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Knowledge-intensive

modern

Agile

firm

Sustainable

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Mazars Group Annual Report 2015-2016

Yearbook 2016

Auditors. Advisers. Entrepreneurs.

A foreword, by **Philippe Castagnac**
CEO & Chairman of the Group
Executive Board

Dear readers,

This Yearbook has been designed as a journey through topics that are of paramount importance to us: **leadership** and **entrepreneurship**. Naturally, our annual report is also a way to take stock of what Mazars, and the individuals that constitute it, have achieved this past year.

Our **consolidated accounts**, that we publish again this year as we have **every year since 2005**, are only a small part of our quest towards **transparency** and of our ambition to apply to ourselves the same discipline that is applied to our clients.

Each article can be read alone, but all are closely tied to the concept of a *modern firm*. In order to illustrate this concept, we have

chosen to explore four attributes, which define a modern firm: **smart growth, high concentration of knowledge, sustainability** and **agility**.

Our annual report is not only a way to state who we are and where we stand, but also depicts **the principles by which we abide** and **the ways we create value**. From a broader perspective, we wish to contribute to an open conversation on business and on the society in which we all live.

Our objective, with this Yearbook, is therefore to present you with an overview of our activities over the past year, and also to offer you **analysis** and **perspective**. We are trying to define what constitutes meaningful growth for our organisation – not, by any means, as an isolated structure, but together with our clients, employees, the regulators and all our other stakeholders.

Let me walk you through it.



_____ More than ever, we believe in the interdependency between **businesses'** competitiveness and the health of the **communities** they are connected to. At Mazars we believe that it is only via **creating shared value** that progress can be achieved in the business community and in society as a whole. Mazars, born in France right after World War II, is a global partnership and an **influential challenger**, bringing together 17,000 professionals in 77 countries. We owe our continuing success – that is also an ongoing challenge – to our **multicultural approach**, which has been instrumental in creating the only integrated audit and advisory organisation that is truly international, thanks to its governance model and its respect of local cultures.

_____ Our desire for creating value, for **entrepreneurship**, and for a sustainable type of development is at the heart of our DNA. More than a partnership of firms, Mazars is **a partnership of women and men**, led by 900 partners with many different backgrounds and nationalities. These partners are business leaders and entrepreneurs; their common goal, beyond technical expertise, is to be trusted advisers to **clients of all sizes**, from SMEs to mid-caps and global players as well as start-ups or public organisations.

_____ Growing for the sake of growing is not a smart option. Mazars

continues to develop and conquer new territories only where it makes sense, as defined by a considered and ambitious strategy aimed at a **smart kind of growth**. In 2010, the group joined forces with Weiser, a **US**-based audit and advisory firm, in order to extend its capabilities to one of the most important, but also one of the most complex markets. Also in 2010, the **Swedish** audit firm **SET Revisionsbyrå** joined Mazars' integrated partnership. In 2015, Mazars merged its 30-year old **German** practice with RoeverBroennerSusat (**RBS**), a nationwide firm with proven expertise of the Mittelstand – growing small and medium enterprises that, more often than not, show a strong drive towards overseas markets.

_____ In January 2016, Mazars announced a merger with the Chinese audit firm **ZhongShen ZhongHuan**, strengthening the firm's unique integrated partnership model that had already been present in the Chinese audit and consulting industry since 1997. While the merger has already brought together 1,800 professionals, including around 80 partners, from more than 15 offices across mainland **China**, it is only one step towards further growth operations that are in the making, planned for as early as 2017. With this merger, Mazars strengthens its capabilities to serve Chinese listed companies which are setting up subsidiaries overseas, through an increasing amount of mergers

and acquisitions, prompted by China's strategic Five-Year plan ('**The globalisation game**', p. 28).

_____ Since 2012, Mazars has extended its **geographic coverage** to 16 new countries. Each step forward increases our footprint, our skillset and our capacity to serve our clients wherever they are ('**Serving our clients worldwide**', p. 16), without ever compromising on our standards of excellence. Our growth strategy aims to bring together individuals and teams who share the same desire for quality of service and independence, while never trying to impose a specific cultural model.

_____ In a **fast-changing world**, where geopolitical changes are revealing the end of a long era of stability that followed the second world war, **professional services** firms, being by definition **knowledge-intensive**, are naturally at the vanguard. As auditors and advisers, we interact directly with key players in all kinds of industries. We are therefore uniquely positioned to understand the **trends affecting the whole economy**, and to envisage how a '**business ecosystem**' approach can help companies create value for all their stakeholders.

