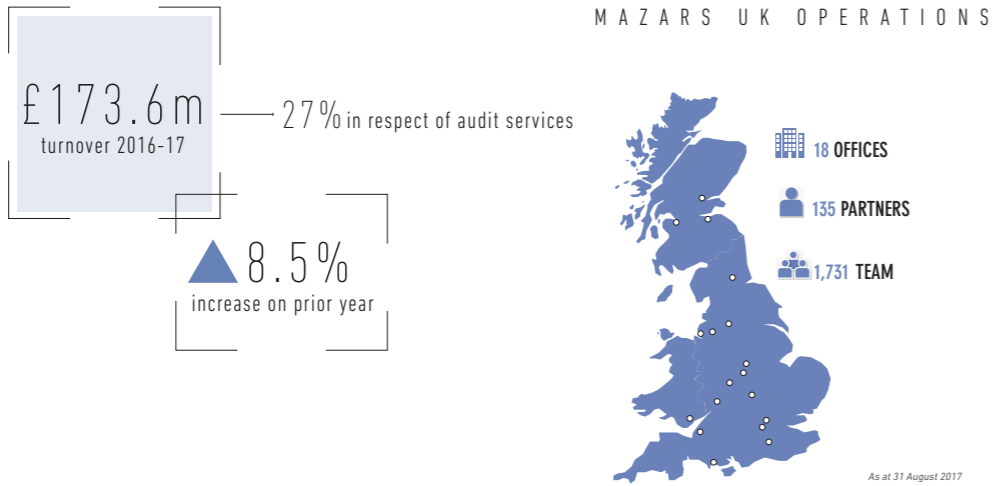


## TURNOVER BY REGION (%)

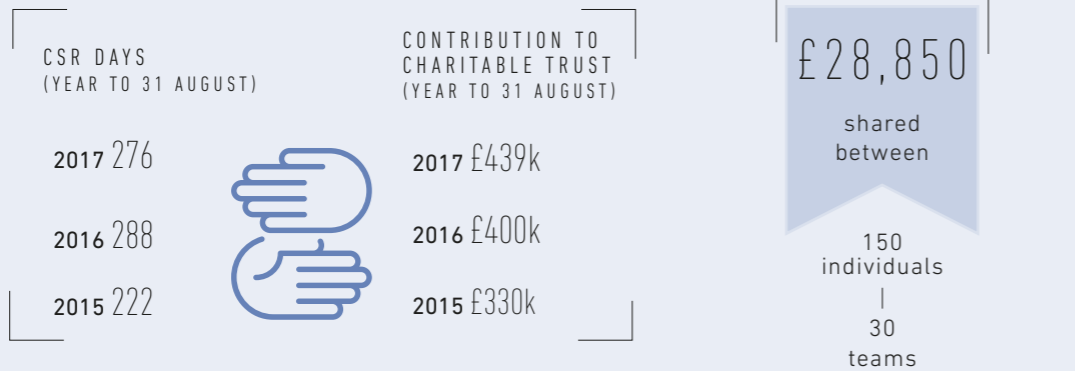


# MAZARS UK AT A GLANCE

## OUR FIRM



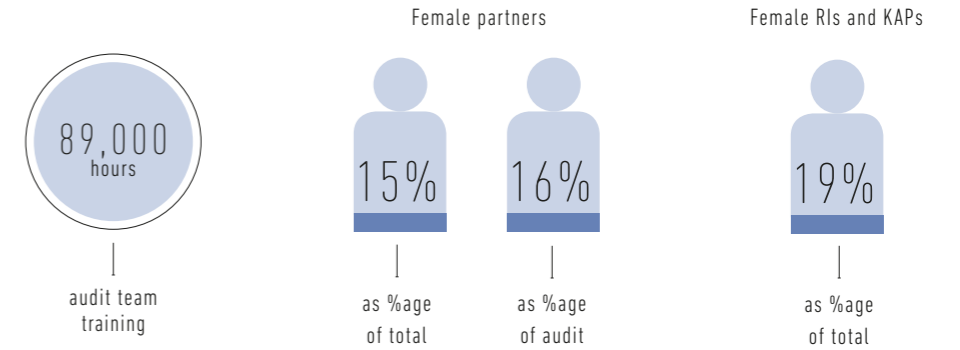
## OUR CONDUCT



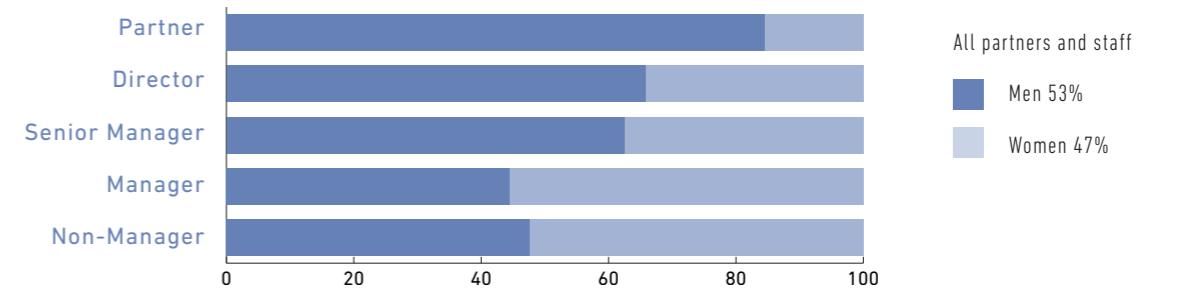
## OUR MONITORING



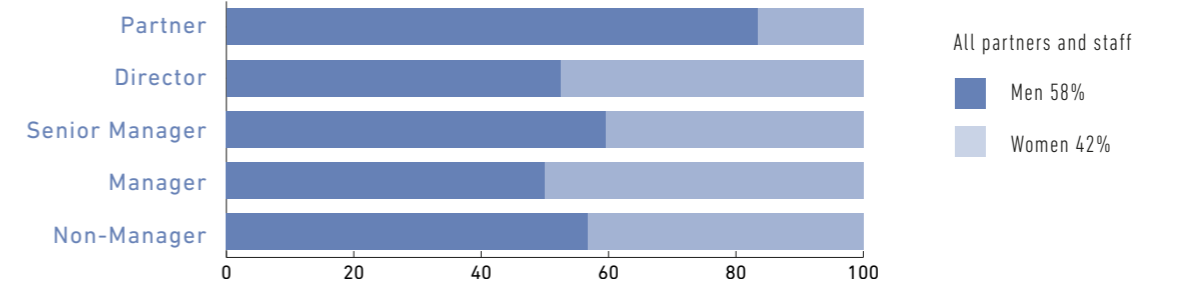
## OUR PEOPLE



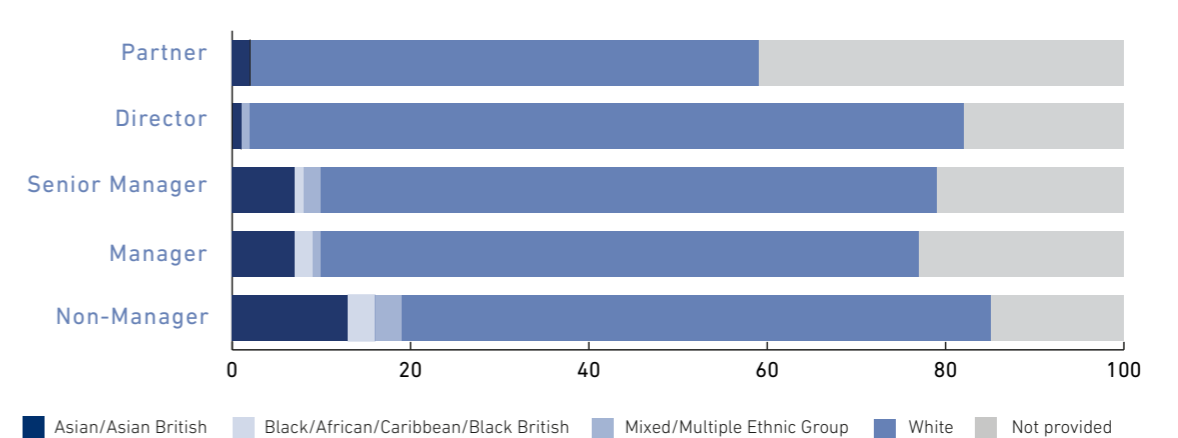
## BREAKDOWN OF MAZARS UK GRADES BY GENDER



## BREAKDOWN OF MAZARS UK AUDIT STAFF BY GENDER



## BREAKDOWN OF MAZARS UK GRADES BY ETHNICITY



BY PHIL VERITY

## STEWARDSHIP IS THE KEY TO OUR SUSTAINABLE GROWTH



PHIL VERITY  
UK Senior Partner

Our 2017 Transparency Report comes at an exciting time for Mazars LLP. Strong performance over the past year has been accompanied by a renewed commitment to building for the future, and to achieving the vision of the Firm that we aspire to be.

A leadership election, which concluded in January, gave us the opportunity to re-assess our priorities as a business, and gave the leadership team a mandate to implement the strategy to realise them. Our 2020 Vision emphasises the desire to build a business with sound fundamentals and strong performance, which has a positive impact on its people and clients, embraces its international footprint and stands out for its contribution to society.

To help make this a reality, the executive team now comprises newly created roles for Quality, Innovation, and People & Culture: all areas which are critical to ensuring the continued success of our business to 2020 and beyond.

This annually-produced report provides a valuable opportunity to state publicly our focus on transparency, one of our core values and a vital part of how we approach our work. This year we apply the revised Audit Firm Governance Code (2016) for the first time. As such we have reported on our business with the greatest level of transparency so that all of our stakeholders will be able to understand how we are holding ourselves to the very highest standards.

This Transparency Report outlines our organisation, governance and quality structures, and ongoing initiatives to ensure that quality is embedded into our culture. Within this report we use Mazars UK, the firm or us to refer to the UK entity and Mazars Group to refer the the wider global partnership.

### Vision

Our vision is to attract and retain talent across the business, fully engaged with our values and delivering exceptional results for our clients. We want to give our people opportunities to develop with Mazars and to embed a deep-seated culture of quality. We believe that is the only way to build a sustainable business with a foundation of trust and integrity.

We have identified a number of areas which contribute to achieving our vision. These include:

CONSISTENTLY HIGH QUALITY	ENRICH OUR TALENT AND CULTURE	Building a culture within the Firm that supports our people, including celebrating our differences and how every individual has something unique to offer, has been a focus, highlighted by the implementation of the People and Culture Committee, which comprises members across the whole firm, not only partners.  The introduction of new staff networks (Black, Asian and Minority Ethnic (BAME) and Mazars Young Committee) in the year, led by individuals within the Firm, is a further step forward in our agenda on diversity and inclusion. This year we report on ethnicity as well as gender diversity, demonstrating that we are at the start of our journey in relation to ethnic balance.
	FULLY EMBED TECHNOLOGY, INNOVATION AND CHANGE	This year we have been challenging ourselves on how we operate, not just through the streamlined structure and agile working mentioned elsewhere. By furthering our understanding of what the market and our clients expect we are able to focus on making changes that will have a tangible impact and change how we do business in the future. Our transformational priorities have been focused on building a better experience and aiding collaborative working for both our clients and staff.
	FOCUS RELENTLESSLY ON CLIENTS	We envisage that our new streamlined structure, removing the Management Units from our reporting framework and moving their responsibilities to our service lines, will allow our partners to focus on their clients.  For our non-audit services this should allow us to ensure we are able to work strategically with our clients to enable them to achieve their long term vision, as exemplified by the launch of Optimize for the mid-market.  All clients and service lines should benefit from more dedicated partner time, driving the quality of the work we produce.
	BUILD OUR BRAND AS A MODERN FIRM	Being recognised as a Modern Firm, promoting the transformational changes achieved and in progress is a clear vision for the Firm to achieve its long term strategic goals.  In the year we have redesigned some of our space to support an agile working environment for all staff, this has included renewed training on the importance of the quality of the work produced by our team compared to presenteeism within the office. This redesign has allowed us to showcase not only our working environment to stakeholders, but also the culture of the Firm.

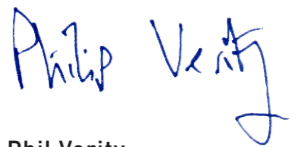
**Our priorities for 2018**

We are confident that we have laid the foundations to achieving our vision, and over the next year we will continue on the journey to achieving our goals in audit quality, business transformation and culture.

Technology will be an important enabler of change across the business. Investment in new audit software, remote working tools across the business, and systems which will allow us to work better with clients will all be implemented over the course of 2018.

We recognise that our people are our greatest asset, and we will continue to prioritise their development and engagement. Over the past year, we have implemented new talent acquisition initiatives and sought to make a societal impact on a nationally coordinated level with the Sense 1000 charity challenge. For 2018, we will do more. We will prioritise career development with a new personal development and Career Pathway tools, as well as an innovative app-based feedback system. Our onboarding and reward strategies have also been refreshed.

We believe that Mazars should be a great place to work for everybody, and we were delighted to welcome Angela Cooke as Diversity and Inclusion Senior Manager in October. Her strategic review of our approach to gender and ethnic diversity will be shared and acted upon over the course of 2018. We participated in a firm-wide engagement survey with Gallup over the past summer, which has given us a wealth of insight and identified areas in which we can continue to improve. We propose to conduct a comprehensive review over the next year. All of these measures will serve to embed a culture of trust, ethical values, and a commitment to quality.

**Phil Verity**

UK Senior Partner

30 November 2017

AUDIT:  
REMAINING  
RELEVANT  
TO SOCIETY  
TODAY AND  
TOMORROW

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# REFLECTIONS FROM DAVID HERBINET, GLOBAL HEAD OF AUDIT AND ANDREW GOLDSWORTHY, UK HEAD OF AUDIT



DAVID HERBINET  
Global Head of Audit

Audit is at the heart of Mazars. We are proud of the work that our teams deliver day in day out to promote trust and confidence in financial reporting for the good functioning of the capital markets and for the benefit of other stakeholders. It is also our duty to ensure that our audits remain relevant and continue to serve the public interest, delivering value to the companies we audit, their direct stakeholders and society as a whole.

All organisations have to evolve, sometimes radically, if they are to adapt effectively to the environment in which they operate. No business is so important that it cannot be replaced and no business model or sector is immune to the raw energy wrought by fundamental changes in its environment. The audit profession is no exception.

The scope of audit has not evolved significantly since it was first established. There is a widespread view that audit may not have responded fully to the changes in business and society in recent years and there is a perceived need for improved accountability by audited entities in particular where there is a public interest dimension.

## Committed to helping reshape the audit market

Mazars is actively involved in shaping the audit services it will deliver in the future and ensuring that our professionals remain relevant and bring enhanced value to companies' direct stakeholders and wider society.

The need to place emphasis on the development of audit is strongly supported by the Mazars Group Executive Board and UK Executive Board and is reflected in our firm wide and service line strategy.

## The key points at stake

Whilst we remain convinced of the critical importance of audit in today's society, we have worked on seeking to understand the key concerns which have been raised and have identified six areas where, in our opinion, there is great potential for the audit profession to reaffirm and reinforce its purpose.

## Six avenues of progress for audit

### Trust

The very nature of our role puts us in a unique position to enhance trust in business. However the perception is that auditors themselves have not been always sufficiently worthy of the trust being placed in them. We therefore face a double challenge to restore trust both in companies and in our profession.

### Scope

Trust in the opinion that auditors provide is tainted by a number of limitations, including the so-called "expectations gap" notably with respect to fraud. In addition, the financial statements on which the audit opinion is formed only provide a very partial view of a company's global value as the vast majority of that value is generally nowhere near its balance sheet.

### Timing

In a world that moves ever faster, audit is delivered with a significant time lag and at fixed intervals. Stakeholders want to know that the information produced by companies can be trusted at all times. Boards want to know that the information their organisations disclose, whenever that is, is reliable.

### Signals

Auditors have been criticised for failing to spot sometimes catastrophic issues before they actually materialised. Stakeholders expect that auditors will tell them about potential significant problems before they crystallise. Finding ways of transforming audit so that it is more proactive, and forward-looking, enabling us to anticipate key issues, must be a priority.

### Value

We see audit as going beyond the offering of our public audit opinion. Auditors have extensive access to a company's data, people and systems. This, together with our in depth understanding of the business, and not withstanding independence and ethical standards, puts us in a unique position to act as challengers, contributing to the future proofing of the entities we audit.

### Positive impact

As auditors we serve the public interest and the information and knowledge we acquire over time from a wide range of audited entities could be used to generate more value for the benefit of wider society.

## Mazars' contribution to enabling and promoting a sustainable audit market

### Embedding change in our culture

Mazars has grown and developed on the foundation of a strong and unified culture globally which needs to be nurtured and protected. To achieve meaningful change, however, we recognise the need for embedding innovation in our firm's culture. To this end, we have recently formalised roles in innovation and technology in our organisational structure providing our business with specialist support and direction.

### A people centric approach to achieving change

We believe that change is to a great extent people centric which for us means it needs to involve our auditors, our clients, the wider business community and the profession more broadly.

We wish that change is fully embraced by our auditors. We provide them with appropriate support in the form of training and development, and the provision of new tools, in order to embed new ways of working and to enable team members to provide new or improved audit services. We are reinforcing and diversifying our teams with the specialist skills required to continue to provide our clients the high quality assurance services that they are used to receiving.



### Digital transformation

In a world experiencing digital transformation where the ways we live and work are continuously changing, the digital transformation of audit at Mazars is a must. In this area we are progressing with the development of a new global audit platform which will transform the way we deliver our audits whilst continuing to support our unique integrated approach to servicing global clients.

The Mazars 'Tomorrow's Audit Hackathon', hosted in July 2017, marked the acceleration of constructive engagement with companies, technology start-ups and stakeholders in audit to work on solutions which address the main challenges faced by the audit profession.

### Introducing new assurance services

'Business. For Good®', is Mazars' global initiative that encourages business leaders to 'think and act long-term' in order to enhance business performance and pursue profit responsibly for the benefit of companies, their stakeholders and wider society. Under this umbrella, we:

- jointly launched, with Shift, a comprehensive Assurance Guidance for companies seeking to implement the UN Guiding Principles on Business and Human Rights;
- are developing a unique approach and offering on the audit of Corporate Culture; and
- are focusing on the sustainability agenda with the development of assurance services covering notably environmental and other issues.

### Developing a culture of innovation and transformation

Aligned to the strategic priorities of the Mazars Group and UK Executive, driving digital transformation and new service offerings at a country level contributes to the overall objectives of the Mazars Group. Engaging the wider team to capitalise on our talent allows us to build a service line that not only ensures we deliver high quality offerings to our clients, but is adaptive to currently unknown future changes, either to the profession as a whole or further technological advances.

### Promoting the goals of the European Audit Reform

We follow and participate in ongoing profession-wide initiatives seeking to carve out a sustainable future for audit. Building on our active role as campaigners for Audit Reform in Europe we are promoting its overarching goals to reduce market concentration and increase audit quality. This has given us the opportunity to demonstrate to the market, notably through our involvement across the globe in many audit tenders for listed companies, financial institutions generally and public

sector bodies, that genuine choice exists and that diversity in the audit market is both desirable and virtuous. Our commitment is to take part in all tenders where we are invited to do so and where we consider we can credibly demonstrate that there is genuine choice in the audit market.

Audit is at a crossroads and the profession's licence to provide statutory audit services faces unprecedented challenges. We believe, however, that Mazars Group currently has a great opportunity. Our firm is truly global with its origins in a singular vision which places partnership, the sharing of core values, and transparency at the heart of our organisation. The UK is positioned to take advantage of this global presence for the benefit of our clients. The central importance of audit to Mazars combined with our unwavering determination to enhance its quality and relevance will help us reinforce our position as a global player, for our clients, stakeholders in audit and the public interest.

Every day, we work towards enhancing the value we deliver to shareholders, the companies they invest in, other stakeholders, our people and society. Our commitment is to keep things moving in the right direction at the right pace.

#### David Herbinet

Global Head of Audit

#### Andrew Goldsworthy

UK Head of Audit

# REPORT FROM THE PUBLIC INTEREST COMMITTEE



DENISE FLETCHER  
External member

This is my first annual report as the Chair of the Public Interest Committee (PIC) of Mazars LLP. Following the adoption of the Financial Reporting Council's revised Audit Firm Governance Code (2016) (the 'revised Code'), I welcome the opportunity to share with all stakeholders the PIC's responsibilities and activities since the last Transparency Report.

I take this opportunity to thank Christian de Juniac for his service on the PIC. I also welcome to the PIC Guy Jubb, who was appointed a new Independent Non Executive (INE) in Mazars UK in November 2017. Guy is a welcome addition bringing with him a wealth of knowledge in governance and stewardship best practice.

As the independent body at Mazars UK responsible for enhancing confidence in the public interest aspects of the Firm's activities, our responsibilities are aligned to the principal objectives of the revised Code, which are:

- to help promote audit quality;
- to help the Firm secure its reputation more broadly, including its non-audit businesses; and
- to use our insights to help reduce the risk of firm failure.

We primarily discharge our responsibilities through our engagement with members of the UK Executive, conversations with Partners and staff in more informal settings, including partners responsible for key public interest activities (namely the UK Ethics Partner and Chair of the UK Governance Council and the Head of Audit), and our meetings with regulators and investor groups. We have found our meetings with members of the Firm to be constructive and open, allowing us to undertake our oversight, and building our understanding of the culture within the Firm.

During the period we helped exercise general oversight of Mazars UK through information and access to the Mazars SCRL Group Executive Board and Group Governance Council.

## Our areas of focus

### Audit quality

Audit quality is a fundamental aspect of our oversight responsibilities achieved through:

- dialogue with partners relevant to audit quality. Individual meetings held throughout the period with partners responsible for driving quality, as well as key audit engagement partners, were open and constructive, designed to build our understanding and feedback on audit quality;
- receiving regular updates on the results of quality monitoring inspections and thematic reviews;
- interaction with the Quality and Risk Board to discuss their oversight of quality within the Firm and developments within the approach to quality in the audit service line; and
- meetings with non-partner staff in open dialogue with no Partners present.

### Reputation and risk management

Key to the Firm's ability to reduce any reputational risk is our understanding of the Enterprise Risk Management Framework (ERMF). A detailed review and revision of the ERMF was undertaken in the year and reported to us. This allowed us to consider and challenge the impact of key business risks, including those directly relating to quality and reputation. This also gave us the opportunity to consider the impact of wider government policy on the Firm, including the impact of Brexit over the long term sustainability of the Firm.

To understand the factors impacting the reputation of the Firm the PIC receives comprehensive reports from the Head of Quality focussing on:

- Litigation and claims;
- Ethical matters;
- Reputational matters including regulator investigations; and
- Whistleblowing.