It follows that being a modern firm means understanding the modernity of the world around us, a world whose balance is tipped

towards constant reinvention. The need to adapt to this new paradigm is demonstrated in examples such as cybercrime and the risks it entails for the business community and society as a whole ('**Is insecurity the new normal?**', p. 46); the reinvention of old business models thanks to an ethical approach ('**Luxury: ethics as a value driver**', p. 68); the redefinition of tax transparency as a lever for value creation ('**Skydiving without a parachute?**', p. 80); and the necessity to go beyond compliance and create shared value through a new kind of ethical governance ('**Preventing corruption: transformation at the heart of business models**', p. 88).

_____ Being a modern firm is also about thinking and acting in the **long term**, for us, for our clients, and for their stakeholders. This quest for **sustainable growth** means trying to live by the values that were given to us by our founder. Among these values is the concept of **stewardship**, according to which each generation builds on the achievements of the previous one, for society as well as for businesses ('**Building the future one day at a time**', p. 158). Sustainable growth also means establishing and nurturing dialogue between generations, encouraging leadership models to evolve and new innovative approaches to emerge, while allowing direction to come from many geographical locations ('**Leadership: bridging the generation gap**', p. 176). It also means recognising ...

the growing value of entrepreneurs as levers for change (**‘Entrepreneurship in Africa’**, p. 190). With these megatrends as the background, the role of the auditor is undergoing a profound transfiguration; while its work tools and methods are being transformed by the ongoing technological revolution, we strongly believe that the added value of the auditor will only grow (**‘Audit in the 21st century’**, p. 58).

_____ The increasing pace of innovation requires more **agility**; beyond the technological aspects, this revolution is very much about **a new approach to work**. Mazars is both a witness and a showcase of this trend thanks to a radical overhaul of our organisational models, as shown by the examples of our offices in Rotterdam (**‘Revitalising the workplace: how to meet the challenge of organisational agility’**, p. 122) and Milan (**‘Smart working: from reinventing the workplace to creating shared value’**, p. 138). As unexpected as it may appear, this seemingly daunting challenge is closely linked to how we value diversity, as our worldwide internal survey shows (**‘Leveraging the value of diversity’**, p. 100). Much more than complying with formal frameworks, promoting diversity is a duty for a socially responsible business, and also a key success factor for any organisation (**‘Surfing on a rocket: managing permanent change’**, p. 114).

_____ Over 2015-2016, our revenue has grown by more than 10% to €1.36bn, a progression very similar (excluding the exchange rate impact) to our previous performance in 2014-2015, showing a clear and **continuous** growth trend despite an uneven global economic situation. 2016 also marks the achievement of a key goal: the implementation of a **robust and stable governance model**. This model is based on a management team that is not only representative of the diversity of the cultures that make up our organisation, but also adheres to the principle of **shared leadership**.

At Mazars, we look to the future with confidence, with a strong belief in our values. We are proud of our **technical excellence**, of the appreciation of our clients, and of our **entrepreneurial spirit** that keeps pushing us forward. At the same time, we stay humble, **aware of the challenges** that both our organisation and our stakeholders face. We need to be even more **agile**; we need to give more room for **new generations** to thrive; and we must grow by tapping into the tremendous value that the **diversity** of our teams represent. All of this is necessary in order for us to be, more than ever, a **trusted adviser** to our clients.

‘Being a modern firm means understanding the modernity of the world around us, a world whose balance is tipped towards constant reinvention.’

Philippe Castagnac

About Mazars

Mazars is an international, integrated and independent organisation, specialising in audit, accountancy, advisory, tax and legal services.

1

Partnership

900

Partners

77

Countries

260

Offices

17,000

Professionals

These figures are valid as of August 31st, 2016. For always up-to-date information, please visit www.mazars.com/keydata

1.36bn Euro revenue
+10% growth

as compared to 2014-2015

Excluding -1.0% exchange rate impact

2006



5,700

2011



13,000

2016



17,000

Professionals in Mazars' global integrated partnership

As of August 31th, 2016, Mazars and its correspondents operate throughout **92 countries**. **77** of these countries are part of Mazars' international integrated partnership and **15** are Mazars correspondents. The Praxity Alliance offers Mazars operating capacity via professional teams in **21** additional countries.