These reports are crucial for us to understand any issues that have arisen that may impact on the Firm's reputation. In the period we particularly focussed on understanding the circumstances surrounding the case brought against the Firm by the ICAEW Disciplinary Committee, particularly given that this was a result of failing to act in accordance with the ethical standards.

We are satisfied that appropriate measures have been taken within the Firm to mitigate the risk of a similar ethical failing.

Mazars UK is part of a wider global network, and as such the reputation of the global firm also has an impact on the UK firm. In the period, both Christian and I were members of the Group Governance Council (GGC), and this insight allowed us to be aware of any global reputation issues that require specific consideration by the PIC.

#### Institutional investor engagement

In 2017 we met with senior representatives of institutional investors with responsibility for governance issues. The meeting covered the development of the Firm at the national and international level with particular reference to the audit practice in the UK, and especially to matters related to audit quality and risk management. We found the meeting an opportunity to build the reputation of the Firm, as well as informative as to the areas of concern and focus for investors.

#### Talent management

The talent we have within the Firm is the cornerstone of our operations. In 2017 we have been particularly interested in the results of the staff engagement survey, and the subsequent action plan being undertaken around the Firm in response to these results. We have had conversations with approximately 25 non-partner staff members to understand the culture and their perception of the importance of ethics and governance. These conversations with staff were not attended by partners.

#### Culture

The ability of a firm to maintain quality, build a reputation and reduce the risk of failure, ultimately falls on our people within the Firm, and the culture instilled within the Firm. Whilst our formal oversight responsibilities have allowed us to build an understanding of the how the Firm's leadership is developing and managing these areas, we felt that it was important for us to truly understand the culture of the Firm as a whole from the inside.

As mentioned earlier, as well as meeting with partners, we have met with team members in three locations without the presence of Partners. This was an informative and enjoyable experience where the discussions were focussed on progression, accountability, diversity, ability to challenge, quality and ethics.

#### Conclusion

We believe that we have been able to appropriately fulfil our oversight responsibilities. In undertaking our role effectively, we thank all members of the Firm that have ensured that we receive information in a timely manner and in an appropriate form and quality. The openness of our discussions with members of the Firm has helped ensure that we have had visibility of the Firm and its operating style.

Overall we are satisfied that the Firm has a good focus on audit quality and on building a better firm for both internal and external stakeholders.

#### Denise Fletcher

Chair of the Public Interest Committee

# UK GOVERNANCE COUNCIL, UK NOMINATION COMMITTEE AND UK AUDIT COMMITTEE REPORT



[ ]

BOB NEATE  
Chair, UK Governance Council

As Chair of the UK Governance Council (UKGC) I am pleased to present this report on the workings of the UKGC together with reports for the UK Nomination Committee and the UK Audit Committee (UKAC) which are overseen by the UKGC.

## UK Governance Council

The UKGC comprises eight members elected from the partnership. The duties and responsibilities of the UKGC are enshrined in the Firm's Members Agreement. In summary, the UKGC acts on behalf of the partnership as a whole in monitoring the performance and decision making of the UK Executive against the agreed strategic priorities of the Firm. Within this role the UKGC has specific responsibility for ensuring due process has been followed with regard to the setting of strategy and budgets, the allocation of profit shares between Partners, the management of risks and the appointment or removal of Partners from the Firm.

Our responsibilities also include hearing appeals from partners who are in dispute with the Firm, though no such disputes arose in the period.

The UKGC holds four formal meetings a year to which the National Senior Partner (NSP) and selected other members of the UK Executive are invited to present on partnership matters. The standing agenda for these meetings includes financial performance, investment monitoring, risk monitoring and mitigation, and partner or team performance issues and rectification plans.

As well as the formal meetings during the year, the UKGC also meets throughout the year as required to deal with matters arising. For practicality purposes the members of the UKGC are aligned with one of two sub-committees:

1. The finance sub-committee, which reviews budget processes and investment performance. Its members are also members of the UKAC; and

2. The partnership sub-committee, which monitors the annual processes for promoting internal candidates to partnership and setting the profit share allocation.

Each sub-committee reports back to the UKGC as decisions are taken at that level. The Chair of the UKGC normally attends both sub-committees.

The Chair of the UKGC also regularly meets with the UK NSP to discuss matters upcoming that will require UKGC intervention.

## Nomination Committee and appointment of the UK National Senior Partner

Under the UK Members Agreement the maximum period the NSP may be in office is four years. When an election is due the Chair of UKGC requests nominations from within the partnership. Any partner wishing to stand for NSP must be nominated by at least ten fellow partners.

When the nomination period closes the Chair of the UKGC calls and chairs a Nomination Committee to consider the candidates. Under the Members Agreement the Nomination Committee comprises the UKGC, members of the UK Executive not standing for the election (restricted to one third of the voting power) plus a member of the Group Executive Board in a non-voting capacity. The duty of the Nomination Committee is to consider the application of each candidate, which normally includes interviewing each candidate. All candidates that the Nomination Committee believe could successfully fulfil the role of the UK NSP are then put forward to a vote of the Partnership.

As Phil Verity's first term as NSP finished on 14 February 2017 an NSP election was held in the period. The Chair of the UKGC requested nominations in November 2016, the Nomination Committee met in late December 2016 and a vote was held in January 2017 which re-elected Phil Verity as UK NSP for a further four year term commencing 15 February 2017.

## Audit Committee

The UKAC is appointed by the UKGC and normally comprises members of its Finance sub-committee plus the Chair of the UKGC.

The primary duty of the UKAC is to monitor the performance of the external audit by the Firm's auditor Crowe Clark Whitehall (CCW). The UKAC met with CCW and the Firm's Finance Partner at the planning stage of the audit to discuss the proposed audit approach. They then met again prior to finalisation of CCW's report on the UK's consolidation return to Mazars Group to discuss audit issues arising. The final meeting was again with the external auditors to consider and approve Mazars UK's statutory accounts. As part of this process the Audit Committee met privately with the engagement partner at CCW to discuss any concerns with respect to the quality of financial reporting within the Firm or the performance of the Firm's finance team. No significant matters arose throughout the external audit.

In the period covered by this Transparency Report the most significant issue arising was the transition from UK GAAP to IFRS for the Firm's statutory accounts. The UKAC challenged the Firm's finance team on their approach to the transition, ensuring that appropriate internal resource with expertise in GAAP transitions were utilised. We also challenged the external auditors on their approach to auditing the transition. We were satisfied that both the process and outcome were sufficiently well managed.

The UKAC monitors the performance and independence of CCW and is responsible for agreeing their fees for the UK audits. In particular, as the current CCW audit partner has been in office for 12 years, so the Audit Committee considered the safeguards that CCW have put in place to ensure audit quality remains high which included, inter alia, CCW appointing an Engagement Quality Control Reviewer.

Currently, under the Members Agreement, the responsibility for monitoring the Firm's processes for assessing, monitoring and mitigating risks sits with the UKGC not the UKAC. Current processes include a detailed risk register with key risks allocated to specific individuals which is actively managed by the UK Executive and reviewed by the Governance Council. It is the intention though that the Audit Committee will become a Risk and Audit Committee with enhanced responsibility for monitoring the Firm's risk processes, together with establishing and reviewing the outcome of an internal audit plan. We will report on the progress with this in next year's Transparency Report.

**Bob Neate**

Chair UK Governance Council



## A GLOBAL, INTEGRATED PARTNERSHIP

Since 1995, we have been organised as a global integrated partnership. All our 910 partners and 20,000 professionals in 84 countries and territories in Europe, Africa, the Middle East, Asia-Pacific, North America, Latin America and the Caribbean share the same values and work ethic and the common goal of providing the highest quality client service. Our correspondent firms enable us to operate in a further 17 countries.

THE ROLE OF THE GROUP IS TO DEFINE THE STRATEGIC OBJECTIVES OF THE ORGANISATION AND TO COORDINATE THE IMPLEMENTATION OF THESE OBJECTIVES.

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

The role of the Mazars Group is to "define the strategic objectives of the organisation and to coordinate the implementation of these objectives at the member firm level", combined with the responsibility for promoting and protecting the Mazars brand globally. Mazars' integrated international partnership was established with the

principal objective of seeking to ensure consistent quality in our service to our clients.

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

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

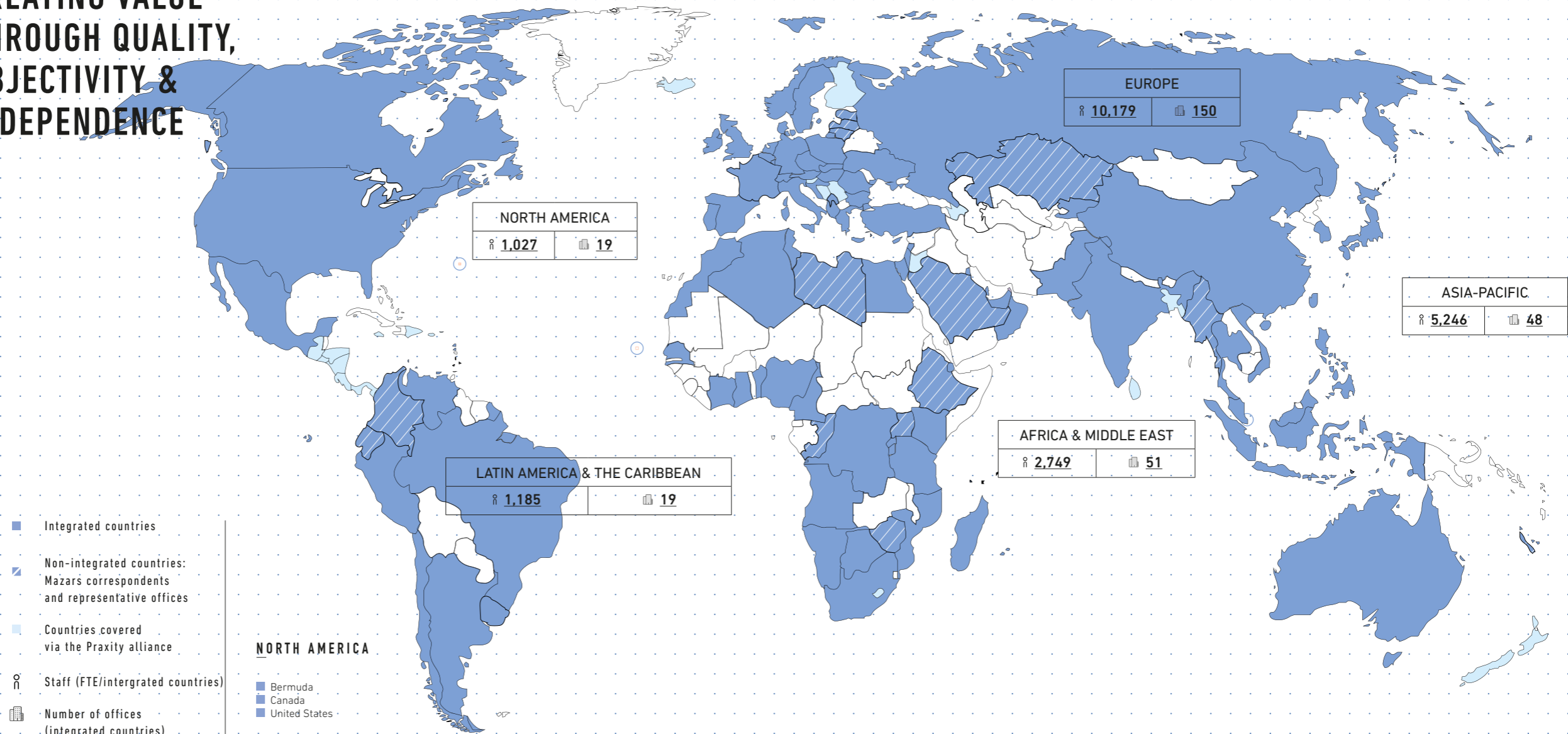
The financial statements of the Mazars Group are consolidated with the results of the member entities and are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements of the Mazars Group are jointly audited by two independent audit firms.

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

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

WE ARE NOT SIMPLY A COLLECTION OF NATIONAL FIRMS, BUT AN INTEGRATED ORGANISATION OF PROFESSIONALS.

# CREATING VALUE THROUGH QUALITY, OBJECTIVITY & INDEPENDENCE



- Integrated countries
- ▨ Non-integrated countries: Mazars correspondents and representative offices
- Countries covered via the Praxity alliance
- Ⓐ Staff (FTE/integrated countries)
- 🏢 Number of offices (integrated countries)

## NORTH AMERICA

- Bermuda
- Canada
- United States

## LATIN AMERICA & THE CARIBBEAN

- Argentina
- Brazil
- ▨ Cayman Islands
- Chile
- ▨ Colombia
- Dominican Republic
- ▨ Dutch West Indies
- Ecuador
- El Salvador
- Guatemala
- Honduras
- Jamaica
- Mexico
- Nicaragua
- Peru
- Puerto Rico
- Uruguay
- Venezuela

## AFRICA

- Algeria
- Angola
- Benin
- Botswana
- Cameroon
- Cape Verde
- ▨ Congo
- Congo (Kinshasa)
- Djibouti
- ▨ Ethiopia
- Ghana
- Ivory Coast
- Kenya
- Lesotho
- ▨ Libya
- Madagascar
- Mauritius
- Morocco
- Mozambique
- Namibia
- Nigeria
- Rwanda
- Senegal
- South Africa
- Tanzania
- Tunisia
- ▨ Uganda
- ▨ Zimbabwe

## EUROPE

- Albania
- Austria
- Belgium
- Bosnia & Herzegovina
- Bulgaria
- Channel Islands
- Croatia
- Cyprus
- Czech Republic
- Denmark
- ▨ Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Kosovo
- ▨ Latvia
- ▨ Lithuania
- Luxembourg
- Malta
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Russia
- Serbia
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- Turkey
- Ukraine
- United Kingdom

## ASIA-PACIFIC

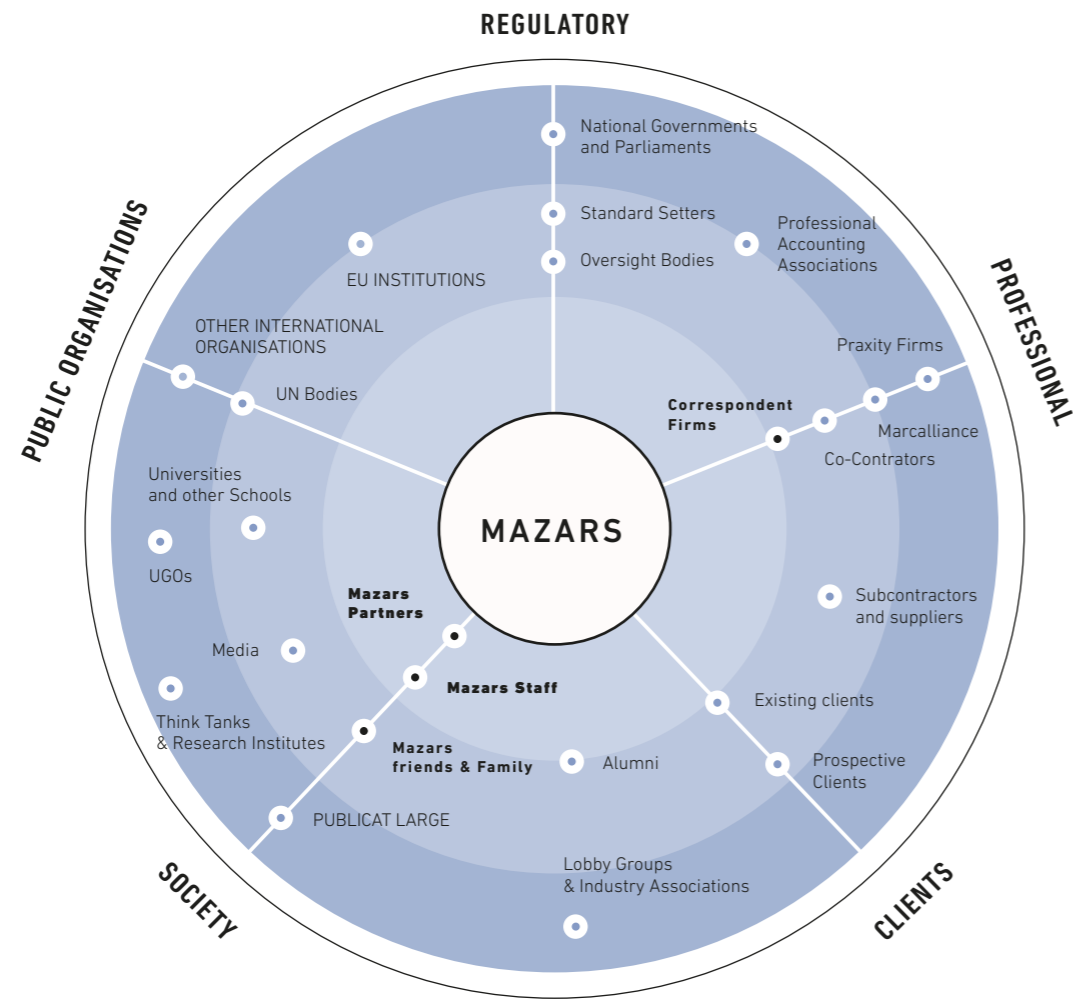
- Australia
- Azerbaijan
- Bangladesh
- China
- Hong Kong
- India
- Indonesia
- Japan
- ▨ Kazakhstan
- Korea, the Republic of
- Kyrgyzstan
- Malaysia
- ▨ Myanmar
- ▨ New Caledonia
- New Zealand
- Pakistan
- Philippines
- Singapore
- Sri Lanka
- Taiwan
- Thailand
- Vietnam

## MIDDLE EAST

- Bahrain
- Egypt
- Israel
- Jordan
- Kuwait
- Lebanon
- Oman
- ▨ Palestine
- Qatar
- ▨ Saudi Arabia
- United Arab Emirates



# STAKEHOLDER MAP



# OUR GLOBAL BUSINESS ORGANISATION

During our last General Assembly of Partners, in December 2016, a new Group Executive Board (GEB) was elected, on the basis of a strategic platform, called the Next20. The business organisation described below is aimed at fully implementing this new platform.

In order to deliver the best services to our clients, our international structure focuses on sectors and service lines.

The three key sectors we have identified are:

- Financial Services;
- Industry, Services and Public Sector;
- Entrepreneurial Businesses.

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

- Accounting and Outsourcing Services (AOS)
- Audit and Assurance Services (AASL)
- Consulting
- Financial Advisory Services (FAS)
- Law
- Tax services (TAX)

Global Sector & Services Team (GSST) leaders and GSB leaders, along with appropriate regional leadership, make up Mazars' Global Leadership Team (GLT). The GLT gathers the Group international leaders who carry responsibilities that go across countries, thus requiring coordination of functions, markets, services and other responsibilities.

Our GLT includes the GSST, regional leaders, Quality & Risk Management, Communications and Marketing, Information Systems, Talent Management, Finance and General Secretary (including group projects).GSST and GLT are led by the GEB.

As such, our GLT brings together about 40 leaders in five areas on GLT: Group sectors and service lines leaders, leaders of group functions, leaders of regions, leaders of global projects, and leaders of Quality & Risk Management and Technical Support functions.

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

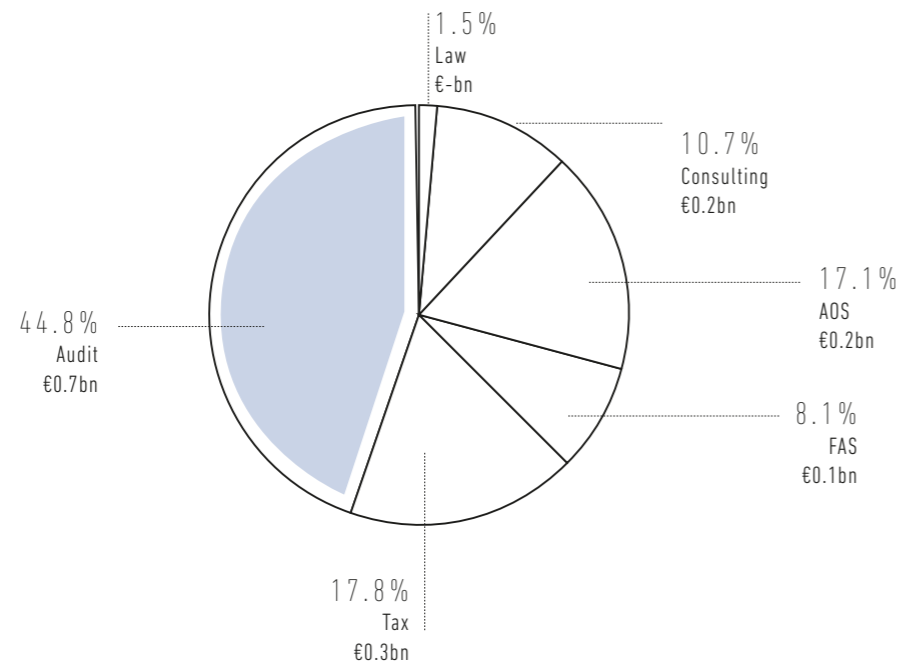
- Partners and their member entities are linked by a series of agreements intended to achieve maximum consistency and standardisation within the Mazars Group;
- sectors and service lines are represented in member entities, enabling coordination of assignments and cross-border relations between countries;
- assignments requiring an international team are managed and carried out by an integrated team sharing common standards and procedures;
- collaborative working on global initiatives helps to secure and reinforce consistent values in our culture;

- each global or international assignment is managed and carried out by an integrated team and coordinated by an engagement partner in charge who takes final responsibility for reporting to the client; and
- Partners and the national member entities in which they work are linked by a series of agreements intended to achieve maximum consistency within the Group. They all report to the elected representatives of the Group.

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

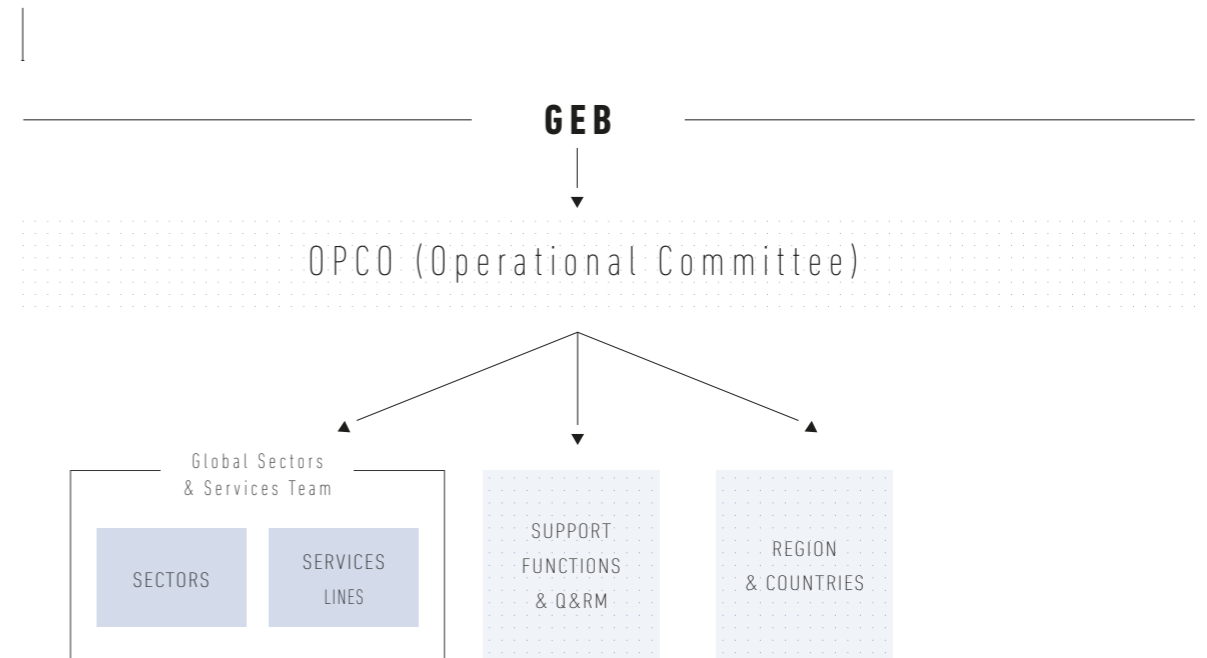
The turnover of the Mazars Group in 2016-2017 by service line was as follows:

TURNOVER OF THE MAZARS GROUP



\* does not include data for the ZhongShen ZhongHuan and ZhongShen Yatai practices.

## OUR OPERATIONAL ORGANISATION



## THE MEMBER FIRM IN THE UK

Mazars LLP is a member Firm of the Mazars Group.



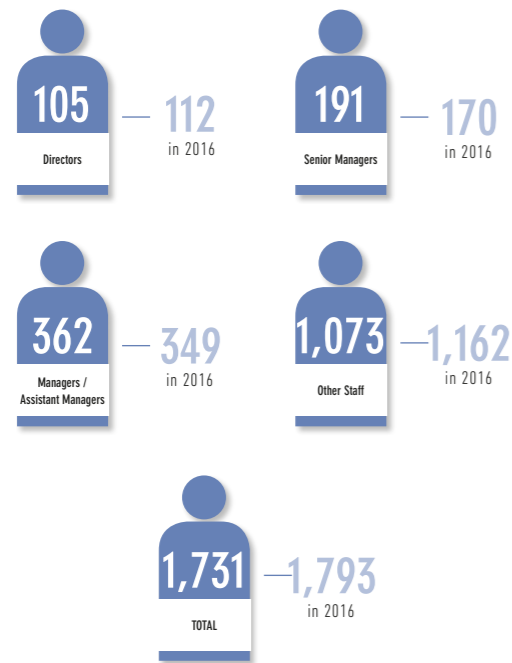
As at 31 August 2017

**Ownership**

Incorporated in England and Wales under the Limited Liability Partnership Act 2000 (registered number OC308299), the Firm is owned by its members (who are often referred to as partners). As at 31 August 2017, there were 135 members (2016: 138) and 101 Partners who are shareholders in Mazars SCRL (Mazars Group) (2016: 101).

**The operational structure of Mazars UK**

At 31 August 2017, our business operated across 18 offices nationwide (2016: 19), with 1,731 professionals (2016 1,793). Our staff held the following roles:

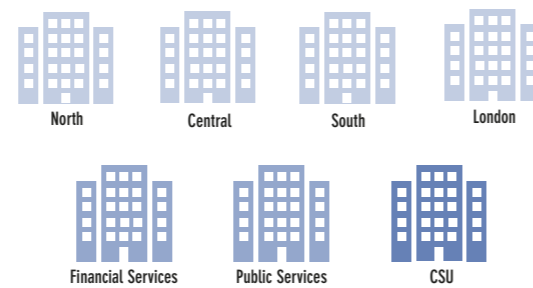


Within Mazars UK, for the year ended 31 August 2017 our business was structured through a range of Management Units (MUs) and service lines.

MUs were responsible for managing results, developing strategies for growth and supporting our staff. As at 31 August 2017,

there were seven MUs: four covering the geographical areas (North, Central, South, and London); two sector focused (Financial Services and Public Services); and one for central services (Country Support Unit (CSU)).

**Management units**



Our five principal services lines are Audit and Assurance, Tax, Accounting and Outsourcing Services, Financial Advisory Services and Consulting. 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.

From 1 September 2017, we removed the MU element from our organisational structure and the service lines have taken on the majority of their responsibilities. At the same time Office Managing Partners (OMPs) in each office were announced. Responsibility for local execution of our national growth and client centric focus will enable the OMPs to build strong relationships in their local marketplace.

**Principal subsidiaries**

The principal trading subsidiary undertakings of Mazars LLP whose results or financial position are shown in the Mazars UK financial statements are set out below, along with details of their principal activities.

PRINCIPAL SUBSIDIARY UNDERTAKINGS	COUNTRY OF INCORPORATION	PERCENTAGE OWNERSHIP	PRINCIPAL ACTIVITIES
<b>Companies</b>			
Mazars Financial Planning Limited	United Kingdom	100%*	Financial Planning
Mazars Corporate Finance Limited	United Kingdom	100%*	Corporate Finance
Mazars CYB Services Limited	United Kingdom	100%*	Trustee Administration Services
Mazars Limited	United Kingdom	100%	Service Company
Mazars Employee Benefits Limited	United Kingdom	100%*	Employee Benefit Consultancy
Mazars Channel Islands Limited	Jersey	100%	Professional Services
Mazars UK Limited	United Kingdom	100%*	Professional Services
Mazars Public Sector Internal Audit Limited	United Kingdom	100%*	Internal Audit
CompetitionRX Limited	United Kingdom	100%*	Monitoring Trustee Services
Mazars Global Infrastructure Finance (Australia) Pty Ltd	Australia	100%*	Financial Modelling & Training
Mazars Global Infrastructure (US) LLC	USA	100%*	Financial Modelling & Training

\* held via a subsidiary

Note 1: Each Company incorporated in United Kingdom is registered in England and Wales, except Mazars CYB Services Limited which is registered in Scotland.



The distinct roles of Mazars Group's two governing bodies are defined in the Charter of Association that outlines the functioning of our partnership ('the Charter'). Both our strategic leadership ecosystem and our robust governance structure rely on our ability to make an international community of leaders work efficiently together, in order to ensure the sustainable development of our partnership and of our Group.

## THE GENERAL ASSEMBLY OF PARTNERS

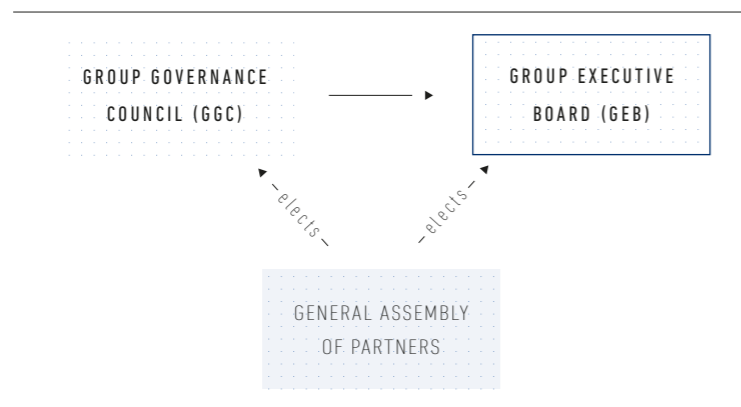
All the Partners of the Mazars Group meet at least once a year, at the General Assembly of Partners, within six months following the end of the financial year.

The General Assembly of Partners is a pivotal point in the governance and decision-making processes of the Mazars Group. Every four years it is at this meeting that the partners elect the GEB and the GGC. Annually the

assembly approves major strategic and operational decisions, the admission of new Partners, and the approval of Mazars Group's audited financial statements.

The last General Assembly of Partners was held in Madrid in December 2016. The next General Assembly of Partners will be held in Berlin in December 2017.

### OUR STRATEGIC LEADERSHIP ECOSYSTEM



# GROUP EXECUTIVE BOARD

The Group Executive Board (GEB) is Mazars' executive body. It is in charge of operational management of the partnership with regards to collectively defined key strategic objectives, under the supervision of the GGC. It focuses first and foremost on pursuing and accelerating growth, while ensuring the quality and sustainability of our activities. The GEB may comprise between three and nine members.

As at 31 August 2017 there were nine members of the GEB. The current GEB was elected in December 2016 and with an election every four years, the next one is due in 2020.

The GEB is supported in its role by:

- an OpCo, which primarily focuses on delivering transformational change through selected projects and assignments. The OpCo is designed as one team, not as a collection of silo responsibilities, and all members are committed to help other members achieve their projects;
- a GLT, which comprises all Group business leaders (sectors and service lines, including our audit activity), Group Quality & Risk Management leaders, and Group support function leaders;

- executives in each member entity;
  - these executives, led by a Senior or Managing Partner, have the responsibility for managing that member entity, for leading the business on a day-to-day basis, and for providing strategic and operational coordination; and
  - the executives are elected by the Partners of the particular member entity, with their candidacy being subject to the consideration of the GEB.

The GEB meets at least monthly; it also meets twice a year with the Country Managing or Senior Partners at 'Country Forums'.

Each GEB member is entrusted with specific geographical responsibilities, functional roles and the sponsorship of key strategic projects, such as innovation, diversity, quality and risk management, business development or integration processes for new additions to the partnership.

As at 31 August 2017, the GEB was composed of:



France

PHILIPPE CASTAGNAC  
Chairman of the Group Executive Board



France

HERVÉ HÉLIAS  
CEO of the Group



Spain

ANTONIO BOVER  
Member of the Group Executive Board



United Kingdom

RUDI LANG  
Member of the Group Executive Board



Germany

CHRISTOPH REGIERER  
Member of the Group Executive Board



China

WENXIAN SHI  
Member of the Group Executive Board



Netherlands

TON TUINIER  
Member of the Group Executive Board



United Kingdom

PHIL VERITY  
Member of the Group Executive Board



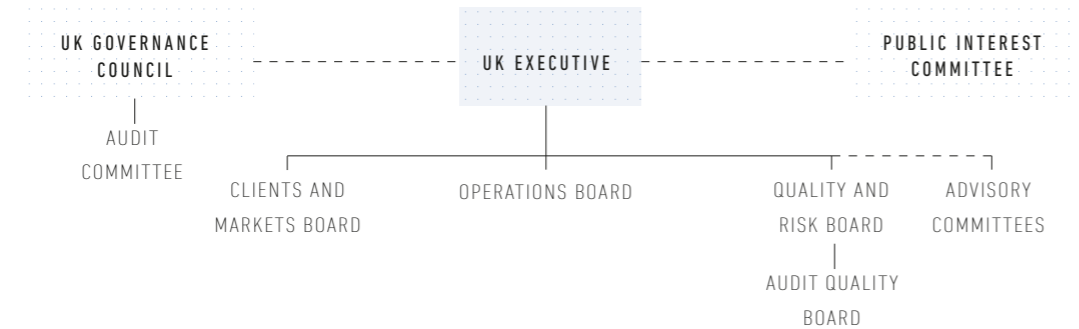
United States

VICTOR WAHBA  
Member of the Group Executive Board

Biographies of the members of the GEB are available at [www.mazars.com/GEB](http://www.mazars.com/GEB)

# LEADERSHIP IN THE UK

## UK Executive Board



Mazars UK is led by the UK NSP, who is elected every four years. The last election was January 2017, with the next election due in January 2021. Any Partner of Mazars UK is able to stand for this position if they have been nominated by at least ten Partners. After the candidates have been submitted for consideration by the UK Nomination Committee, the UK NSP is decided upon by a vote among the Partners of Mazars UK. The members of the Nomination Committee are determined by the Mazars UK Members' Agreement and included representatives for the UKGC, UK Executive Board (UK Executive) and the GEB.

Once elected the UK NSP, after appropriate consultation (including with the GEB and the UKGC) nominates up to eight other Partners and up to two Non-Partners to become members of the UK Executive.

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

- develop and implement the UK strategy, in line with the international strategy of the Firm, and establish a management structure to deliver this;

- ensure that the Firm's services to clients and conduct in respect of staff are carried out ethically and in accordance with the principles of technical excellence and quality service;
- ensure that the Firm recruits, develops, retains and adequately rewards an appropriate number of people with relevant skills and experience;
- oversee support functions, including the setting and monitoring of objectives, approving budgets and expenditure and ensuring efficiency between local, national and international support functions;
- ensure that appropriate policies and procedures are in place for risk and catastrophe management;
- set Corporate Responsibility and Environmental policies;
- monitor the legal obligations of Partners in consultation with the UKGC;
- with the UKGC discharge the responsibilities of the Partners in relation to the maintenance of proper accounting records and the preparation of Accounts; and
- with the UKGC keep the Members' Agreement up to date and fit for purpose.

## As at 31 August 2017, the UK Executive was composed of:



PHIL VERITY  
UK Senior Partner  
Date of first appointment 2010

Biographies of the members of the UK Executive as at 31 August 2017 and meeting attendance during the year ended 31 August 2017 are provided in Appendix 3

The Head of Quality carried out a high level review of the effectiveness of the UK Executive during the year in order to ensure progression of matters noted in the prior detailed review.



ALISTAIR FRASER  
Chief Operating Officer  
Date of first appointment 2012



JAC BERRY  
Head of Quality  
Date of first appointment 2017



TIM DAVIES  
Head of Clients and Markets,  
Head of Tax  
Date of first appointment 2012



NIGEL GRUMMITT  
Head of Financial Advisory  
Services  
Date of first appointment 2012



ELISABETH MAXWELL  
Head of Innovation  
Date of first appointment 2017



IAN WRIGHTSON  
Head of People and Culture  
Date of first appointment 2017

**UK Executive sub-committees**

As at 31 August 2017 there are three Boards, sub-committees of the UK Executive, operating as decision making forums. Each Board is chaired by a member of the UK Executive.

<p>CLIENTS AND MARKETS BOARD</p>	<p>The Client and Markets Board coordinates and leads the client and market strategy, fully mobilising all partners and staff to be client-focused and drive consistent client, sales, market and sector strategies across the Firm in an aligned manner.</p>
<p>OPERATIONS BOARD</p>	<p>The Operational Board manages the Firm's day to day operational performance and ensures that service line strategy is executed. It has four main duties:</p> <ul style="list-style-type: none"> <li>• operational and financial management;</li> <li>• business model change;</li> <li>• strategy execution; and</li> <li>• people management.</li> </ul>
<p>QUALITY AND RISK BOARD</p>	<p>The Quality and Risk Board (QRB) oversees all aspects of quality, risk and compliance within the Firm. Its main responsibilities are:</p> <ul style="list-style-type: none"> <li>• strategy execution;</li> <li>• ongoing development of culture of quality and quality of Partners/team;</li> <li>• risk management;</li> <li>• quality assurance and control;</li> <li>• compliance and regulation;</li> <li>• acceptance, conflict and independence; and</li> <li>• technical training.</li> </ul>

The UK Executive sets the strategy and monitors the performance of the organisation through reporting from the three Boards which details progress against agreed key success factors, execution against the plan, key decisions taken and performance summaries.

**UK Executive advisory committees**

Three advisory committees to the UK Executive, led by partners, were established in the year. Each committee includes employee representation for a term of two years.

<p>PEOPLE AND CULTURE</p>	<p>The People and Culture Committee aims to be forward looking, enabling Mazars UK to be an environment where all team members have a sense of belonging, can maximise their contribution to business goals and realise their individual potential.</p>
<p>TECHNOLOGY ADVISORY</p>	<p>The Technology Advisory Committee governs and influences the Firm's technology strategy to ensure we are a firm at the leading edge of technology and to influence the whole firm to fully embrace technology.</p>
<p>MAZARS IN SOCIETY COMMITTEE</p>	<p>The Mazars in Society Committee oversees the Firm's efforts to become known for our positive impact on society. This encompasses who we are, what we do and how we do it.</p>

**Audit and Assurance service line**

The Audit and Assurance service line is led by Andrew Goldsworthy as the Head of Audit for Mazars UK. For audit quality related items, the Head of Audit for Mazars UK reports to the Audit Quality Board (AQB), which itself reports to the QRB. Jac Berry as the Head of Quality and UK Executive Board member sits on these two Boards. The Head of Audit reports to the Operations Board, chaired by Alistair Fraser as Chief Operating Officer, in relation to the operational management of the service line.



# GROUP GOVERNANCE COUNCIL AS AT 31 AUGUST 2017

Elected for the same term as the GEB, the GGC is the Group's supervisory body. The GGC has decision-making powers in three specific areas as set out in the partnership's Charter of Association:

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

The GGC is required to meet at least quarterly. It may comprise between eight and 16 members including two non-executive independent members. The actual number is determined by the General Assembly of Partners at the time of election. As of 31 August 2017, there were twelve members of the GGC. Elected every four years, the next GGC elections are due in December 2020.

During the period the two non-executive independent members also constituted the PIC. The PIC has specific responsibilities for matters arising in relation to Mazars in the United Kingdom and Ireland.



United Kingdom

TIM HUDSON  
Chair



France

JULIETTE DECOUX



United States

DENISE FLETCHER  
Independent member



Germany

GREGOR KUNZ



France

THIERRY BLANCHETIER  
Vice-chair



France

FABRICE DEMARIGNY



Singapore)

CHRIS FUGGLE



South Africa

MICHELLE OLCKERS



United States

KATHRYN BYRNE



India

BHARAT DHAWAN



France

CHRISTIAN DE JUNIAC  
Independent member



China

LIWEN ZHANG

# GOVERNANCE IN THE UK

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

Our governance structure is designed to create a culture of openness and accountability.

## UK Governance Council

The UKGC is independent of the UK Executive. It comprises of eight members and is elected by the Partners of Mazars UK.

The UKGC:

- approves the process for the appointment of new partners and for the determination of partner remuneration;
- has power to require the UK Executive to report on its strategy and budget and on the implementation of its strategy and the financial status and performance of the Mazars UK;
- reviews the annual budgeting process and report to the Partners in the event that they consider the process deficient;
- reviews the process for setting the Firm's strategy and management structure and report to the Partners in the event that the UK Executive has not presented its strategy and management structure to the Partners within eight months of the election of the UK Executive or not provided annual updates or that they consider the process for setting the Firm's strategy deficient;
- ensures that the UK Executive has appropriate management structures in place;
- ensures that the UK Executive has identified and is managing the major risks to the Partners;

- appoints the members of the UKAC;
- approves or decline to approve various defined matters including proposals for the merger, disposal, acquisition or reconstruction of Mazars UK and its associated companies;
- has power to require the NSP or any member of the UK Executive to report to it or to the Partners on any matter;
- has power to call a meeting of the Partners, which shall be convened by the UK Executive;
- investigates, considers and determines a matter where there is a dispute between a Partner or a former Partner and the Mazars UK or the UK Executive, except where the UKGC has already expressed an opinion in relation to that matter;
- where any matter is decided specifically by the UK Executive in relation to an individual Partner or former Partner, has power of its own volition or on application by that individual Partner or former Partner to review the decision and to make proposals to the UK Executive, or the Partners or former Partner for amendment of the decision;
- settles any disagreement about amounts due to a former Partner;
- ensures that their activities are aligned with those of GGC;
- with the UK Executive discharges the responsibilities of the Partners in relation to the maintenance of proper accounting records and the preparation of Accounts; and
- with the UK Executive keeps the Members' Agreement up to date and fit for purpose.

As at 31 August 2017 the UK Governance Council was composed of:



BOB NEATE - Chair  
Date of first appointment 2014



RICHARD BOTT  
Date of first appointment 1999



LEE CARTWRIGHT  
Date of first appointment 2015



GREG HALL  
Date of first appointment 2009



JOHN HOLROYD  
Date of first appointment 2009



TIM HUDSON  
Date of first appointment 2002



RICHARD METCALFE  
Date of first appointment 2016



STEVE MILLER  
Date of first appointment 2015

The Head of Quality carried out a high level review of the effectiveness of the UK Governance Council during the year in order to ensure progression of matters noted in the prior detailed review.

**UK Audit Committee**

The UKGC is supported in its role by the UKAC. The UKAC and its Chair are appointed by the UKGC from among the Partners who have no direct executive responsibility for the management of Mazars UK. At least two members of the UKAC are required to have recent and relevant experience in finance, accounting and auditing. The UKAC may, if it considers it necessary or desirable, co-opt members with particular expertise.

The UK Executive member responsible for finance and representatives of the external auditors attend meetings where business relevant to them is to be discussed. At least once a year the UKAC meets with the external auditors without any Partner with executive responsibility for the management of Mazars UK being present.

The UKGC reports to the Partners at least annually summarising the activity of the UKAC and any significant matters.

The terms of reference of the UKAC are drawn up in accordance with best practice and approved by the UKGC bearing in mind the needs of the Firm. They are agreed with the UK Executive.

The UKGC and the UKAC have the power to seek outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it is considered necessary.

Their duties include:

- to advise the Partners, the UK Executive and the UKGC on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors and any questions of resignation or dismissal of the external auditors;

- to discuss with the external auditors, before the audit begins, the nature and scope of the audit;
- to discuss with the external auditors problems and reservations arising from the interim and final audits, including a review of the external auditor's report to the UKAC incorporating management responses, and any other matters the external auditors may wish to discuss (in the absence of management where necessary);
- to consider elements of the annual financial statements in the presence of the external auditors, including the auditors' formal opinion, the statement of responsibilities and any statement of internal control;
- to ensure compliance with the requirements of financial reporting and recommend the approval of the statutory accounts to the UK Executive, the UKGC and the Partners;
- to advise the UK Executive on the appointment and terms of engagement of any proposed internal audit service (and the head of internal audit, if applicable), the audit fee, the provision of any non-audit services by the internal auditors and any questions of resignation or dismissal of the internal auditors;
- to review, if an appointment has been made, the internal auditors' audit risk assessment and strategy; to consider major findings of internal audit investigations and management's response; to promote coordination between the internal and external auditors and to review any internal audit annual report. The UKAC will ensure that the resources made available for any internal audit are

sufficient to meet the Firm's needs (or make a recommendation to the UK Executive as appropriate);

- to monitor the implementation of agreed audit-based recommendations, from whatever source;
- to ensure that all alleged frauds have been properly investigated; and
- to monitor annually the performance and effectiveness of external and internal auditors, including any matters affecting their objectivity, and to make recommendations to the UK Executive and the UKGC concerning their reappointment, where appropriate.