Mazars draws upon the expertise of **17,000 professionals** specialising in audit, accountancy, advisory, tax and legal services, led by **900 partners**. We assist clients of all sizes, from SMEs to mid-caps and global players as well as start-ups and public organisations, at every stage of their development.

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Serving our clients worldwide

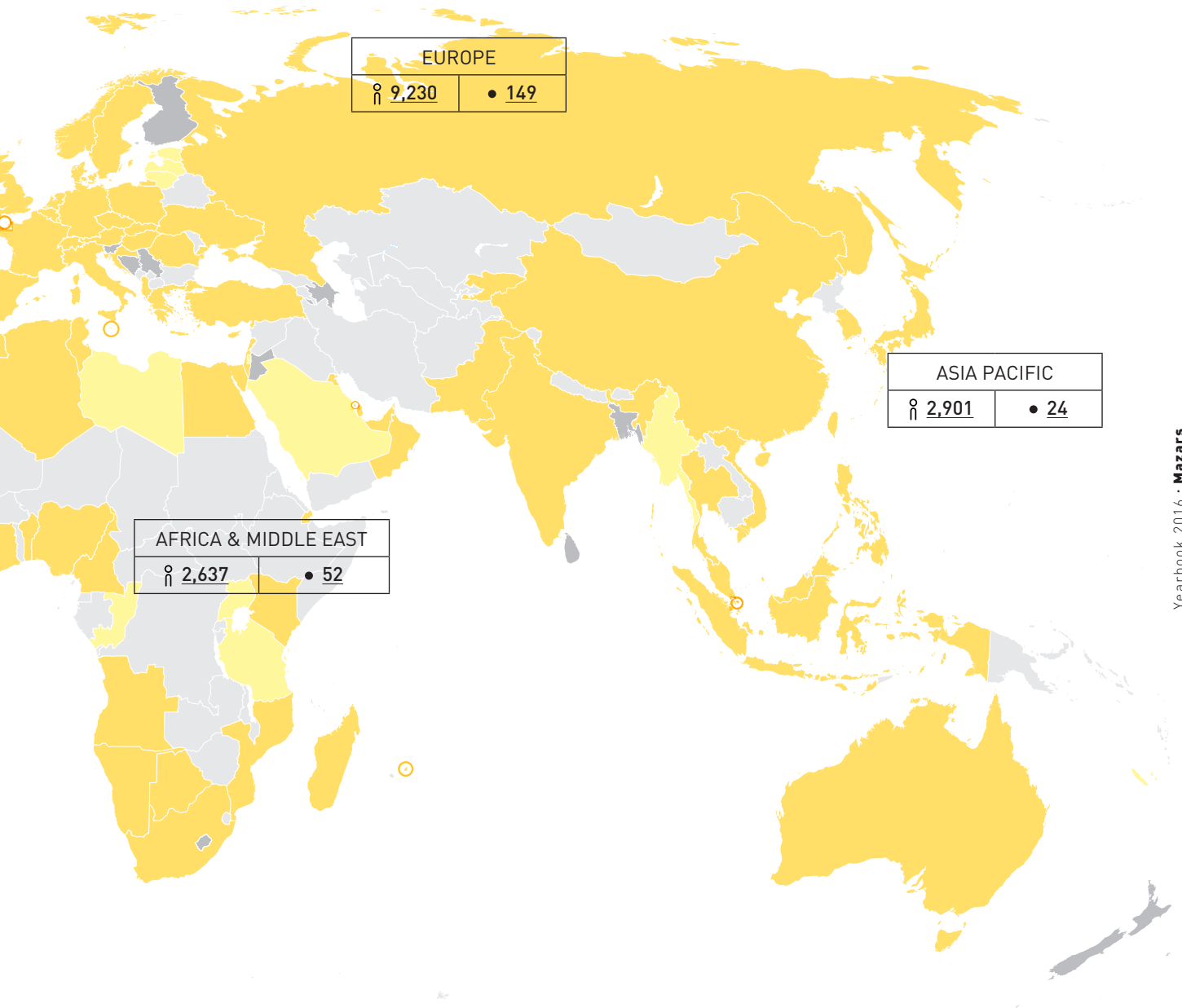
Discerning

- Integrated countries
- Non-integrated countries: Mazars correspondents and representative offices
- Countries covered via the Praxity alliance
- 👤 Staff (FTE)
- Number of cities in which Mazars has integrated offices