The UKAC met three times during the year, including to receive the audit planning report and audit report of the external auditors.

Biographies of the members of the UKAC as at 31 August 2017 and meeting attendance are provided in Appendix 3.

**Performance of the governance system**

The primary KPI for assessing governance is attendance by all members, with additional KPI's being further developed going forwards.

# PUBLIC INTEREST COMMITTEE AND THE UK

## Role

The principal role of the PIC is to enhance confidence in the public interest aspects of the Firm's activities with particular reference to high level, general oversight of the Firm's decision-making, stakeholder dialogue, risk management and quality control, remuneration policy and the issuance of selected annual reports to stakeholders. During the year this role has been exercised primarily through the information and access to the GEB obtained through membership of the GGC supplemented, where necessary, with additional reporting of the GEB and country Executives.

The PIC considers that under its governance the reinforcement of the independence of the Firm is at the forefront of its remit.

## Terms of reference

The PIC provides oversight of Mazars UK in the following areas through information and access to the GEB and GGC encompassed in the PIC's Terms of Reference:

- decision-making by management (based upon meetings and discussions with the GEB for which the GEB makes itself available as deemed necessary by the PIC);
- the system for quality control (based upon the reports of the GEB and GGC);
- remuneration of the UK NSP as a member of the GEB;
- risk management, including consideration of potential or actual reputational risks (based upon the reports of the GEB and the GGC risk sub committee);
- the Mazars Group's processes for

monitoring complaints related to the Firm's work, including issues raised under whistle-blowing policies and procedures (based upon GEB reports to the PIC pertaining to policies on reporting and monitoring); and

- stakeholder dialogue including the Mazars Group's transparency reporting prepared by GEB.

In exercising its oversight at group level, the PIC has particular regard to issues arising under the various headings in relation to the UK. These terms of reference are reviewed annually and additional specific member firms in other countries, including the UK, may be included if they become subject to an audit firm governance code or equivalent and with the agreement of the PIC.

In the case of the Firm in the UK, the PIC:

- exchanges annually with those holding relevant positions in the governance structure in the country;
- meets if required with appropriate stakeholders of the Firm on an annual basis; and
- is responsible for reviewing and commenting upon any annual reports required under the relevant governance code based upon reports drafted in the relevant country and with the acknowledgement of the UK NSP as to the accuracy and completeness of such documents. The relevant responsible Partners make themselves available to the PIC on a timely basis as required.

The PIC agrees procedures for dealing with any disagreements between it and the GGC, GEB or any other parts of the Mazars Group governance structure or between it and the Firm in those countries where the Firm applies an audit firm governance code or equivalent.

The PIC uses its best endeavours to comply with the Audit Firm Governance Code in the United Kingdom. The relevant Partners in each country provide the PIC, at least annually, with a summary of the key elements of the governance codes including actual or expected changes or amendments.

The PIC forms part of the Firm's performance assessment regime under the Audit Governance Code. Aiding this oversight the PIC meets at least annually with the UK NSP and the Chair of the UKGC.

## Membership – Independent non-executives

Procedures are in place to ensure that the members of the PIC are independent from the Firm and its audit clients. PIC members must satisfy the following independence criteria:

- the independent non-executives are unrelated to any Mazars member firm;
- the independent non-executives are not, and will not, become an executive director or member of the audit committee in any of Mazars' audit clients and not have any significant shareholdings or other interests in them unless approved by both parties; and
- the independent non-executives are not, and will not, be in any other executive officer position, member of an advisory board or a Council of a competing organisation.

New members of the PIC are selected after consultation with the continuing independent non-executives.

Members of the PIC are appointed for a term of four years unless or until terminated by either the PIC members themselves or by the Firm. Denise Fletcher was reappointed in December 2016 and Guy Jubb was appointed in November 2017.

## Meetings

The PIC determines its frequency of meetings but it is expected there will be two 'in person' meetings each year with additional teleconference calls as necessary.

The members of the PIC may, at their discretion, invite partners or staff of Mazars to attend part or all of a meeting but for an appropriate part of at least one meeting the independent non-executives shall meet on their own without others present.

**Other matters**

Appropriate indemnity insurance is in place in respect of any legal action against any member of the PIC and sufficient resources are provided by the Firm to enable each member to perform their duties.

The global governance structure in place, combined with the UK governance structure is considered to be appropriate for the Firm and its operations. On this basis two INEs were in place during the year.

Going forward a member of the PIC will also sit as an observer on the AQB allowing regular contact between the two bodies. The AQB recognises that an important element of its role is to enable the PIC to have the necessary information and assurance on matters related to the audit practice to enable it to fulfil its duties in line with the expectation of the Audit Firm Governance Code (2016).

Biographies of the members of the PIC as at 31 August 2017 are provided in Appendix 2.

## INVESTOR DIALOGUE

During the year The Centre for Audit Committee and Investor Dialogue continued to bring together audit committee chairs of FTSE350 companies and leading heads of corporate governance at institutional investors to discuss important current issues of mutual interest. The themes for the events held in 2017 were 'Corporate Culture: the next steps', at which Sir Win Bischoff, the chairman of the Financial Reporting Council (FRC) was the guest speaker, and 'Appointing the right auditor' which looked at issues related to audit tendering and appointment in the light of the recent changes introduced for Public Interest Entities (PIE) across the European Union (EU). A debrief is produced after each Centre event and is distributed to all FTSE350 audit committee chairs and is also included on our website.

In addition, we launched a new Corporate Reporting and Governance Forum with the Quoted Companies Alliance (QCA) aimed at CFOs and other senior finance staff and audit committee chairs of smaller quoted companies. The first series of events which took place in Birmingham, London and Manchester considered 'Annual reports; to die for, or die reading' and discussed practical ways in which boards can enhance the quality of their annual reports both with regard to their narrative reporting and the financial statements. Philip Fitzgerald, Director of the FRC's Financial Reporting Lab was a guest speaker at the events along with a representative from a company designing annual reports. A publication was prepared after the series and included on the websites of Mazars and QCA to foster wider dissemination of the ideas discussed.

## RISK MANAGEMENT AT MAZARS UK

Mazars UK has an ERMF in operation to undertake an assessment of risks to the Firm. During the year, we have continued to further develop and improve the ERMF to ensure it effectively supports the identification and management of risk from internal and external factors.

The ERMF covers all areas of Mazars UK's business and is split into six categories to reflect the added emphasis and importance of risks in these key areas and the potential impact they have on the success of the Firm:

- strategy and leadership;
- governance and legal;
- client service and external operations;
- information technology and management;
- finance and internal operations; and
- people.

Within these categories, the process requires specific risks to be identified, assessed and evaluated, in addition to considering the design and operational effectiveness of the respective controls.

Whilst risk remains the ultimate responsibility of the UK Executive, the leaders of our Business Units, Service Lines and Business Support Services are responsible for the day to day management of risks. To that end, we have introduced a number of additional tools in our ERMF to better enable our business leaders to identify and manage their risks at the appropriate level.

During the year the Head of Quality reported to the UK Executive, the UKGC and the PIC in respect of risk management. Each of these bodies have provided ongoing challenge to the ERMF and ongoing developments are taking place to continue to strengthen its effectiveness.

The annual report of the Head of Quality confirmed compliance with the risk management principle of the Audit Firm Governance Code (2016) for the year to August 2017 and also included key areas of consideration and developments during the year. This included reference to those risks which would threaten our business model, future performance, solvency or liquidity and sustainability of the audit practice, including audit quality and compliance with relevant legislative and regulatory frameworks.

Details of our principal risks and mitigating controls are set out on the following pages.

**Principal risks**

Our principal risks are identified and managed through our ERMF. As at 31 August 2017, the Firm has identified the following principal risks which would have a significant effect on the UK firm’s business model, future performance, solvency and / or liquidity.

PRINCIPAL RISKS	MITIGATING CONTROLS
Failure to manage information securely and effectively.	<ul style="list-style-type: none"> <li>• Controls and monitoring in respect of cybersecurity.</li> <li>• EU General Data Protection Regulation programme.</li> <li>• Executive sponsorship to drive information security best practice.</li> <li>• Adherence to national and international regulations and legislation relating to information security.</li> <li>• IT Security Policy in place, in addition to supporting guidelines and processes.</li> <li>• Mandatory information security training and awareness.</li> <li>• IT technical solutions in place, including monitoring of usage of systems, and formalised reporting process.</li> </ul>
Failure of our IT systems to support and align with our current and future business operations.	<ul style="list-style-type: none"> <li>• Governance in place to assess and approve alignment of IT to business plans.</li> <li>• Monitoring of IT systems and suppliers to identify and resolve issues, and identify further improvements.</li> <li>• IT Disaster Recovery Plans implemented.</li> <li>• Testing of IT infrastructure against industry standards.</li> </ul>
Failure to recruit, retain, and develop sufficiently skilled resource, including meeting our Diversity and Inclusion targets.	<ul style="list-style-type: none"> <li>• Formalised recruitment policies and procedures.</li> <li>• Resource planning.</li> <li>• Formal performance management processes.</li> <li>• Formalised training programmes in place, including technical and non-technical training.</li> </ul>
Failure to recover effectively and efficiently from a firm-wide crisis.	<ul style="list-style-type: none"> <li>• Implementation of the Mazars UK Crisis Management, Business Continuity and IT Disaster Recovery Plans.</li> <li>• Ongoing assessment of enterprise-wide risks and appropriate mitigating controls via the ERMF.</li> </ul>
Failure to adapt to the impact of Brexit and / or the changing impact of the economy, legislation and the regulatory environment, including the sustainability of the UK audit practice.	<ul style="list-style-type: none"> <li>• Formal governance processes surrounding approvals of specific clients and assignments, including Executive Board oversight and Group Ethics and Acceptance Committee (GEAC).</li> <li>• Independent advisor to the Executive Board and Non-Executives on the PIC to provide relevant challenge and objectivity.</li> <li>• Ethics Partner and supporting approach for providing guidance and support throughout the Firm.</li> </ul>

**PRINCIPAL RISKS**

**MITIGATING CONTROLS**

Failure to maintain and develop our brand and develop our business strategy in line with the changing demands of clients or innovative advancements.	<ul style="list-style-type: none"> <li>• Executive oversight of business plan development with key target initiatives in place for developing the business.</li> <li>• Transformation Steering Group is responsible for the approval of IT projects to support our future business operations.</li> <li>• Implementation of global audit platform to standardise our audit delivery model internationally.</li> </ul>
Failure to maintain and deliver a quality service to our clients.	<ul style="list-style-type: none"> <li>• Implementation of findings following formal reviews undertaken by relevant regulatory bodies.</li> <li>• Internal Quality Control Reviews of work performed.</li> <li>• Quality Assurance Frameworks and technical resource implemented for service lines.</li> <li>• Professional training available for staff in key service lines.</li> <li>• Licensing of principal activities.</li> </ul>
Failure to ensure that we comply with audit independence rules.	<ul style="list-style-type: none"> <li>• Formalised processes in place for client and engagement acceptance.</li> <li>• GEAC reviews approvals for specific assignments.</li> <li>• Training provided to all partners and staff.</li> <li>• Mandatory annual completion of independence certification for all.</li> <li>• Code of Conduct.</li> </ul>
Failure to invest in a robust organisation structure to support the wider firm in meeting its overall strategy.	<ul style="list-style-type: none"> <li>• Ongoing review of, and investment in the Firm, its resources, skills and related policies and procedures.</li> <li>• Reviewed and refreshed existing governance structure to include boards to provide further strategic focus in key areas.</li> <li>• Chief Operating Officer on Executive Board.</li> </ul>
Firm failure resulting from solvency/liquidity issues.	<ul style="list-style-type: none"> <li>• Chief Finance Office and finance function controls.</li> <li>• Monitoring at an Operations Board and Executive Board level.</li> <li>• Lead KPIs in place within the business.</li> </ul>



## CREATING VALUE THROUGH QUALITY, OBJECTIVITY AND INDEPENDENCE



JEAN-LUC BARLET  
Mazars Group Chief  
Compliance Officer



JAC BERRY  
UK Head of Quality

As auditors, we know we serve the general interest. We keep this responsibility at heart, and the relationships of trust we establish with all our stakeholders are the cornerstone of our development. Trust stems from rigorous and ethical work. We perform our assignments with the highest level of integrity, independence and technical excellence. These values are guiding our professionals on a daily basis, and our Quality and Risk Management (Q&RM) board is here to ensure they are upheld at all times. The Q&RM board's mission is to foster the Group's sustainable development through thorough risk management, ethical behaviour and quality of all service lines. In order to best do so, the Q&RM board is in close interaction with regulators, and contributes to the work of international accounting, tax and audit bodies. It also monitors the full implementation of accounting, tax, financial advisory and auditing and auditing standards or best practices in each and every member entity of the Mazars group, which now operates on all continents.

The Q&RM board assumes responsibility for quality control, training, and the assessment of Partners and staff, and is in charge of keeping Mazars' Audit Manual up to date.

Ultimately, and through everything it does, the Q&RM board seeks to further improve the quality of our activity and to develop added value. Within the framework of the Next20 strategy, its resources have been increased, with more professionals, more innovative tools and more training.

Through innovation, increased expertise and our rigorous methodology, we continue to aim at excellence and ethics in all our activities, and strive to create more shared value and more trust in our business ecosystem.

**Jean-Luc Barlet**  
Mazars Group Chief Compliance Officer

**Jac Berry**  
UK Head of Quality

## THE MISSION STATEMENT AND THE NEXT20 QRM AREAS OF ACCOUNTABILITY

Quality, objectivity and independence are monitored by Mazars' Quality & Risk Management Board. Its missions are as follows:







Delivering audit quality is key to us as a global organisation, as it underpins our core values. We are dedicated to improving the audit work we undertake and the reports to and communications with those charged with governance. We invest time in understanding and participating in the evolution of quality within the profession, developing our methodology, reviewing quality recommendations and themes of regulatory inspections, and improving the skills and knowledge of our professional staff. We are continually raising our expectations of what audit quality is as we believe this is something that is constantly evolving.

## OUR APPROACH, OUR TOOLS AND OUR METHODOLOGY

### Mazars' Audit Manifesto

We challenge ourselves to make our audit and assurance offerings relevant, bring value to companies and their many stakeholders and have our assignments delivered by experienced, committed and truly independent professionals. The delivery of audit and assurance continued to be at the heart of Mazars' business in the year ended 31 August 2017, and is a key part of our plans for the future.

In the UK, audit represents our largest client base, at the year ended 31 August 2017 serviced by 484 team members and generating £46.5m of income.

### Responsibility for quality

The quality and effectiveness of our audit services is critical to all our stakeholders and is an integral part of our commitment to building trust in society. We believe in accountability and our approach to audit quality is driven by our culture, values and behaviours. We are convinced 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 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 in quality, independence, ethics and professional competency, under the supervision of the Q&RM.

Through its International Quality Control Committee (IQCC), the Q&RM Board defines the quality monitoring system and the relevant procedures that are required to be implemented across all service lines and monitors their implementation.

The executive of each member entity is thus responsible for the implementation of the quality monitoring systems.

This quality monitoring system also applies to both correspondent and member firms.

### Responsibility for quality in the UK

To ensure a culture of quality is embedded within Mazars UK as a core principal, the UK Executive includes the role of the Head of Quality. A sub-committee of the UK Executive, the QRB, chaired by the UK Head of Quality supports the UK Executive in fulfilling this ultimate responsibility for quality monitoring. Section 2 includes more details on the responsibilities of the QRB.

During the year the AQB was established. Chaired by the Head of Quality, its members include the UK NSP, UK Head of Audit, the Audit Compliance Principal and the Ethics Partner. The role of the AQB is to promote a high level of audit quality and risk management in the audit practice, that it is sustainably successful and widely respected in the marketplace. In fulfilling its role, the AQB will assist the Firm, including the PIC, in meeting the expectations of the recently revised Audit Firm Governance Code (2016).

The terms of reference for the AQB include:

- consider on a regular basis the audit quality indicators identified that will help the Firm to assess progress on factors contributing to audit quality, including performance against the quality indicators;
- consider the results of external quality inspections and any subsequent follow up actions identified;
- review any issues arising in the audit practice relating to relevant issues covered in the Audit Firm Governance Code including those with respect to the principles and, where applicable, related provisions covering:
  - professionalism;
  - governance;
  - openness;
  - compliance;
  - risk management;
  - people management;
  - whistleblowing; and
  - internal reporting.
- consider the quality of corporate reporting by audit clients identified through both internal and external reviews, and where appropriate, agree follow up action;
- consider the quality and appropriateness of disclosures of the transparency report, as well as periodically other disclosures in the transparency report; and
- remain in regular contact with the PIC, recognising that an important element of its role is to enable the PIC to have the necessary information and assurance on matters related to the audit practice to enable it to fulfil its duties in line with the expectations of the Audit Firm Governance Code (2016).

Prior to the commencement of the new governance and leadership structure including the QRB and the AQB, the UK Executive were supported in their role by the Quality Steering Group (QSG). The QSG included at least three members of the UK Executive, the UK Head of Audit and the UK Head of Quality and was chaired by the UK Senior Partner. The QSG was required to review compliance, risk management and quality on an annual basis and ensure that communication on quality and tone was appropriate and aligned to our core values. It also considered other concerns arising, such as complaints or claims, in particular matters affecting the public interest. The QSG had formal terms of reference that were reviewed annually.

#### **Our global Audit Quality Assurance framework**

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

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

- maintain quality control standards in accordance with the International Standard on Quality Control (ISQC1) – issued by the International Auditing and Assurance Standards Board (IAASB) – in addition to relevant national quality control standards;

- conduct, to the extent not prohibited by national regulation, regular globally coordinated internal quality assurance reviews;
- have policies and methodologies for the conduct of transnational audits that are based, to the extent practical, on the International Standards on Auditing (ISAs) issued by the IAASB;
- have policies and methodologies that conform to Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the 'IESBA Code') and any relevant national code of ethics; and
- agree to submit to the Secretary of the Forum an annual report, in an approved format, indicating that it meets the membership obligations set forth above.

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

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

- responsibility and leadership;
- independence and objectivity;
- acceptance and continuance of engagements;
- human resources;
- audit methodology and engagement performance;
  - planning and supervision of engagements;
  - technical consultation;
  - audit documentation;
- technical consultation;
- professional confidentiality and risk management;
- engagement quality monitoring reviews;

- quality monitoring;
- procedures for dealing with and resolving differences of opinion;
- complaints, allegations and claims; and
- differences of opinion.

Each member entity has put in place the Quality Assurance Manual in its own country and edits it to include country specifics.

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

#### - A CONSISTENT APPROACH ON ALL CLIENT ENGAGEMENTS, IRRESPECTIVE OF THEIR SIZE AND INTERNATIONAL DIMENSION. -

These are updated regularly to include the evolution of international and national standards and as a result of operational suggestions by users our compliance with the Quality Assurance Manual is monitored through internal and external inspections.

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

- promote the Firm's internal culture of quality and reinforce this culture with clear, consistent and frequent messages and initiatives;

- remind individuals at all levels of the existence of the quality monitoring system; and
- underline the importance of respecting legal and regulatory obligations, particularly with regards to the IFAC code, local ethical requirements and professional standards of practice when accepting and carrying out new assignments.

In Appendix 7 we provide our statement of the effectiveness as to the functioning of the Quality Monitoring System.

#### **Quality Assurance framework in the UK**

Only Responsible Individuals (RI) can be responsible for an audit and sign a statutory audit report. A RI has to hold an 'appropriate qualification' commonly known as an audit qualification and be competent to conduct audit work. An appropriate qualification can be gained by holding a recognised audit qualification awarded by, inter alia, one of the Institutes (England and Wales, Ireland or Scotland) or the Association of Chartered Certified Accountants (ACCA). In Mazars UK 55 individuals held RI status at 31 August 2017, and a further three were Key Audit Partners (KAP) authorised to sign Public Sector audit opinions.

Approval from the Institute of Chartered Accountant England and Wales (ICAEW) is required before we are able to appoint a new RI. Before asking the ICAEW, we satisfy ourselves that the individual is competent to carry out audit work. Newly approved RIs are given a mentor who hot reviews their first assignments both to ensure quality and to assist with the transition to the RI role. Once the mentor is satisfied with the quality of the RI's audits, the mentor arrangement ends and the new RI becomes subject to the Firm's normal quality monitoring review process.

### Licensing

RI status does not confer the right to act in relation to all audit work; and an additional licence is required by RIs and audit managers in relation to audits operating within certain regulatory frameworks or specialist sectors, demonstrating appropriate knowledge and training. There is a three tiered approval process for licences, with final approval from the UK Head of Audit.

A poor quality monitoring result or failure to keep up to date with technical knowledge would lead to a reconsideration of an RI's licensing to perform statutory audits. Similarly sector licenses held by RIs and managers are reconsidered regularly for the same reasons.

### Performance management

We recognise that the responsibility for audit quality is also the personal responsibility of all our professionals within the Audit and Assurance service line. Each professional is set clear objectives for audit quality, appropriate to their role and responsibility, which are monitored and assessed through their performance reviews, thus ensuring a culture committed to audit quality.

### Responsibility for the audit

Our RIs and KAPs, with the aid of the engagement manager, direct and supervise the audit process. The RI or KAP is responsible for ensuring the work completed is appropriately reviewed, concluded and documented in order to maintain quality. The RI or KAP is also responsible for ensuring that the engagement is adequately resourced with appropriately experienced professional staff.

As the engagement leaders, the RIs or KAPs, supported by the engagement managers, are responsible for fostering the culture of quality throughout the audit process, challenging the team in their professional scepticism in respect of the work performed and supporting the culture of on the job training and coaching.

In situations where a difference of opinion arises between the RI or KAP and either the engagement team, the Engagement Quality Control Review (EQCR) or technical consultants, procedures are in place, including the use of a panel of independent Partners appointed by virtue of their knowledge and experience.

We support enhanced audit reporting, believing that value can be derived from reporting that is clear and insightful to the reader. To maintain this level of quality, all our enhanced audit reports are reviewed by our audit technical team.

### Audit policies and methodology

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

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

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

Audit software is used to support the audit teams in applying our risk based approach, from acceptance to completion of the audit. During the year, Mazars globally has been progressing the development of a new audit software. This software will enhance the quality of documentation produced by our global team.

We will continue to invest and develop our audit software as new challenges and technology impact on the audit of the future. Data analytics is increasingly becoming a key aspect of our standard audit procedures, particularly with respect to the mandatory requirements to address the risk of management override of controls. Additional training and tools have been developed in the year to further enhance the skills of our team in this area to drive quality in their work. This was supported by further training and tools to aid the understanding and testing of our clients' IT environments.

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

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

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

### Monitoring audit quality

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

### Engagement quality control reviews (EQCR)

An EQCR is required to be performed on all audits of listed companies or PIEs (as defined in s494A of the UK Companies Act 2006). Other engagements may be identified as subject to EQCR, the criteria for determining whether such other assignments require an EQCR are mainly based around the existence of specific risk situations.

OUR AUDIT QUALITY POLICIES AND PROCEDURES ARE EMBEDDED AS PART OF OUR FIRM'S DAY TO DAY ACTIVITIES.

The purpose of an EQCR is to provide an objective evaluation of the significant judgements made by the engagement team and the conclusions reached in formulating the opinion. This review must be performed by a partner with sufficient authority to be capable of imposing their professional judgement upon the engagement team, and who has not recently had any material responsibility for the engagement. The EQCR is licensed internally and is also subject to rotation.

#### Audit quality monitoring

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

- self-assessment of the entity's audit methodology, ethics and the Quality Assurance System;
- internal monitoring of the effectiveness of the internal procedures and of the quality of the audit files. This is performed by each Mazars entity on an annual basis and constitutes the basis for the completion of the self-assessment;
- Mazars international inspections: these are undertaken by experienced reviewers from other member entities within the organisation, generally every three years, and they aim to take an independent view on the results of the self-assessments and the internal monitoring whilst helping to spread best practices; and

- external inspections: entities are periodically subject to reviews by the audit regulators or other relevant bodies in their jurisdictions. Results of such reviews are communicated to the IQCC.

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

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

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

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

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

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

#### Audit quality monitoring in the UK

##### Approach to group internal reviews

Mazars UK submitted an annual self-assessment around audit quality which was reviewed and challenged 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 inspection carried out in August 2015 showed that the UK is considered to have a system in place to comply with the ISAs, the IFAC code and the provisions of ISQC1. In 2016 and 2017 Mazars UK submitted self-assessment reporting to the Mazars Group which demonstrated continued compliance in these areas.

##### Approach to UK internal reviews

ISQC1 requires each RIs work be subject to a cold file review at least once every three years. In Mazars UK we are moving towards reviewing every RI at least once every two years. These reviews are supervised by the Director of Audit Standards, and conducted by independent audit Partners, senior staff, or our dedicated audit quality monitoring team, all of whom are appropriately trained and have a number of years' experience in this area. Our reviewers are matched to the RIs based on their experience in the type of audits allocated (e.g. sector experience) and are also supported by a technical consultant when required.

Each year a quality monitoring plan for audit work is prepared by the Director of Audit Standards which sets out details of the RIs to be reviewed, together with any special reviews in targeted areas required. This plan is presented to the UK Head of Audit who is responsible for ensuring and promoting audit quality. Each year relevant details of this plan as well as information on our approach to quality monitoring reviews, including how files are reviewed and graded, is communicated to the whole service team to ensure they understand and are engaged in the process.

Audit files are selected on a number of criteria, including risk and public interest. Each review starts with an opening meeting with the reviewer and an opportunity to provide a self-assessment. The RI and audit team are required respond to any findings in writing with an action plan, and the files are then graded in terms of overall quality. An overall summary report and action plan is agreed with each RI and communicated in a final findings letter, sent by the UK Head of Audit, and copied to the RI's appraising Partner. Similar letters are sent by the UK Head of Audit to the engagement EQCR and by the Director of Audit Standards to the engagement manager.

These findings are taken into account in the Partner performance review process and in decisions on Partner remuneration. Any sector specific findings are sent to sector leaders for consideration in relation to regulatory frameworks or specialist sector licensing decisions.

A summary report is prepared and presented to the QRB, for review and approval of the proposed actions to be taken in response to the findings therein. Action may include immediate remedial action, changes in the Firm's guidance or additional training and support. The results are communicated to the UK Executive.

Following investment in additional personnel, root cause analysis has been undertaken in the year to establish the primary cause of a failure or identified issue. This analysis delves deeper into the issue, through one on one interviews with the engagement personnel responsible for the preparation or review of the relevant area impacted by the issue. A collaborative approach with those involved is taken as part of the process, with the key purpose to really identify and understand the root cause that led to the failure or issue, enabling appropriate steps to be taken to prevent or reduce the likelihood of a reoccurrence by all engagement teams.

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

#### UK external reviews

Mazars UK undertakes audits which fall within the remit of the FRC, resulting in the Firm being subject to reviews of our audit work, systems and processes by the FRC's Audit Quality Review team.

As a firm with a number of listed clients Mazars UK has now moved to annual reviews, reflecting our significance in the PIE audit market. Our 2017 annual review commenced in May 2017 and is currently ongoing, with results expected to be published in 2018.

We welcome this independent challenge on audit quality, as it contributes to our focus on continual improvement in our audit work. In our response to the FRC for our previous review we noted their recognition of our prompted and positive response to findings made previously and the progress we had made. We have taken very seriously the recommendations made in this report and prior to its publication developed a detailed action plan in response to these and also our own internal quality monitoring findings.

In particular, we took immediate action to address the matters raised in relation to the one audit which required significant improvements.

Mazars UK's audit work is also reviewed by the Quality Assurance Department of the ICAEW (QAD) each year. The Firm was subject to a full review by the QAD in 2015, the results are detailed in section 3.2, Audit Quality Indicators.

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

#### Our contribution to the profession

We believe that the voice of the audit profession brings value to the standard setting process. As a consequence, we are committed to the improvement of financial reporting, corporate governance and overall confidence in the capital markets on a global level. For example Mazars:

- responds to consultations on a variety of topics including auditing, corporate governance, financial reporting and relevant regulation changes issued by professional bodies such as IFAC and is committees and boards, FEE, EAIG, PCAOB, IASB;
- actively participates in international bodies, such as the IFAC, FEE, ESMA, EFRAG, IASB; and
- is active in the professional and auditing organisations in each country in which it has a member entity present.

#### Our voice in the UK

In the UK, Mazars is represented by Partners and senior professional staff on a range of technical and professional committees of:

- ICAEW;
- Institute of Chartered Accountants of Scotland;
- FRC; and
- Quoted Companies Alliance.



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

We recognise that all firms are structured differently, and therefore whilst we endeavour to produce consistent information, differences are likely to arise in the reported information. As such, explanations on how the data has been derived are also reported.

1) METRICS ON EXTERNAL INVESTIGATIONS RELATED TO AUDIT

<p>Number of cases in the last 12 months in which the FRC's conduct committee has found against the Firm or one of its members</p>	<p><b>Mazars commentary</b></p> <p>There have been no independent tribunal disciplinary hearings undertaken by the FRC's conduct committee concerning the conduct of Mazars LLP in relation to audit in either year.</p>
<p>Number of cases in the last 12 months in which the Disciplinary Committee of any other regulatory body has found against the Firm or one of its members</p>	<p><b>Mazars commentary</b></p> <p>Mazars LLP was severely reprimanded by the ICAEW for breaching Audit Regulation 3.02 by failing to act in accordance with the ethical standards in relation to a client. This breach arose from an instance where a former partner of Mazars LLP, who might have been in the chain of command, accepted appointment as a director of the audited client shortly after leaving the Firm, with a potential impact on our independence and objectivity.</p> <p>This resulted in a fine of £22,500 and costs payable of £5,405.</p>

2) METRICS ON AUDIT QUALITY REVIEWS

<p><b>Results of firm's internal audit quality reviews</b></p> <p>Number of engagements</p>	<p><b>Mazars commentary</b></p> <p>The information presented is for the UK firm. Whilst each file review is assessed to consider whether or not there are any significant improvements required, it should be noted for year on year comparability that we continually seek to improve and develop our approach to quality monitoring, thus creating a more challenging and robust process.</p> <p>We are satisfied that where significant improvements required were identified this did not result in an inappropriate audit opinion being reached.</p>
<p>%age of files that did not identify significant improvements required</p>	

2) METRICS ON AUDIT QUALITY REVIEWS (CONT)

<p>Annualised percentage of RIs and KAPs subject to firm's internal engagement performance reviews</p>	<p><b>Mazars commentary</b></p> <p>In 2017 we changed our approach moving towards an aim of reviewing every RI and KAP at least once every two years.</p>
<p>Results of the FRC's Audit Quality Review Team reviews on the Firm</p>	<p><b>Mazars commentary</b></p> <p>Mazars was last reviewed in 2014. Further information the report issued in 2015 for this inspection can be found on the FRC website:</p> <p><a href="https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-Quality-Review/Audit-firm-specific-reports/Audit-firm-specific-reports-2015.aspx">https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-Quality-Review/Audit-firm-specific-reports/Audit-firm-specific-reports-2015.aspx</a></p> <p>At the time of this report, the Audit Quality Review Team's 2017 review is ongoing, with the report expected to be published in 2018.</p>
<p>Results of inspection by the QAD of the ICAEW</p>	<p><b>Mazars commentary</b></p> <p>The Firm was last subject to a full review by the QAD in 2015. At the time, the QAD noted a continuing improvement in audit quality in the Firm and Mazars UK received confirmation of our continued registration as Registered Auditors from the Audit Registration Committee in May 2016.</p> <p>Since the financial year end our next full review has commenced.</p>

3) METRICS ON INVESTMENT

<p>Number of hours training undertaken in total and average per person in the Assurance Practice</p>	<p><b>Mazars commentary</b></p> <p>This metric is derived from the total number of hours delivered to audit team members. When comparing year on year, consideration needs to be taken of changes to audit methodology derived from regulatory changes.</p>
<p>Excluding training for professional exams</p>	



3) METRICS ON INVESTMENT (CONT)

Investment in research and development on assurance in the Audit Service Line

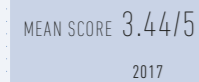
**Mazars commentary**

Globally our key investment in the year has been in the new audit software as discussed in section 3, in which Mazars UK has had some input.

Mazars UK also contributes to the global Mazars methodology and tools, including sharing the training materials developed by our team members.

4) METRICS FROM PARTNER AND STAFF SURVEYS (AUDIT AND ASSURANCE SERVICE LINE)

Level of engagement



**Mazars commentary**

At Mazars quality is important to us. In the year we reconsidered how to obtain feedback from our staff to demonstrate this. Working with Gallup we believe that the level of engagement by our staff is key to attaining the high levels of performance within the Firm and the quality that we strive towards. In the year we undertook our first Gallup Q12 engagement based staff survey. Within Mazars we recognise that we are at the start of our journey looking at the level of engagement, as indicated by the overall level of engagement. We are actively considering how we can make appropriate transformational changes that impact positively on our all staff.

"I have had opportunities at work to learn and grow"



Whilst the level of engagement of the staff within the audit service line is derived from a number of factors, some key questions that directly impact on quality within audit; learning, commitment to quality and available resources (including time, training and physical assets). These results clearly demonstrate that whilst we feel we focus on these areas as a firm we need to constantly raise the bar to meet the expectations of our staff. We are in the process of understanding the key drivers for the results, to ensure that we are able to put in place initiatives that will positively influence our staff and increase their levels of engagement with the Firm.

"My coworkers or fellow employees are committed to doing quality work"



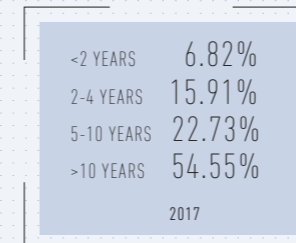
"I have the materials and equipment I need to do my work right"



5) METRICS ON PARTNERS AND STAFF

Average years of audit and assurance Partners and staff with the Firm

Partners tenure %



**Mazars commentary**

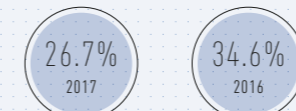
Retention of our staff within the business to drive quality through building on existing knowledge of both technical learning and understanding of our client base has been a key focus in the year. Whilst it is expected that a number of our trainee may consider other options at the end of their formal training contracts, there has been a focus to educate these team members in the benefits of a longer term career within the Firm. The reduced staff turnover rates in the year compared to 2016 demonstrate the impact of this focus.

The tenure rate of both partners and staff is appropriately balanced, demonstrating that we have individuals that are willing to stay within the Firm as well as positions available for new team members. Those that stay within the Firm are testament to our culture, and also an indicator of quality, as these individuals are able to share their knowledge and expectations with the wider team. Combined with this, new team members, particularly those at a more senior level, are able to share best practice from within the industry to further enhance quality within our work.

Audit and assurance staff tenure %



Average audit and assurance Partner and staff turnover



Number of staff to each RI/KAP



**Mazars commentary**

Whilst the number of staff per Responsible Individual and Engagement Lead combined has increased year on year, overall the number remains low. This reflects our partner led approach, that involves spending time understanding our clients and the issues that they are facing, resulting in an increase in the quality of our audits.

6) METRICS ON INVESTOR LIAISON

**Mazars commentary**

We look to continually engage with the investor community and our dialogue in the year under review is documented in section 2 and within the PIC report.



Objectivity and independence are the cornerstones of our profession, since they are the foundations of the public's trust in the opinions we provide. We have placed them at the heart of our culture and of everything we do. Our policies, procedures and tools have been designed so that our Partners and staff members do comply with the strictest objectivity and independence requirements.

## POLICIES, PROCEDURES AND TOOLS

### Our Code of Conduct for Objectivity and Independence

The Mazars Group has adopted a Code of Conduct for Objectivity and Independence (the 'CCOI') which complies with the IESBA code. This forms an integral part of all member entities' professional training programmes and is distributed to all Partners and staff.

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

### Responsibility for maintaining objectivity and independence

The Group Independence and Acceptance Committee is responsible for considering potential issues brought to its attention, reviewing any proposed departures from the CCOI by country and verifying that all changes in international ethical standards are taken into account by the organisation.

### Systems to safeguard our objectivity and independence

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

ACCEPTANCE AND CONTINUANCE OF AUDIT ENGAGEMENTS	Procedures exist that require an evaluation of the client's related risks, the entity's ability to perform the engagement and any ethical risks in terms of independence and conflicts of interest.
ADDITIONAL SERVICES	<p>The provision of additional services to an audit client is subject to prior authorisation from the lead audit partner and, in some cases, the Ethics Partner.</p> <p>In certain circumstances this provision is also subject to authorisation by the client's audit committee, for example when required by auditing standards or when the client has put in place procedures for the prior approval of non-audit services by the auditor.</p>
NON-AUDIT SERVICES TO AUDIT CLIENTS	<p>A complete list of non-audit services rendered to audit clients must be maintained.</p> <p>For group audits, this list must be set out in the instructions circulated by the audit co-ordination team.</p>
ANNUAL DECLARATION OF INDEPENDENCE	<p>All Partners and staff are required to provide an annual declaration of their independence. In this respect:</p> <ul style="list-style-type: none"> <li>• Mazars Partners and their immediate family cannot hold a direct or indirect financial interest in a listed audit client;</li> <li>• Personal or family relationships between a member of the audit team and a member of either the audited entity's management or any person holding a key position in the audit client are prohibited; and</li> <li>• Partners and staff working on an audit engagement must not have any financial or commercial relations with the audit client (or beyond normal financial relations with a banking or other credit institution audit client).</li> </ul>
MANDATORY ROTATION	<p>In relation to audits of PIEs, the audit RI is required to rotate after seven years (or more frequently if required by local regulations) and to not return to the audit team for at least two years (or longer is required by local regulations). Familiarity is a threat to our independence and this rotation mitigates the threat of familiarity arising from long association with a client. The Executive of a member entity ensures appropriate allocation of Partners to audit engagements and an annual review of appointments takes place.</p>

TRANSPARENCY OF INFORMATION	All Mazars staff have access to a list of our audit clients that are subject to specific ethical requirements.
TRAINING	All audit staff are required to undertake training on ethical rules and the Mazars Group's/the relevant member entity's ethical procedures.
CONSULTATION	Audit staff and Partners are encouraged to consult with experts on technical matters, ethics and other areas where necessary.
LIMITS ON CLIENT FEES	Limits on client fees are imposed in order to avoid financial dependence on one or several clients.
IMPACT OF AN IDENTIFIED THREAT TO INDEPENDENCE	Clear rules regarding conflicts of interest have been communicated. Where there is a potential threat to our independence, the assignment is declined or appropriate safeguards are implemented.
PERFORMANCE BASED REMUNERATION	Mazars Group has adopted a method of remunerating Partners which takes into account the quality of audit work (and not simply the level of fees billed, number of new clients obtained, additional engagements performed or other financial performance related metrics).
INDEPENDENT NON-EXECUTIVES	These individuals must comply with the same independence requirements as our Partners and staff.

We are currently developing our Global Independence Check tool. This one-stop-shop IT tool will speed up the process of acceptance throughout the Mazars group.

In Appendix 7 we provide a statement on the effectiveness of the systems to safeguard our objectivity and independence.

**Rotation to strengthen both independence and services quality**

Within Mazars, rotation is applied to PIE engagements on which RIs rotate, in compliance when applicable with the domestic transposition of the European Directive on Statutory Audit or of the IESBA Code of Ethics. This rotation reduces the risk of "closeness" to the audited company

which may impair independence. It enables the auditor to have greater independence of mind in dealing with client issues and in expressing opinions on financial statements. The allocation of RI responsibilities on recurring audit engagements and major special engagements is decided by the entity's Executive Committee and ensures that RIs have the ability to effectively conduct

and supervise engagements under their responsibility. This allocation is reviewed annually as well as when there are any changes in the RI's situation or when any difficulties have been encountered.

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

**Partner compensation policy**

Profits are divided amongst Partners according to the number of 'base points' they are allocated. Two criteria are used to calculate the value of the base points: the overall performance of the Mazars Group and the performance of the national entity to which they contribute. Each factor is measured equally.

Several countries, including the United Kingdom, have opted to add a bonus system founded on individual performance. Partners receive a portion of a global envelope based on his/her country's performance.

Under the supervision of the GGC and based on the recommendation received from the Country Executive, base points are allocated to Partners according to the overall performance of the country and the individual performance of each Partner. This performance is assessed through various criteria:

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

None of these criteria is evaluated in isolation, but the greatest weight is placed on technical competence and Partnership spirit.

Financing business activity depends exclusively on each national member entity and follows the same proportionality as the division of profits.

**Partner remuneration in the UK**

The Firm's Partner Conduct Framework was updated during the prior financial year. This framework assists in providing clarity to each Partner as to what is expected of them and also the UK Executive as a body in approaching quality issues in a consistent manner.

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

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

The compensation of the UK NSP is entirely determined by the GGC in accordance with Mazars Group bylaws.

#### **Independence and objectivity in Mazars UK**

Mazars UK carries out an annual 'General Office Procedures' review, which includes a review of compliance with our ethical policies.

All new joiners, whatever their level are required to complete a mandatory Ethics training course to reinforce their role in complying with our ethical policies. In addition, between September and October 2016 we delivered training to all our senior audit staff in order to ensure that the new requirements of the FRC's Revised Ethical Standard 2016 were understood.

All staff have access to the Compliance and Risk Helpdesk and the Ethics Helpdesk, which provide advice around various issues including those relation to possible threats to independence or objectivity.

#### **Global whistleblowing procedures**

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

Mazars is committed to dealing responsibly, openly and professionally with:

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

These group-wide whistleblowing procedures for our staff, our clients and our stakeholders reflect our zero-tolerance policy for unethical behaviours. They have been deployed since 2014 and both external and employee complaint forms are available on our Mazars websites (on the Group website: <http://www.mazars.com/Complaint-form>). All claims are directly processed through the Group's CCO except when stated otherwise by the local regulation.

In addition in the UK we employ a third party to provide an independent external reporting line giving assurance that concerns raised are fully addressed.

#### **Confidentiality and information security**

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

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

4.

F O S T E -  
R I N G  
E X C E L -  
L E N C E  
I N O U R  
P E O P L E

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As a leading player in audit, advisory, accountancy, tax and legal services, we are talent-intensive and resource-driven. Our clients expect us to provide knowledge and expertise. Human capital is thus at the heart of our business, and we need to make sure we attract, retain and develop the best talent.

RECRUITING, TRAINING,  
DEVELOPING THE RIGHT PEOPLE

Within Mazars we strive to foster excellence by enabling our team to give their best through:

- recruiting, training, developing and retaining the right people;
- our means of operating and rewarding; and
- our conduct.

**Talent and performance management**

In order to deliver the high-quality service that our clients expect, our engagement policies and procedures are designed to attract, support and retain the highest quality team members.

Based on our common values, management principles and a fulfilling work environment, our Global Talent and Performance Management Programme aims to:

- recruit high potential individuals;
- prepare our talent to meet the market's evolving needs through long-term technical and managerial education plans;
- offer attractive career opportunities, including international opportunities;
- improve the diversity of our talents; and
- engage our talent through modern work environments and codes.

As knowledge workers, the quality of the talent pipeline is critical to our business. Since graduates and school leavers comprise, by far, the largest volume of candidates we recruit, concentrating on getting the right people through the door at this stage has the greatest leverage effect on the quality of our overall recruitments. As a result, significant efforts are made to increase our employer branding awareness amongst the best schools and universities for our profession, as well as to hone the effectiveness and interactivity of the recruitment process to identify the candidates that best match in terms of competency, potential, and cultural fit.

In addition, to maintain the attractiveness of the professional services industry in the face of competition for the same graduates from tech companies and startups, for example, Mazars has made great efforts to innovate its recruitment process. We have received many awards for both the creativity and results of such initiatives. Key projects include:

- Mazars 360°: encouraging transparency of the employee experience through virtual reality;
- Nothing to Hide: a free website for those who wish to 'audit' their online footprint to ensure that it is professional; and
- Looking for Talent: an engaging interactive video for individuals to send their CVs.

Our Early Talent programmes (primarily for School Leavers, Interns, Industrial Placements, Graduates and Post-Graduates) aim to support our trainees with a blended approach to training and development; including technical and soft skills training

to enable individuals to progress to management and leadership positions.

Our recruitment programme is based on a strengths based assessment approach. Strengths-based recruitment enables greater social mobility through its inherent design, focussing on the strengths an individual has (what they do well and love to do). This is distinct from more traditional competency-based recruitment, which is focused on a person's ability to give examples of what they have done previously. By definition, young people with greater social capital have had wider previous experiences from which to draw upon, whereas people from less privileged backgrounds have fewer of these richer, extra-curricular experiences from which they can draw to answer competency-based interview questions.

In essence our assessment and selection approach supports social mobility through various factors, such as our online testing ability suite which is time-recorded, rather than time limited, and therefore does not have an adverse impact on any demographic groups. With regards to our strengths-based interview and assessment centre, in particular, we are focused on levelling the playing field for all candidates and therefore assess potential rather than focusing on what experience someone may have (i.e. what they have done before). This enables individuals from different backgrounds to have the same opportunity to respond to our interview questions and be assessed on the potential they have for success within the role or team.

From January 2017 Mazars UK introduced the Mazars Applicant Mentoring Programme. The purpose of this initiative is to maintain and improve the Mazars personal touch throughout the process. The programme provides shortlisted candidates with the opportunity to be mentored by a current trainee for advice in relation to their final stage assessment. It also provides an opportunity to discuss life at Mazars UK. Inspired by a graduate trainee, this initiative is being led by a group of trainees with support and guidance from the talent acquisition team.

#### Experienced hire

We aim to hire talented people and give them the support they need to drive both projects and their ambitions forward. We look for people who bring something special to the Firm and who also have some distinctive qualities. We want driven individuals who think creatively about their work, people who embrace challenges and can resolve complex problems.

Our experienced hire recruitment programme covers an assessment of core competencies and technical skills, requiring candidates to undertake knowledge and skills tests as well as, on occasions psychometric testing.

#### Long-term education and training

The Mazars Group considers its internal training programme to be of strategic importance, since it serves as a means both to share and update technical and professional skills and knowledge, and to communicate professional conduct and ethics requirements to staff.

In 2008, the Group created Mazars University to harmonise training practices across all Mazars offices. In 2014, Mazars University received the top accreditation for Corporate

Universities, awarded by the European Foundation for Management Development, the same body which awards the EQUIS accreditation to top business schools.

The focus of the University is to act as a hub for all the best learning materials and practices across the Group, both in the areas of technical expertise as well as the other skills now required to perform within the profession: soft skills, digital skills, and leadership skills. The goal is to have excellent technicians, whilst enforcing the objectivity of our teams, the professional independence and ethical conduct of each individual, and their overall capacity to effectively perform the work we have engaged.

On a local level, each member entity of Mazars Group keeps a record of all the training courses attended by each Partner and member of staff, in order to ensure that each individual benefits from the complete training programme and that the training received is in line with the individual's role and responsibilities. Each member entity's training programme is to include:

- a general technical skills syllabus to be followed by all staff. For audit staff, for example, the objective of this programme is to encourage each staff member's development and expertise in auditing standards, accounting standards, corporate governance standards, auditing techniques and engagement management principles; and which may be complemented by external seminars;
- a sector-specific syllabus, particularly for insurance, banking, the public sector and technology; and
- a soft skills syllabus to be followed by level of seniority, focused on

the areas of communication, team management, innovation, and client care.

This year, thanks to a new partnership with LinkedIn Learning, our professionals will have access to a premium digital skills training path, including certifications in coding and data science, which is becoming an integral part of our profession.

#### The Next MBA

In the area of executive education, Mazars has innovated a new model of education for senior leaders. Mazars created The Next MBA, which is a six-week Executive MBA on cutting-edge business topics ranging from client-centric marketing to digital disruption, talent management to sustainable strategy, which is open to both Mazars Partners as well as participants from other organisations. The Next MBA aims at preparing tomorrow's leaders to be insightful about how today's market transformations will impact business, teams, and industries, and to be agile in identifying new solutions.

#### Delivering technical excellence in audit

A structured programme is in place for all auditors on a training contract to support them throughout the training period, whether this is through the school leaver or graduate entry programmes. This programme includes:

- practical classroom courses delivered by a trained pool of technical experts. These classroom courses are timed to coincide with the relevant stage of the trainee's qualification, and are designed to bring their theoretical learning into the practical environment of their day to day work; and
- digital content covering the Firm's audit procedures, methodology and software. Providing the content in a digital format allows us to provide key learning

messages to the trainees, as well as delivering something that can be easily revisited when required.

Once qualified a wide range of technical support is provided to help staff maintain their technical competence and provide the quality service on which the Firm's reputation is built. The objective of these ongoing training programmes is to further each team member's understanding of and expertise in auditing standards, accounting standards, auditing techniques and engagement management principles.

Audit staff have access to the following resources:

- monthly audit inductions for new joiners to the service line, introducing them to the Firm's methodology and procedures;
- mandatory technical updates for all qualified staff, delivered both in the classroom and online through webinars;
- a suite of technical classroom courses on specific audit issues that can be delivered on demand when required; and
- sector updates on industry specific areas such as banking, insurance and charities.

To aid learning, communications on key changes within auditing standards affecting our audit teams, are communicated when required through our intranet and newsletter.

To ensure audit staff and Partners maintain their technical competence and meet the respective regulatory and professional institute requirements, their continued professional development (CPD) is reviewed on an annual basis, and we ensure suitable personal development plans are in place where required. In undertaking CPD and development plans, consideration of compliance with International Education



Standards (IES) 7 for audit staff, and IES 8 for RIs is also undertaken. During the year ended 31 August 2017 89,000 training hours were undertaken by audit service line members.

The internal training programme is enhanced with complementary external seminars which focus on client requirements or specific economic environments.

#### Retain the right people in the business

Our team are one of the most important assets we have as a firm, therefore retaining talented and diverse employees drive the quality of our work and client service.

We achieve this by:

- allowing our employees to play to their strengths;
- offering attractive career opportunities within our fast-growing organisation;
- recognising and rewarding contributions and potential;
- celebrating diversity and promoting an inclusive working environment;
- developing the leadership and people management capabilities of our leadership; and
- creating an working environment where our people have a sense of belonging and engagement.

#### Playing to their strengths

We believe that it is important for our employees to be able to use their strengths to develop their career further. By playing to their strengths, individuals can become highly skilled in a competency that suits them, engaging our team members and allowing them to develop a career pathway within Mazars Group. This should ensure that we retain our talent, allowing us to provide a high quality service to our clients.

#### Attractive career opportunities

As a global organisation, we recognise that gaining international experience is an important element in the development of our teams and leaders. Mazars Group employees wishing to enhance their careers with an international experience may choose from a range of strategic mobility opportunities, such as:

- short-term assignments are available through our 'MOVE' programme, in which high-potential seniors and managers can work abroad on two to six months projects;
- longer-term high-level projects ranging from three to five years in length; and
- permanent transfers. These programmes play a key role in the flow of ideas with other member entities of the Mazars Group.

#### Recognising and rewarding contributions and potential

##### A transparent and effective assessment system

Individuals are assessed against a clear competency framework, and this assessment forms the basis for promotions and for future objective setting. All our team members set clear objectives, receive feedback and have their performance reviewed on at least an annual basis. Every individual is encouraged to understand the importance of their own role, consider their own strengths and take ownership of their contribution to the overall success of the Firm through playing to their strengths.

Our performance management system is linked to our online learning management system, creating learning pathways for all roles and grades within the Firm. Each

individual can identify the options available and map an appropriate training route for their professional and career development.

#### OUR COMPETENCY FRAMEWORK IN THE UK:

- Delivering technical excellence
- Building client relationships
- Developing business
- Managing for results
- Leading teams and people
- Working together for success

#### Improve the diversity of our talents

One of our core values is fostering a diverse and inclusive work environment. Accordingly, Mazars stands guard against all forms of discrimination and offers its professionals equal opportunities and treatment, regardless of their racial or ethnic origin, gender, religion, age or disability.

#### Diversity & inclusiveness

We believe that diversity is paramount to our firm, in that it allows us to tap into the potential of all our employees, who have the ability to offer a different outlook and point of view on issues. We make efforts to ensure that differences are valued and to provide conditions where individuals can perform to the best of their ability without having to compromise on their personal values and beliefs.

#### Diversity networks

We participate in gender, ethnicity and Lesbian, Gay, Bisexual and Transgender (LGBT) initiatives, amongst others. Our employees have worked together to establish a number of networks which include an LGBT network, a Women's network, a Muslim network and a Christian network. This year

saw the launch of the Firm's BAME network and the Mazars Young Committee (MYC).

These networks have three main aims:

- internal support – to ensure equality of opportunity and treatment, and a safe, inclusive, respectful and supportive workplace;
- community support – to support broader related communities outside Mazars; and
- business development support – to foster better business development for network related clients and staff, and demonstrate the business value of a diverse and inclusive workforce.

This year, for the first time, the networks collaborated to hold an event to discuss unconscious bias and its impact. The event was open to all employees, not just network members.

#### Gender diversity

Diversity constitutes a unifying value of the Group and a key factor of success of its strategy.

Mazars focuses on a better representation of women in the organisation, mainly in management positions. Our involvement is carried out through various actions of raising awareness internally, developing an internal female network through a collaborative platform of discussions and a programme to identify female talents who will benefit from specific support and development action plans. Since Mazars Group's annual Partners' Conference in Istanbul in 2014, key steps and objectives have been set out.

A steering committee was set-up and Gender Diversity is championed by Antonio Bover, GEB member and Managing Partner of Mazars in Spain. Antonio is helped by a committee composed of a representative variety of Partners, numbering 2/3 of female Partners and 1/3 of male Partners, but also managers and support functions.

Focus is on significantly increasing the number of female Partners and executives among our firm by 2020. Our guiding principle is no longer to communicate widely on the subject but to work closely with our key 15 countries and follow-up on key development indicators. This decision means that the current GEB and its successors from 2016 will define a detailed plan and promote this objective as part of their Manifesto for election.

A Women Talent Pool has been identified and specific actions have been put in place to support them. A yearly leadership seminar is held; the Women Leaders @ Mazars Seminar was held in September 2016 and 2017. This seminar covers a wide variety of topics all essential for the growth and development of high potentials; mentoring, coaching, leadership, public speaking, empowerment, business development.

A group-wide gender diversity survey was held in 2016 and since then four core areas have been identified and focus groups are working on delivering Diversity & Inclusion guidebooks around:

- promoting with fairness;
- Mazars as a great place to work;
- mentoring & networking; and
- measuring gender diversity at Mazars.

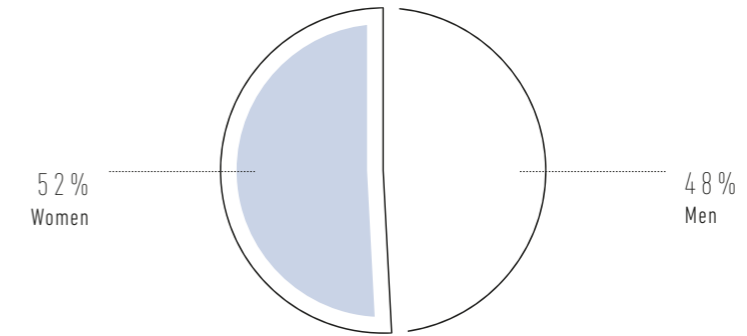
Metrics on gender diversity will be included in the global reporting system of Mazars countries. Progress is being made in the form of a 'dashboard' format. Parity in recruitment, diversity at managerial level and a female talent pipeline will be explicit KPIs of group and local Human Resources plans.

Finally, ambassadors are being identified in each country to support progress on these initiatives and to become positive role models.

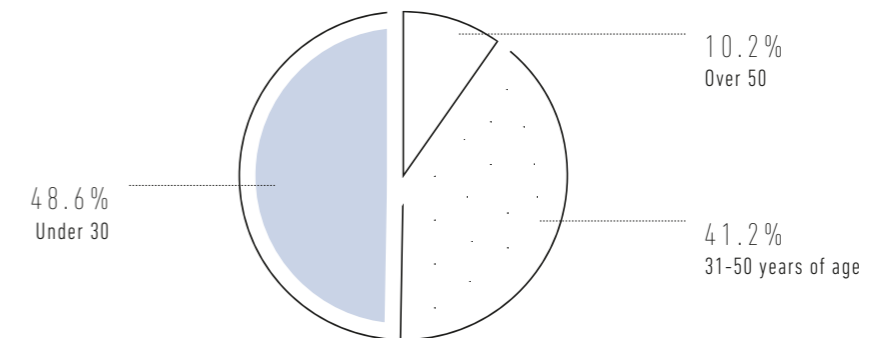
Within the UK we have ongoing programmes as part of our gender diversity initiative, aimed at addressing the gender balance within the Firm at senior management levels. A mentoring programme has been put in place for female managers with the aim of helping women realise their potential to take up senior roles within the Firm is in operation. This involves both one on one mentoring and mentoring circles.

The effect of the programmes is demonstrated by the continually changing profile of the gender split across the Firm, as well as in audit. Whilst we recognise that there is still progress to be made across all diversity groups, the current progress demonstrates that as a firm we are moving forward in this area.

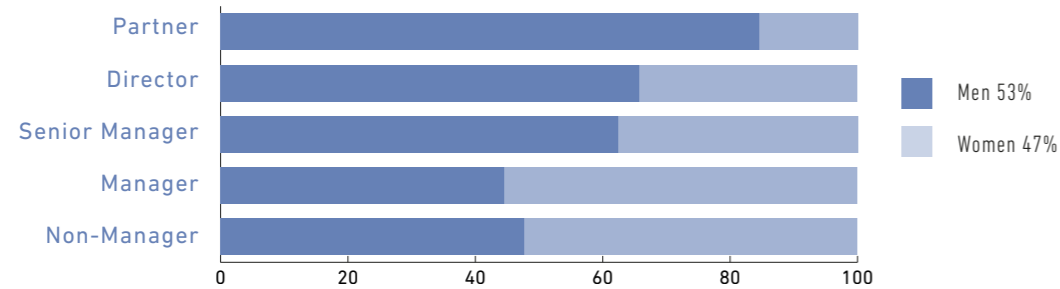
BREAKDOWN OF GLOBAL WORKFORCE BY GENDER



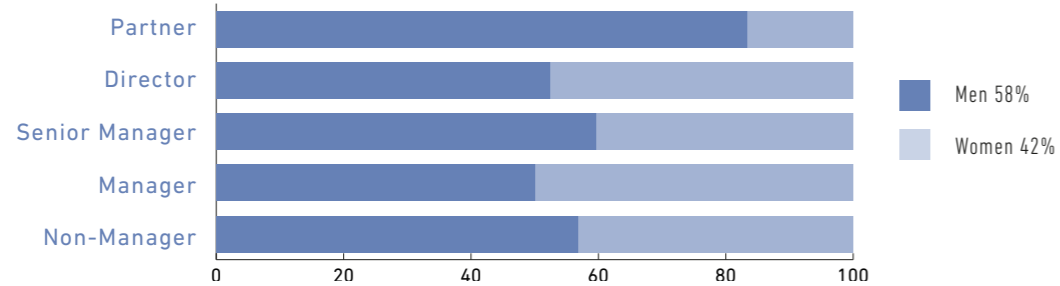
BREAKDOWN OF GLOBAL WORKFORCE BY AGE



BREAKDOWN OF MAZARS UK GRADES BY GENDER



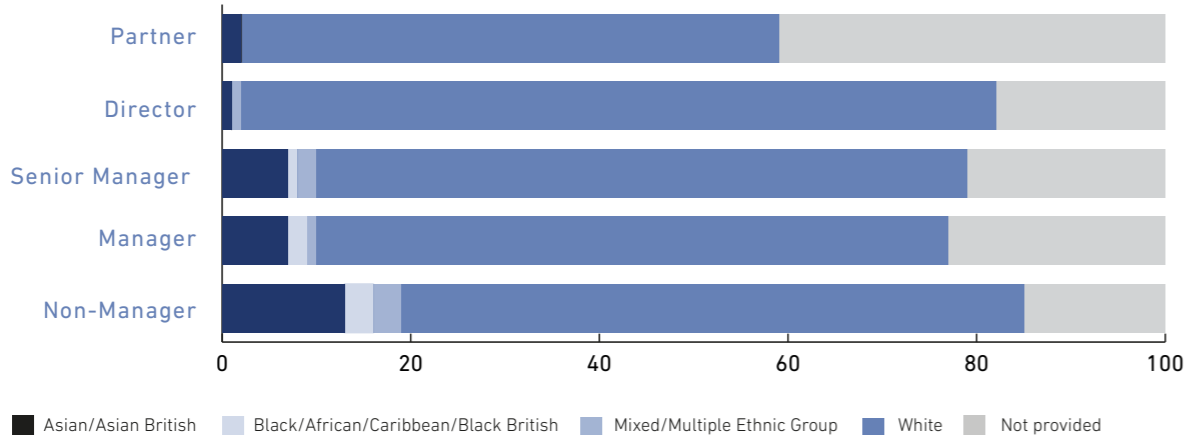
BREAKDOWN OF MAZARS UK AUDIT STAFF BY GENDER



**Ethnicity**

As mentioned above, in the year the Firm launched its BAME network. This is the start of our journey to formally embrace ethnic diversity within the Firm. We recognise that further initiatives are required to support and address the ethnic diversity balance within the Firm, in the same way as the gender balance has been supported over recent years.

BREAKDOWN OF MAZARS UK GRADES BY ETHNICITY



**Social mobility**

We believe that talent is not determined by your background or your education. Mazars is a signatory of Access Accountancy. Access Accountancy is an ambitious collaboration of employers and professional bodies, dedicated to improving access to the accountancy profession. Access Accountancy is supported by the Sutton Trust, who are a think-tank and have funded over 200 programmes (including Access Accountancy), commissioned over 200 research studies and influenced Government education policy by pushing social mobility to the top of the political agenda.

As a signatory of Access Accountancy our mission is to increase awareness and aspirations among young people from disadvantaged backgrounds to join the accountancy profession. Our vision to be a profession that is more representative, at all levels, of the socio-economic demographic of wider society. We are committed to contributing to the overall Access Accountancy target of 3,750 high quality practical experiences of work by September 2019, as a result we are providing one week valuable work experience placements to 20+ qualifying young people per year. Candidates from this work experience programme are given access to our Entry Level recruitment programmes, including the school leaver apprenticeship scheme.

**Age**

As a firm, we also recognise the importance of our younger team members, who represent nearly 60% of our UK employees. During the year, the MYC was established to ensure that our younger team members' voices are not only heard, but can also influence the Firm's strategy. The MYC has established

and maintains relationships with the UK Executive, the committees and the boards driving the Firm's four year strategy to help them to better take into account the aspirations of the younger generation.

**Being a parent and accomplished professional are not mutually exclusive**

To provide parents with the best environment in which to fulfil their potential, we provide support through our family leave policies that include shared parental leave, payments, coaching and workshops to accompany them on their learning journey.

**Flexibility and agile working benefit all our professional staff**

We recognised that our commitment to being a truly diverse firm is supported by our belief in being open to different ways of working. Embracing agile working means our team can work flexibly, whether that is on a more formal basis contractually, or on an informal basis.

**Developing leadership and people management capability**

Great people leadership is fundamental to our business and we want to aspire to highest levels of excellence when it comes to managing our people. The Management Excellence programme is targeted specifically at those who see people management and leadership as a key part of their career path going forward and aims, through a blended approach, to equip them with the knowledge and skills to manage our teams so that they can maximise their contribution to business goals, whilst, at the same time, help them realise their potential.

**An environment where people have a sense of belonging and engagement**

In order to deliver high quality service to our clients, it is important for our people to have a sense of purpose and meaning and are engaged with the business. To this end, we conduct an annual engagement survey. The results of the survey are shared with team members who, in turn, identify areas for improvement and participate in development initiatives to continuously improve the working environment.

**Modern work environments and codes**

We continue to promote a strong organisational culture of wellness and health which ensures that Mazars remains an employer of choice. The financial auditor or consultant trades are demanding in terms of time, personal investment or travel, but these are cyclical and have more or less intense periods. At Mazars, we are aware of this difficulty. Our model is by nature decentralised, but we encourage all of our offices to put in place local actions that increase employee satisfaction.

We place great emphasis on office environment – from closed spaces and attributed workspaces to open plans.

This is not just a question of following trends, but one of leveraging space to enhance our collective intelligence and enforcing new managerial codes that are more collaborative, participative, and open. Mazars offices from Singapore to Rotterdam, Gabarone to Milan, and London to Paris, to name just a few, are revolutionising their work places with more collaborative work space combined with digitalised tools. The design offers a more human-centric approach and enables our staff and Partners to create the spaces they need to work best.

At the same time the managerial codes have changed, from 'command and control' to co-developing solutions. We want our staff to participate in generating and implementing new ideas – from our internal processes to our client offers. Therefore, we have made many efforts to both help managers encourage staff to speak up through education and training, as well as develop new tools and processes to support them in this. One tool to be highlighted is BIM – Mazars' Idea Box, which is an App where Mazarians can propose their ideas, obtain "likes" and have the opportunity, if liked enough, to present to the Executive Board, and eventually get awarded an investment to put the idea into action.

**Promote a culture of quality and integrity**

The culture of the Firm strives for excellence, Our Code of Conduct is entitled 'Our Commitment to Quality and Integrity' and sets out the way we wish to operate both between ourselves, between the Firm and our clients and, also, between the Firm and society.

In our view, the importance we place on adhering to our Code of Conduct, Corporate Social Responsibility (CSR) and charitable contributions are all instrumental in creating effective team engagement.

**Our code of conduct**

In November 2014, Mazars UK launched a 'Code of Conduct' and corresponding recognition scheme in order to demonstrate our commitment to quality and integrity. The aim of the scheme is to help team members achieve the highest standards of quality and integrity in their work.

This helps us exceed client expectations, provide fulfilling careers and build and outstanding Firm that achieves sustainable success.

The Code of Conduct recognition scheme allows individuals to nominate their fellow colleagues for any of the following:

- demonstrating our values – Diversity, Integrity, responsibility, Technical Excellence, Independence and Continuity;
- delivering outstanding work or client service;
- contributing above expectation to the team; and
- doing something out of the ordinary or that makes you stand out from the 'crowd'.

Nominations are made on a monthly basis for either individuals or teams, there are also awards made every four months.

During the year to 31 August 2017, a total of £28,850 was shared between 150 individuals and 30 teams under the Code of Conduct reward scheme.

**Corporate Social Responsibility**

Supporting our communities and managing the impact on our environment are at the heart of our values and fundamental to who we are as a firm. Our corporate responsibility programme encompasses four areas:

- Mazars Days – where teams spend a day away from the office supporting a project based in the local community;
- the Environmental Improvement programme;
- promoting social mobility in recruitment, including the Access Accountancy Programme; and
- Mazars Charitable Trust – where the Firm contributes a portion of its profits to good causes.

CSR DAYS  
(YEAR TO 31 AUGUST)

2017 276  
2016 288  
2015 222



CONTRIBUTION TO  
CHARITABLE TRUST  
(YEAR TO 31 AUGUST)

2017 £439k  
2016 £400k  
2015 £330k



## APPENDIX 1

## NORTH AMERICA

Country	Name of entity
BERMUDA	Mazars Limited
CANADA	Mazars Harel Drouin, SENCRL
UNITED STATES	Mazars USA LLP

LATIN AMERICA  
& THE  
CARIBBEAN

Country	Name of entity
ARGENTINA	Estudio Urien S.R.L.
BRAZIL	<ul style="list-style-type: none"> <li>Mazars Auditores Independantes Sociedade Simples</li> <li>Mazars Rio de Janeiro</li> <li>Mazars Campinas</li> <li>Mazars Curitiba</li> </ul>
CHILE	Mazars Auditores Consultores Ltda.
COLOMBIA	MCA Auditing & Accounting SAS*
DUTCH WEST INDIES	MPHC Accountants & Advisers N.V.*
EQUADOR	Hansen-Holm*
MEXICO	<ul style="list-style-type: none"> <li>Mazars Auditores, S. de R.L. de C.V.</li> <li>Mazars Mexicali, S. de R.L. de C.V.</li> <li>Mazars Guadalajara, S. de R.L. de C.V.</li> </ul>
PERU	Contreras y Asociados S.Civil de R.L
URUGUAY	Mazars Uruguay
VENEZUELA	<ul style="list-style-type: none"> <li>Adrianza, Rodríguez, Céfalo &amp; Asociados, Contadores Públicos - Consultores Gerenciales</li> <li>Mazars Venezuela</li> </ul>

## AFRICA

Country	Name of entity
ALGERIA	Mazars Hadj Ali
ANGOLA	Mazars Angola - Auditores & Consultores, S.A.
BENIN	Mazars Benin
BOTSWANA	Mazars
CAMEROON	<ul style="list-style-type: none"> <li>Mazars Cameroon</li> <li>Cabinet L.Riquier</li> </ul>
CONGO (BRAZZAVILLE)	M3B Audit & Expertise*
ETHIOPIA	Asrat, Gezahegn and Birberssa Audit G.P. (ASGB Partners Auditors)*
GHANA	Mazars Ghana
IVORY COAST	Mazars Côte d'Ivoire
KENYA	Mazars CPA Kenya
LIBYA	Mazars Libye
MADAGASCAR	Mazars Fivoarana
MAURITIUS	TK Uday Ltd
MOROCCO	Mazars Audit et Conseil SARL
MOZAMBIQUE	Mazars, Lda
NAMIBIA	Mazars Namibia
NIGERIA	Mazars Coker & Company
RWANDA	Mazars in Rwanda
SENEGAL	Mazars Senegal
SOUTH AFRICA	<ul style="list-style-type: none"> <li>Mazars Cape Town</li> <li>Mazars Durban</li> <li>Mazars East London</li> <li>Mazars George</li> <li>Mazars Gauteng</li> <li>Mazars Port Elizabeth</li> <li>Mazars Central Inc. (also known as Mazars Bloemfontein)</li> </ul>
TANZANIA	Wiscon Associates
TUNISIA	<ul style="list-style-type: none"> <li>ECC Mazars</li> <li>SBCI</li> </ul>
UGANDA	BRJ Partners*
ZIMBABWE	KLMCA Audit Services (Private) Limited*

\* correspondent firms

## APPENDIX 1

## EUROPE

Country	Name of entity
ALBANIA	Mazars sh.p.k
AUSTRIA	Mazars GmbH Wirtschaftsprüfungsgesellschaft
BELGIUM	Mazars Bedrijfsrevisoren - Réviseurs d'entreprises B.C.V.
CROATIA	Mazars Cinotti Audit d.o.o.
CYPRUS	<ul style="list-style-type: none"> <li>Mazars Limited</li> <li>Mazars &amp; Co Limited</li> </ul>
CZECH REPUBLIC	Mazars Audit s.r.o
DENMARK	Mazars Denmark statsautoriseret revisionspartnerselskab
ESTONIA	OÜ Audiitorteenuse*
FRANCE	<ul style="list-style-type: none"> <li>Mazars SA</li> <li>Mazars SA dite "Mazars Lyon"</li> <li>Mazars SA dite "Mazars Rouen"</li> <li>Mazars SA dite "Mazars Strasbourg"</li> <li>Mazars Gourgue SAS</li> <li>Mazars SA dite "Mazars Reims"</li> <li>Mazars ACEA SA</li> <li>Pluris Audit SARL</li> <li>Mazars Entrepreneurs</li> <li>Mazars Besançon SAS</li> <li>Mazars &amp; Sefco SAS</li> <li>Mazars SA dite "Mazars Toulouse"</li> <li>Mazars Figeor SAS</li> <li>Thomas et Associés SA</li> <li>Mazars &amp; Associés SAS</li> <li>Mazars Metz SAS</li> <li>Mazars Pontarlier SARL</li> <li>Mazars SPCC SAS</li> <li>Mazars Fiduco SA</li> <li>Mazars Dijon SARL</li> <li>CBA</li> <li>Mazars Experts et Conseils</li> <li>Mazars Rodez</li> <li>MAZARS GmbH Wirtschaftsprüfungsgesellschaft</li> <li>Roever Broenner Susat Mazars GmbH</li> <li>RBS BBE GmbH Wirtschaftsprüfungsgesellschaft</li> <li>Steinberg &amp; Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft</li> </ul>
GERMANY	<ul style="list-style-type: none"> <li>Mazars Certified Public Accountants Business Advisors S.A.</li> </ul>
GREECE	Mazars Kft.
HUNGARY	Mazars Kft.
IRELAND	Mazars
ITALY	Mazars Italia S.p.A.
KOSOVO	Mazars in Albania
LATVIA	Taxlink Audit*

## EUROPE

Country	Name of entity
LITHUANIA	Taxlink Audit*
LUXEMBURG	Mazars Luxembourg
MALTA	Mazars Malta
NETHERLANDS	<ul style="list-style-type: none"> <li>Mazars Paardekooper Hoffman N.V.</li> <li>Mazars Paardekooper Hoffman Accountants N.V.</li> </ul>
NORWAY	Masars Revisjon AS
POLAND	<ul style="list-style-type: none"> <li>Mazars Audyd</li> <li>Mazars Polska</li> <li>Mazars Expertise</li> </ul>
PORTUGAL	Mazars & Associados, SROC, SA
ROMANIA	Mazars Romania SRL
RUSSIA	<ul style="list-style-type: none"> <li>Mazars JSC</li> <li>Mazars Audit LLC</li> </ul>
SLOVAKIA	Mazars Slovensko, s.r.o.
SPAIN	Mazars Auditores S.L.P.
SWEDEN	Mazars SET Revisionsbyrå AB
SWITZERLAND	<ul style="list-style-type: none"> <li>Mazars SA, Siège de Genève</li> <li>Mazars SA, Genève, succursale de Lausanne</li> <li>Mazars SA, Genève, succursale de Fribourg</li> <li>Mazars SA, Genève, succursale de Zürich</li> <li>Mazars SA, Genève, succursale de Sion</li> </ul>
TURKEY	Denge Bağımsız Denetim
UKRAINE	<ul style="list-style-type: none"> <li>Mazars Ukraine, LLC</li> <li>Audit firm Mazars Ukraine</li> </ul>
UNITED KINGDOM	<ul style="list-style-type: none"> <li>Mazars LLP</li> <li>Mazars Channel Islands Limited</li> </ul>

## APPENDIX 1

## APPENDIX 2

## ASIA-PACIFIC

Country	Name of entity
AUSTRALIA	Mazars Risk & Assurance
CHINA HONG KONG	<ul style="list-style-type: none"> <li>Mazars CPA Limited</li> <li>Mazars Properties Limited</li> </ul>
CHINA MAINLAND	<ul style="list-style-type: none"> <li>Mazars Shanghai</li> <li>Mazars Beijing</li> <li>Mazars Guangzhou</li> <li>ZhongShen ZhongHuan</li> </ul>
INDIA	<ul style="list-style-type: none"> <li>Kalyaniwalla &amp; Mistry</li> <li>Kalyaniwalla Mistry &amp; Associates</li> <li>Mazars Advisory LLP</li> <li>SN Dhawan &amp; Co</li> </ul>
INDONESIA	Mazars Indonesia
JAPAN	<ul style="list-style-type: none"> <li>Mazars WB Audit Corporation</li> <li>Mazars Japan KK</li> </ul>
KAZAKHSTAN	Nurteam Audit LLP*
KOREA	Mazars Sebit Accounting Corporation
KYRGYSTAN	Mazars
MALAYSIA	Mazars
MYANMAR	U Hla Tun & Associates Limited*
NEW CALEDONIA	OCEA Nouvelle-Calédonie*
PAKISTAN	<ul style="list-style-type: none"> <li>Mazars Consulting Pakistan</li> <li>Mazars MF &amp; Co</li> </ul>
PHILIPPINES	Mazars Philippines Inc.
SINGAPORE	<ul style="list-style-type: none"> <li>Mazars LLP</li> <li>Mazars Asia Pacific</li> </ul>
THAILAND	Mazars Ltd.
VIETNAM	Mazars Vietnam Co Ltd

## MIDDLE EAST

Country	Name of entity
BAHRAIN	Mazars Chartered Accountants
EGYPT	Mazars Mostafa Shawki
ISRAËL	Bri, Rotbart, Raz, Mazars Israel
KUWAIT	Mazars Hend Abdullah Alsurayea & Co
LEBANON	Mazars Saade
OMAN	Mazars Chartered Accountants & co. LLC
PALESTINE	El Wafa Company for Financial Consulting and Accounting Services*
QATAR	Mazars Ahmed Tawfik & Co. CPA
SAUDI ARABIA	AlKharashi & Co.*
UNITED ARAB EMIRATES	Mazars Chartered Accountants

## Biographies of the Independent Non-Executives as at 31 August 2017

**DENISE FLETCHER – Independent Member**

Denise Fletcher is an Operations and Finance Executive who has been a leader in both public and private organisations. She has extensive experience in operating, finance, brand building, consumer and retail strategy, along with extensive investment and acquisition experience. She has an AB from Wellesley College and an MCP from Harvard University.

**Member of the Group Governance Council and Chair of the Public Interest Committee**

**Date of first appointment – 2012**

**Remuneration for the PIC – €20,000**

**CHRISTIAN DE JUNIAC – Independent Member**

Christian de Juniac was educated at Eton College, Trinity College (Cambridge) and graduated from Harvard. He received an MA in economics and law from the University of Cambridge, a License in Law from the University of Paris, an MBA with distinction from Harvard Business School, and was admitted to the Inner Temple as a barrister.

He joined the Boston Consulting Group in 1980 and managed their financial services practice in London, Amsterdam, and Zurich. He has worked for clients in most European countries, as well as in the United States, Mexico, Latin America, Southeast Asia, India, and Japan.

**Member of the Group Governance Council and the Public Interest Committee**

**Date of first appointment – 2015**

**Remuneration for the PIC – €20,000**

## APPENDIX 3

**Biographies of the members of the UK Executive****PHIL VERITY – UK Senior Partner**

Phil has a business studies degree and started his career as a graduate at Mazars UK. He became a Partner in 1999 and has held a number of management and leadership roles since then.

Phil's professional experience has been as an auditor and business advisor. He is based in the London office and was elected as the UK Senior Partner of the Firm from September 2012.

He is also a member of the GEB and was first appointed in 2011.

**ALISTAIR FRASER – Chief Operating Officer**

Alistair is the Firm's Chief Operating Officer, having held a number of management and leadership roles in the Firm. Alistair trained with the Firm, and has been a Partner since 1999. He continues to work with clients as an audit and advisory Partner. He particularly works with entrepreneurial businesses and charities.

**JAC BERRY - Head of Quality**

Jac is an audit Partner and Head of Quality in the UK. As an audit Partner she specialises in international groups.

As Head of Quality, Jac is responsible for leading compliance and risk management across all service lines in the UK. Prior to being appointed Head of Quality in 2016, she was responsible for leading the UK audit methodology team and a member of the Mazars global audit methodology development team.

From an international perspective, Jac sits on the Global Mazars Quality and Risk Management Board and is a member of the international quality control review team, Jac was a member of the UK Governance Council from 2009, latterly as Chair, before stepping down in October 2016.

**TIM DAVIES – Head of Clients and Markets, Head of Tax**

Tim leads the UK strategic markets and is primarily responsible for revenue growth. In addition he is Head of Tax and special adviser to the Global Head of Tax. He is key presenter at international tax events and frequently publishes articles on tax transparency. Tim joined Mazars as a Partner in 2006 after working in industry and with PwC and EY.

**NIGEL GRUMMITT – Head of Financial Advisory Services**

Nigel heads up FAS in the UK (Restructuring, Forensic and Investigation, Corporate Finance, Due Diligence, Infrastructure and Valuation services) and supports the development of these services internationally. He continues to handle certain Forensic and Investigation services assignments.

## APPENDIX 3

**ELISABETH MAXWELL – Head of Innovation**

Elisabeth moved from her native France to the UK, being transferred from the Mazars Paris office. She specialises in advising foreign companies on setting up UK subsidiaries, providing general accounting services and consolidation procedure advice. She oversees many international assignments. Her portfolio includes companies in the manufacturing, publishing, media, software, construction, pharmaceutical and retail sectors.

Elisabeth is a regular speaker at conferences in Europe about issues faced by inward investments in the UK. She has been a "Conseiller du Commerce Extérieur de la France" since 2007.

**IAN WRIGHTSON – Head of People & Culture**

Ian leads on people and partner development as well as culture, ensuring we are building our brand as a Modern Mazars. Ian is specifically focused on enriching our talent, on diversity and inclusion and on employee engagement.

Ian became an audit and advisory Partner in 2004 providing services to a number of fast growing UK and international businesses. Ian became Leeds Managing Partner in 2009 and latterly Northern Region Managing Partner in 2012. Ian has also historically been a member of the UKGC for a period of three years to 2012

**Biographies of the members of the UKGC****RICHARD BOTT – Partner**

Richard is an audit Partner and heads the Firm's Corporate and Business Services Group in Bristol.

**LEE CARTWRIGHT – Partner**

Lee is the Managing Partner of the Firm's Birmingham Office and has worked at Mazars since 1995. His client portfolio spans the public, not for profit and commercial sectors, and he is a specialist in the social housing sector, leading Mazars' services to social housing clients across the UK.

**GREG HALL – Partner**

Greg heads up the Mazars Deal Advisory due diligence team in the UK and has over 16 years' experience. His expertise in transaction services includes working with both listed and private companies as well as banks and other finance providers. He has particular skills in building complex business models for due diligence in the raising of both equity and debt funding.

Greg is the Firm's Ethics Partner.



## APPENDIX 3

**JOHN HOLROYD – Partner**

John is a business advisory Partner to a wide range of industry sectors. He is based in Leeds.

**TIM HUDSON – Partner**

Tim is an audit Partner specialising in large UK and international groups. He also has experience of advising on acquisitions and fund raisings, including AIM listings. He is based in Manchester.

Tim is an elected member of the GGC and sits on the Group Audit Committee.

**RICHARD METCALFE – Partner**

Richard is Head of the audit practice for London South East region. He joined Mazars in 2001 and since then has acted as lead engagement Partner for numerous listed and international audit clients, and as reporting accountant for Initial Public Offerings (IPOs).

**STEVE MILLER – Partner**

Steve is Head of the Transaction Services Advisory practice in London. He specialises in providing financial and related due diligence and restructuring services to private equity houses, debt providers, management and corporates.

**BOB NEATE – Partner and Chair**

Bob is an audit Partner based in London with extensive experience of working with large and complex international groups. He is an engagement Partner to both full list and AIM clients. Bob is also the Firm's Audit Compliance Principal.

## APPENDIX 3

**Members of the UK Audit Committee**

The UK Audit Committee is a sub-committee of the UKGC and its members are set out below:

- Richard Bott (Chair);
- Lee Cartwright;
- Tim Hudson; and
- Greg Hall.

**Meeting attendance**

NAME	UK EXECUTIVE	UKGC	UK RISK AND AUDIT COMMITTEE
PHIL VERITY	22/22	n/a	n/a
TIM DAVIES	19/22	n/a	n/a
ALISTAIR FRASER	21/22	n/a	n/a
NIGEL GRUMMITT	18/22	n/a	n/a
DAVID HERBINET*	3/9	n/a	n/a
DAVID SMITHSON*	8/9	n/a	n/a
GLYN WILLIAMS*	8/9	n/a	n/a
JAC BERRY*	13/13	0/0	0/0
ELISABETH MAXWELL*	12/13	n/a	n/a
IAN WRIGHTSON*	13/13	n/a	n/a
RICHARD BOTT	n/a	1/3	2/3
LEE CARTWRIGHT	n/a	2/3	3/3
GREG HALL	n/a	3/3	3/3
JOHN HOLROYD	n/a	3/3	n/a
TIM HUDSON	n/a	3/3	3/3
RICHARD METCALFE*	n/a	3/3	n/a
STEVE MILLER	n/a	3/3	n/a
BOB NEATE	n/a	3/3	2/3 (as Chair of UKGC)

\* Not a member for full period

# APPENDIX 4

## Public Interest entity audit clients of Mazars UK

Public Interest Entities as defined in EU Directive 2014/56/EU in respect of which Mazars UK has expressed an audit opinion in the year to 31 August 2017 are detailed below. Entities that are not EU public interest entities are marked with an asterisk (\*):

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

LONDON STOCK EXCHANGE	Anglesey Mining PLC
	Grand Union Group Funding PLC
	Guardian Royal Exchange PLC
	Hidong Estate Plc
	Housing Association Funding PLC
	Knightstone Capital PLC
	Taliesin Property Fund Limited*
Thrive Homes Finance PLC	
NEX EXCHANGE GROWTH MARKET	Field Systems Designs Holdings PLC*
	Hydro Hotel, Eastbourne, PLC*
IRISH STOCK EXCHANGE	Public Power Corporation Finance Plc
	Uliving@Gloucestershire Issuerco Plc
AIM	21st Century Technology PLC*
	Access Intelligence PLC*
	ACHP PLC*
	AFH Financial Group PLC*
	Braveheart Investment Group PLC*
	Byotrol PLC*
	Hunters Property PLC*
	Mind + Machines Group Limited*
	Nature Group PLC*
	Northern Bear PLC*
	Pennant International Group PLC*
	Portmeirion Group PLC*
	Reabold Resources PLC*
	Symphony Environmental Technologies PLC*
	Tiziana Life Sciences PLC*

### Credit institutions

Bank and Clients Plc
BMCE Bank International PLC
FCMB (UK) Limited
Persia International Bank PLC
United National Bank Ltd

### Insurance undertakings

Asta Managing Agency Ltd Syndicate 2525*
Atlantic Mutual International Limited
AXA ART Insurance SE
AXA Insurance UK PLC
AXA PPP healthcare limited
Bestpark International Limited
British Aviation Insurance Company Limited
CX Reinsurance Company Limited
EC Insurance Company Limited
English & American Insurance Company Limited
Financial Assurance Company Limited
Financial Insurance Company Limited
Metropolitan Police Friendly Society Limited
Mobius Life Limited
Moorgate Insurance Company Limited
Polygon Insurance Company (U.K.) Limited
Portman Insurance Limited
SCOR UK Company Limited
The Channel Syndicate 2015*
Tyroth Limited

# APPENDIX 5

## UK financial performance

The following has been extracted from the unaudited financial information for the year ended 31 August 2017, demonstrating the importance of the auditor's statutory audit work to the overall results of the Firm.

TURNOVER BY TYPE	2017 £'M	2016 £'M
Revenues from the statutory audit of annual and consolidated financial statements of PIE*;	3.0	2.6
Revenues from the statutory audit of annual and consolidated financial statements entities whose parent is a PIE*;	7.0	7.0
Revenues from the statutory audit of annual and consolidated financial statements of other entities;	36.5	35.6
<b>Total Audit Services</b>	<b>46.5</b>	<b>45.2</b>
Non-audit services to audit clients	20.9	19.0
Non-audit services to non-audit clients	106.2	95.8
	<b>173.6</b>	<b>160.0</b>

\*Under Directive 2006/43/EC, as amended by Directive 2014/56/EU, the definition of a public interest entity (PIE) has changed, which is applicable for year ended 31 August 2017. The 2016 comparative includes fees in relation to statutory audits of those PIEs as defined under the new definition.

A list of the Public Interest Entities in respect of which Mazars UK expressed an audit opinion in 2016/17 is set out in Appendix 4.

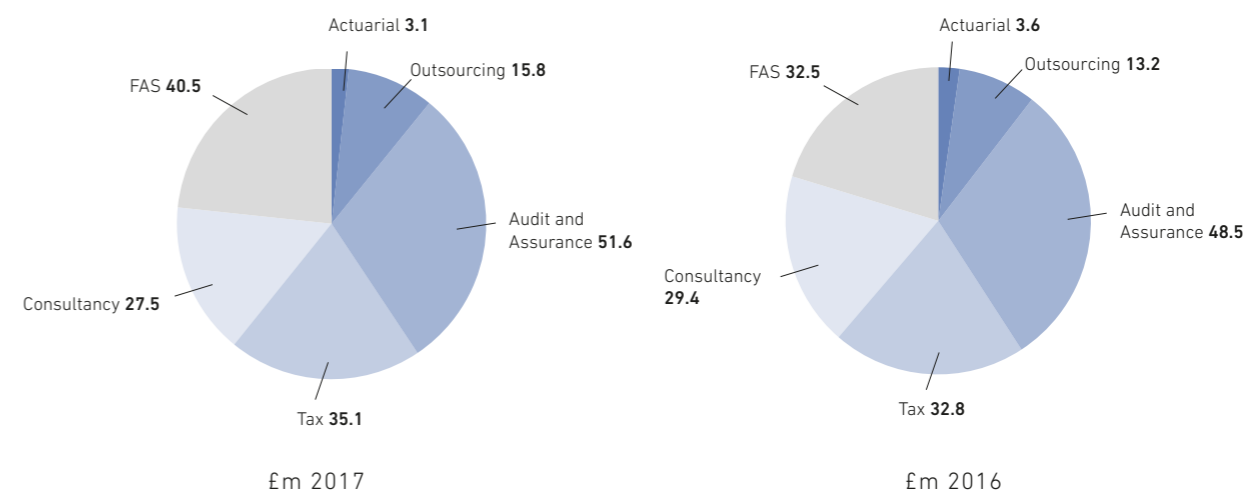
### Operating profit

The Consultative Committee of Accountancy Bodies issued the Voluntary Code of Practice on Disclosure of Audit Profitability in March 2009. This sets out the recommended disclosures in respect of the profitability of statutory audits and directly related services (the reportable segment).

The turnover and operating profit of the Firm's statutory audit reportable segment calculated in accordance with the Voluntary Code on a basis consistent with the Firm's unaudited financial information are:

	2017 £'M	2016 £'M
Turnover	46.5	45.2
Operating profit	13.7	12.4

### TURNOVER BY SERVICE LINE



## APPENDIX 6

**Effectiveness of the system of internal controls**

Mazars UK has conducted an annual review of the effectiveness of the internal control system, which covered all material controls, including financial, operational and compliance controls and risk management systems, as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the Firm.

This review included a consideration of:

- the Firm's structures and boards;
- the Enterprise Risk Management Framework;
- Internal and external reviews, including:
  - Compliance with ISQC1;
  - Whole of firm compliance reviews;
  - Internal audit reports; and
  - Reporting from our external auditor;
- crisis management and business continuity arrangements;
- the control environment in operation in our finance and other selected central functions;
- regulatory compliance; and
- oversight of the UK at a Mazars Group level.

It is not considered that any of the areas for improvement highlighted by these reviews represent a significant failure or weakness, wither which requires disclosure or which undermines the current systems of internal control.

## APPENDIX 7

**Statement of compliance with the Audit Firm Governance Code 2016**

This is the first year that we have been required to disclose compliance with the Audit Firm Governance Code 2016. We have adopted a comply or explain policy in respect of our compliance with this this code, details of which can be found in Appendix 8. We fully support the principals and aims of the Audit Firm Governance Code and aim to work towards enhanced compliance over the coming year.

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

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

On the basis of its Quality Control monitoring conclusions, Mazars positively confirmed in December 2014 that it met the membership obligations of the FoF in all material respects.

The management of Mazars Group and Mazars UK are content that the system is effective in the maintenance and improvement of audit quality. They considered the results of the relevant regulatory inspections in reaching this opinion.

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

The operation and effectiveness of Mazars Group's and Mazars UK'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 UK confirms, with a reasonable level of assurance, that the independence procedures and practices 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 include 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 and 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 UK complies with the Continuing Professional Development policies of the ICAEW, ICAS and ACCA which are, in turn, compliant with IES 7 and IES 8.

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

# APPENDIX 8

## Audit Firm Governance Code 2016

The revised Audit Firm Governance Code 2016 published by the FRC in July 2016 is applicable for financial years beginning on or after 1 September 2016, replacing the original code issued in 2010, as referenced in the table below:

DISCLOSURE REQUIRED BY THE AUDIT FIRM GOVERNANCE CODE		HOW MAZARS LLP COMPLIES WITH THE CODE
<b>A</b>	<b>Leadership</b>	
<b>A.1</b>	<b>Owner accountability principle</b> The management of a firm should be accountable to the Firm's owners and no individual should have unfettered powers of decision.	See section 2
A.1.1	The Firm should establish a board or equivalent governance structure, with matters specifically reserved for its decision, to oversee the activities of the management team.	See section 2
A.1.2	The Firm should state in its transparency report how its governance structures and management operate, their duties and the types of decisions they take. In doing so the Firm should explain how its governance structure provides oversight of both the audit practice and the Firm as a whole with a focus on ensuring the Code's purpose, is achieved. If the management and/or governance of the Firm rests at an international level it should specifically set out how management and oversight of audit, is undertaken and the Code's purpose achieved in the UK.	See section 2
A.1.3	The Firm should state in its transparency report the names and job titles of all members of the Firm's governance structures and its management, how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details.	See Appendices 2 and 3
A.1.4	The members of a firm's governance structures and management should be subject to formal, rigorous and ongoing performance evaluation and, at regular intervals, members should be subject to re-election or re-selection.	Section 2
<b>A.2</b>	<b>Management principle</b> A firm should have effective management which has responsibility and clear authority for running the Firm.	See section 2 and the "Our Managing Team" pages of our website.
A.2.1	Management should have terms of reference that include clear authority over the whole firm including its non-audit businesses and these should be disclosed on the Firm's website.	See section 2 and the "Our Managing Team" pages of our website.
<b>B</b>	<b>Values</b>	
<b>B.1</b>	<b>Professionalism principle</b> A firm should perform quality work by exercising judgement and upholding values of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour in a way that properly takes the public interest into consideration and meets auditing and ethical standards.	See section 3.3
B.1.1	The Firm's governance structures and management should establish and promote throughout the Firm an appropriate culture, supportive of the Firm's public interest role and long term sustainability. This should be achieved in particular through the right tone from the top, through the Firm's policies and practices and by management publicly committing themselves and the whole firm to quality work, the public interest and professional judgement and values.	See section 3.3 for our code of conduct which embeds a culture of quality.  See sections 2 and 3.1 for the tone at the top from the leadership.
B.1.2	Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports.	See section 2
B.1.3	The Firm should have a code of conduct which it discloses on its website and requires everyone in the Firm to apply. The Board and independent non-executives should oversee compliance with it.	See section 3.3 for the Code of Conduct, the "Our Values and Culture" pages of the website and the Public Interest Committee Report.

# APPENDIX 8

DISCLOSURE REQUIRED BY THE AUDIT FIRM GOVERNANCE CODE		HOW MAZARS LLP COMPLIES WITH THE CODE
<b>B.2</b>	<b>Governance principle</b> A firm should publicly commit itself to this Audit Firm Governance Code.	We support the principals and aims of this Code, as demonstrated by our commitment to the disclosure of the level of compliance with all aspects of the Code.
B.2.1	The Firm should incorporate the principles of this Audit Firm Governance Code into an internal code of conduct.	See section 3.3 for the Code of Conduct and the "Our Values and Culture" pages of the website.
<b>B.3</b>	<b>Openness principle</b> A firm should maintain a culture of openness which encourages people to consult and share problems, knowledge and experience in order to achieve quality work in a way that properly takes the public interest into consideration.	See section 3.3
<b>C</b>	<b>Independent non-executives</b>	
<b>C.1</b>	<b>Involvement of independent non-executives principle</b> A firm should appoint independent non-executives to the governance structure who through their involvement collectively enhance the Firm's performance in meeting the purpose of the Code.	See the Report from the Public Interest Committee and section 2.
C.1.1	Independent non-executives should number at least three and be in the majority on a body that oversees public interest matters; and/or be members of other relevant governance structures within the Firm. They should also meet as a separate group to discuss matters relating to their remit. They should have full visibility of the entirety of the business but should pay particular attention to and report on risks to audit quality and how they are addressed. If a firm considers that having three INEs is inappropriate given its size or number of public company clients, it should explain this in its transparency report and ensure a minimum of two at all times. Where the Firm adopts an international approach to its management it should have at least three INEs with specific responsibility and relevant experience to focus on the UK business and to take part in governance arrangements for this market; or explain why it regards a smaller number to be more appropriate, in which event there should be a minimum of two.	See the Report from the Public Interest Committee and section 2.
C.1.2	The Firm should disclose on its website and in its transparency report information about the appointment, retirement and resignation of independent non-executives; their remuneration; their duties and the arrangements by which they discharge those duties; and the obligations of the Firm to support them. The Firm should report on why it has chosen to position its independent non-executives in the way it has (for example, as members of the main Board or on a public interest committee). The Firm should also disclose on its website the terms of reference and composition of any governance structures whose membership includes independent non-executives.	See section 2, Appendix 2 and "Our Managing Team" pages of our website.
C.1.3	The independent non-executives should report in the Firm's transparency report on how they have worked to meet the purpose of the Code defined as: Audit Firm Governance Code – Revised 2016 (July 2016) <ul style="list-style-type: none"> <li>• Promoting audit quality.</li> <li>• Helping the Firm secure its reputation more broadly, including in its non-audit businesses.</li> <li>• Reducing the risk of firm failure.</li> </ul>	See Report from the Public Interest Committee
C.1.4	Independent non-executives should have regular contact with the Ethics Partner, who should under the ethical standards have a reporting line to them.	See the Report from the Public Interest Committee
<b>C.2</b>	<b>Characteristics of independent non-executives principle</b> The independent non-executives' duty of care is to the Firm. They should command the respect of the Firm's owners and collectively enhance shareholder confidence by virtue of their independence, number, stature, experience and expertise. They should have a balance of relevant skills and experience including of audit and a regulated sector. At least one independent non-executive should have competence in accounting and/or auditing, gained for example from a role on an audit committee, in a company's finance function, as an investor or at an audit firm.	See section 2 and Appendix 2
C.2.1	The Firm should state in its transparency report its criteria for assessing the impact of independent non-executives on the Firm's independence as auditors and their independence from the Firm and its owners.	See section 2

APPENDIX 8

DISCLOSURE REQUIRED BY THE AUDIT FIRM GOVERNANCE CODE		HOW MAZARS LLP COMPLIES WITH THE CODE	
C.3	<b>Rights and responsibilities of independent non-executives principle</b> Independent non-executives of a firm should have rights consistent with their role including a right of access to relevant information and people to the extent permitted by law or regulation, and a right to report a fundamental disagreement regarding the Firm to its owners and, where ultimately this cannot be resolved and the independent non-executive resigns, to report this resignation publicly.	See section 2 and "Our Managing Team" pages of our website.	
	C.3.1 Each independent non-executive should have a contract for services setting out their rights and duties.	Each INE has an appropriate contract in place.	
	C.3.2 Independent non-executives should be appointed for specific terms and any term beyond nine years should be subject to particularly rigorous review and explanation.	See section 2 and Appendix 2	
	C.3.3 The responsibilities of an independent non-executive should include, but not be limited to, oversight of the Firm's policies and processes for: <ul style="list-style-type: none"> <li>• Promoting audit quality.</li> <li>• Helping the Firm secure its reputation more broadly, including in its non-audit businesses.</li> <li>• Reducing the risk of firm failure.</li> </ul>	See section 2	
	C.3.4 The Firm should ensure that appropriate indemnity insurance is in place in respect of legal action against any independent non-executive in respect of their work in that role.	See section 2	
	C.3.5 The Firm should provide each independent non-executive with sufficient resources to undertake their duties including having access to independent professional advice at the Firm's expense where an independent non-executive judges such advice necessary to discharge their duties.	See section 2	
	C.3.6 The Firm should establish, and disclose on its website, procedures for dealing with any fundamental disagreement that cannot otherwise be resolved between the independent non-executives and members of the Firm's management team and/or governance structures.	See section 2	
<b>D Operations</b>			
D.1	<b>Compliance principle</b> A firm should comply with professional standards and applicable legal and regulatory requirements. Operations should be conducted in a way that promotes audit quality and the reputation of the Firm. The independent non-executives should be involved in the oversight of operations.	See section 3.1 and section 3.3	
	D.1.1 The Firm should establish policies and procedures for complying with applicable legal and regulatory requirements and international and national standards on auditing, quality control and ethics, including auditor independence.	See sections 3.1	
	D.1.2 The Firm should establish policies and procedures for individuals signing group audit reports to comply with applicable standards on auditing dealing with group audits including reliance on other auditors whether from the same network or otherwise.	See section 3.3	
	D.1.3 The Firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.	See section 3.1	
	D.1.4 The Firm should take action to address areas of concern identified by audit regulators in relation to the Firm's audit work.	See section 2	
	D.2	<b>Risk management principle</b> A firm should maintain a sound system of internal control and risk management over the operations of the Firm as a whole to safeguard the Firm and reassure stakeholders.	See section 2
		D.2.1 The Firm should, at least annually, conduct a review of the effectiveness of the Firm's system of internal control. Independent non-executives should be involved in the review which should cover all material controls, including financial, operational and compliance controls and risk management systems as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the Firm.	See section 2

APPENDIX 8

DISCLOSURE REQUIRED BY THE AUDIT FIRM GOVERNANCE CODE		HOW MAZARS LLP COMPLIES WITH THE CODE
D.2.2	The Firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarise the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.	See section 2
D.2.3	The Firm should carry out a robust assessment of the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity. This should reference specifically the sustainability of the audit practice within the UK.	See section 2
D.3	<b>People management principle</b> A firm should apply policies and procedures for managing people across the whole firm that support its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code.	See sections 3.3 and 4
	D.3.1 The Firm should disclose on its website how it supports its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code through recruitment, development activities, objective setting, performance evaluation, remuneration, progression, other forms of recognition, representation and involvement.	See sections 3.3 and 4 and the website where this Transparency Report sits
D.3.2	Independent non-executives should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, to ensure that the public interest is protected.	See Public Interest Committee Report
D.4	<b>Whistleblowing principle</b> A firm should establish and apply confidential whistleblowing policies and procedures across the Firm which enable people to report, without fear, concerns about the Firm's commitment to quality work and professional judgement and values in a way that properly takes the public interest into consideration. The independent non-executives should be satisfied that there is an effective whistleblowing process in place.	See section 3.3
	D.4.1 The Firm should report to independent non-executives on issues raised under its whistleblowing policies and procedures and disclose those policies and procedures on its website.	See section 2
<b>E Reporting</b>		
E.1	<b>Internal reporting principle</b> The management of a firm should ensure that members of its governance structures, including owners and independent non-executives, are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties.	See Public Interest Committee Report
	E.2	<b>Governance reporting principle</b> A firm should publicly report how it has applied in practice each of the principles of the Audit Firm Governance Code and make a statement on its compliance with the Code's provisions or give a considered explanation for any non-compliance.
E.2.1		The Firm should publish on its website an annual transparency report containing the disclosures required by Code Provisions A.1.2, A.1.3, B1.2, C.2.1, D.1.3, D.2.2, E.2.2 and E.3.1.
E.2.2	In its transparency report the Firm should give details of any additional provisions from the UK Corporate Governance Code which it has adopted within its own governance structure.	N/A
E.3	<b>Transparency principle</b> A firm should publish on an annual basis in its transparency report a commentary on the Firm's performance, position and prospects.	See sections 1 and 2
	E.3.1	The Firm should confirm that it has carried out a robust assessment of the principal risks facing the audit firm, including those that would threaten its business model, future performance, solvency or liquidity. The Firm should describe those risks and explain how they are being managed or mitigated.

# APPENDIX 8

## DISCLOSURE REQUIRED BY THE AUDIT FIRM GOVERNANCE CODE

## HOW MAZARS LLP COMPLIES WITH THE CODE

E.3.2	The transparency report should be fair, balanced and understandable in its entirety.	This report has been produced with consideration to this provision, is co-ordinated centrally and is subject to UK Executive and Public Interest Committee review.
<b>E.4</b>	<b>Reporting quality principle</b> A firm should establish formal and transparent arrangements for monitoring the quality of external reporting and for maintaining an appropriate relationship with the Firm's auditors.	See section 2
E.4.1	The Firm should establish an audit committee and disclose on its website information on the committee's membership and terms of reference which should deal clearly with its authority and duties, including its duties in relation to the appointment and independence of the Firm's auditors. On an annual basis, the audit committee should publish a description of its work and how it has discharged its duties.	See UKGC report, section 2 and the "Our Managing Team" pages of the website.
<b>E.5</b>	<b>Financial statements principle</b> A firm should publish audited financial statements prepared in accordance with a recognised financial reporting framework such as International Financial Reporting Standards or UK GAAP, and should be clear and concise	Mazars LLP prepares annual audited financial statements in accordance with International Financial Reporting Standards as adopted by the EU.  Our financial statements are available at Companies House.
E.5.1	The Firm should explain who is responsible for preparing the financial statements and the Firm's auditors should make a statement about their reporting responsibilities, preferably in accordance with the extended audit report standards.	This is disclosed in our financial statements, available at Companies House.
E.5.2	The Firm should state whether it considers it appropriate to adopt the going concern basis of accounting and identify any material uncertainties to its ability to continue to do so, with supporting assumptions or qualifications as necessary.	This is disclosed in our financial statements, available at Companies House.
<b>F</b>	<b>Dialogue</b>	
<b>F.1</b>	<b>Firm dialogue principle</b> A firm should have dialogue with listed company shareholders, as well as listed companies and their audit committees, about matters covered by this Audit Firm Governance Code to enhance mutual communication and understanding and ensure that it keeps in touch with shareholder opinion, issues and concerns.	See section 2 and the Public Interest Committee Report for the level of dialogue.  We welcome further dialogue with investors, listed companies and their Audit Committees.
F.1.1	The Firm should disclose on its website its policies and procedures, including contact details, for dialogue about matters covered by this Audit Firm Governance Code with listed company shareholders and listed companies. It should also report on the dialogue it has had during the year. These disclosures should cover the nature and extent of the involvement of independent non-executives in such dialogue.	See section 2
<b>F.2</b>	<b>Shareholder dialogue principle</b> Shareholders should have dialogue with audit firms to enhance mutual communication and understanding.	See section 2
<b>F.3</b>	<b>Informed voting principle</b> Shareholders should have dialogue with listed companies on the process of recommending the appointment and re-appointment of auditors and should make considered use of votes in relation touch recommendations.	We consider that the principal is directed at shareholders and therefore not applicable to the Firm.

# APPENDIX 8

## Statutory Auditors (Transparency) Instrument 2008

We have prepared this Transparency Report in accordance with the requirements of the Statutory Auditors (Transparency) Instrument 2008 as issued by the Financial Reporting Council's Professional Oversight Board, as referenced in the table below:

	DISCLOSURE REQUIRED BY THE STATUTORY AUDITORS (TRANSPARENCY) INSTRUMENT 2008	HOW MAZARS LLP COMPLIES WITH THE INSTRUMENT
1	A description of the legal structure and ownership of the transparency reporting auditor.	See section 1
2	Where the transparency reporting auditor belongs to a network, a description of the network and the legal and structural arrangements of the network.	See section 1
3	A description of the governance structure of the transparency reporting auditor.	See section 2
4	A description of the internal quality control system of the transparency reporting auditor and a statement by the administrative or management body on the effectiveness of its functioning.	See Appendix 5
5	A statement of when the last monitoring of the performance by the transparency reporting auditor of statutory audit functions within the meaning of paragraph of Schedule to the Act (as amended by regulation of the Statutory Auditors and Third Country Auditors Regulations (S.I. /)) took place.	See section 3.1
6	A list of public interest entities in respect of which an audit report has been made by the transparency reporting auditor in the financial year of the auditor; and any such list may be made available elsewhere on the website specified in regulation provided that a clear link is established between the transparency report and such a list.	See Appendix 4
7	A description of the transparency reporting auditor's independence procedures and practices including a confirmation that an internal review of independence practices has been conducted.	See section 3.3
8	A statement on the policies and practices of the transparency reporting auditor designed to ensure that persons eligible for appointment as a statutory auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.	See Appendix 7
9	Financial information for the financial year of the transparency reporting auditor to which the report relates, including the showing of the importance of the transparency reporting auditor's statutory audit work.	See Appendix 5
10	Information about the basis for the remuneration of partners.	See section 3.3

## APPENDIX 8

## EU Directive 2014/56/EU Article 13

Article 13 of the EU Directive 2014/56/EU amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts consists of requirements for inclusion in the Transparency Reports for the Statutory Auditors of PIE, as reference in the table below:

	<b>DISCLOSURE REQUIRED BY EU DIRECTIVE 2014/56/EU ARTICLE 13</b>	<b>HOW MAZARS LLP COMPLIES WITH THE DIRECTIVE</b>
1	A statutory auditor or an audit firm that carries out statutory audits of public-interest entities shall make public an annual transparency report at the latest four months after the end of each financial year. That transparency report shall be published on the website of the statutory auditor or the audit firm and shall remain available on that website for at least five years from the day of its publication on the website. If the statutory auditor is employed by an audit firm, the obligations under this Article shall be incumbent on the audit firm.	See this report on the "Corporate Publications" pages of our website.
2	The annual transparency report shall include at least the following:	
2 (a)	a description of the legal structure and ownership of the audit firm;	See section 1
2 (b)	where the statutory auditor or the audit firm is a member of a network:	See section 1
2 (b) (i)	a description of the network and the legal and structural arrangements in the network;	See section 1
2 (b) (ii)	the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network;	See Appendix 1
2 (b) (iii)	the countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business;	See Appendix 1
2 (b) (iv)	the total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements;	See section 1
2 (c)	a description of the governance structure of the audit firm;	See section 2
2 (d)	a description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning;	See Appendices 6 and 7
2 (e)	an indication of when the last quality assurance review referred to in Article 26 was carried out;	See section 3.1
2 (f)	a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year;	See Appendix 4
2 (g)	a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted;	See Appendix 7
2 (h)	a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC;	See Appendix 7
2 (i)	information concerning the basis for the partners' remuneration in audit firms;	See section 3.3
2 (j)	a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7);	See section 3.3
2 (k)	where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories:	See Appendix 5
2 (k) (i)	revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity;	See Appendix 5
2 (k) (ii)	revenues from the statutory audit of annual and consolidated financial statements of other entities;	See Appendix 5
2 (k) (iii)	revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and	See Appendix 5
2 (k) (iv)	revenues from non-audit services to other entities.	See Appendix 5
3	The transparency report shall be signed by the statutory auditor or the audit firm.	See Foreword

## APPENDIX 9

## Glossary of terms

AASL	Audit and Assurance Service Line	IT	Information Technology
ACCA	Association of Chartered Certified Accountants	KAP	Key Audit Partners
AOS	Accounting and Outsourcing Services	LGBT	Lesbian, Gay, Bisexual and Transgender
AQB	Audit Quality Board	LLP	Limited Liability Partnership
AV	Acceptance Process	MAM	Mazars Audit Methodology
BAME	Black, Asian and Minority Ethnic	Mazars Group	The member entities of Mazars SCRL
CCOI	Code of Conduct for Objectivity and Independence	Mazars UK	Mazars LLP
CCW	Crowe Clark Whitehall	MOVE	Mazars Opportunities for Valuable Exchange
CPD	Continued Professional Development	MU	Management Unit
CSR	Corporate Social Responsibility	MYC	Mazars Young Committee
CSU	Central Support Unit	NSP	National Senior Partner
ERMF	Enterprise Risk Management Framework	OMP	Office Managing Partner
EQCR	Engagement Quality Control Review	OpCo	Operational Committee
EU	European Union	Partners	Partners and shareholders of Mazars entities in the Mazars Group
FAS	Financial Advisory Services	PIC	Public Interest Committee
FoF	Forum of Firms	PIE	Public Interest Entity
FRC	Financial Reporting Council	Q&RM	Quality and Risk Management Board
GEAC	Group Ethics and Acceptance Committee	QAD	Quality Assurance Department
GEB	Group Executive Board	QRB	Quality & Risk Board
GGC	Group Governance Council	QCA	Quoted Companies Alliance
GLT	Global Leadership Team	QSG	Quality Steering Group
GSB	Global Support Business	RI	Responsible Individual
GSST	Global Sector & Services Team	SCRL	Societe Cooperative a Responsabilite Limitee (Limited Responsibility Cooperative Company)
IAASB	International Auditing and Assurance Standards Board	TAX	Tax services
ICAEW	Institute of Chartered Accountants in England & Wales	The Charter	Charter of Association
IES	International Education Standards	The Firm	Mazars LLP
IESBA	International Ethics Standards Board for Accountants	The Revised Code	Revised Audit Firm Governance Code (2016)
IESBA Code	IESBA Code of Ethics for Professional Accountants	UK	United Kingdom
IFAC	International Federation of Accountants	UK Executive	UK Executive Board
IFRS	International Financial Reporting Standards	UKGC	United Kingdom Governance Council
INE	Independent Non Executive	UKAC	UK Audit Committee
IPO	Initial Public Offering	Us	Mazars LLP
IQCC	International Quality Control Committee		
ISA	International Standard on Auditing		
ISQC	International Standards on Quality Control		

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