NORTH AMERICA	
👤 1,009	● 17

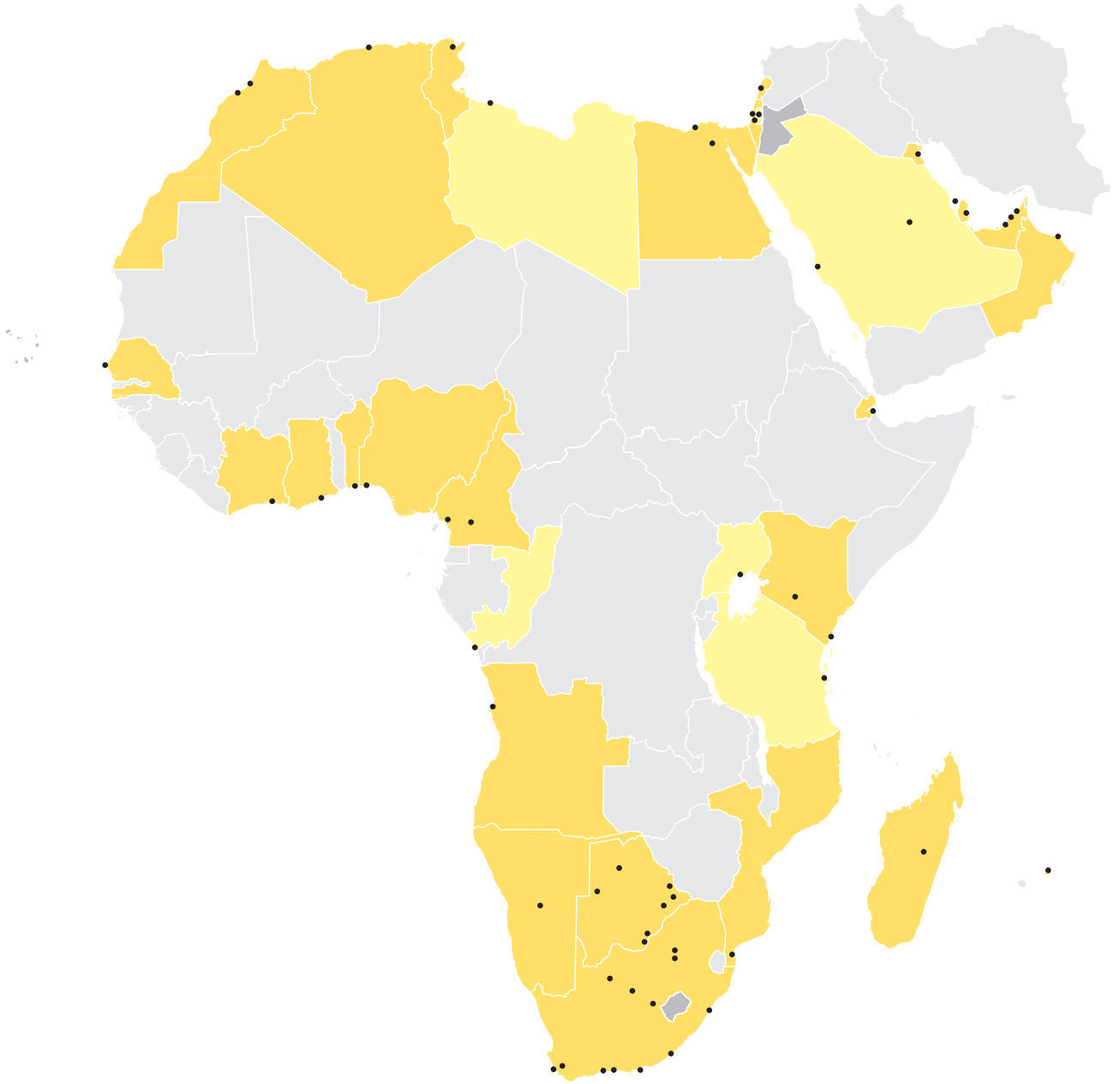
LATIN AMERICA & THE CARIBBEAN	
👤 1,223	● 18





Africa & Middle East

- Algeria
 - Algiers
- Angola
 - Luanda
- Bahrain
 - Manama
- Benin
 - Cotonou
- Botswana
 - Francistown
 - Gaborone
 - Ghanzi
 - Lobatse
 - Maun
 - Palapye
 - Selebi Phikwe
- Cameroon
 - Douala
 - Yaoundé
- Congo (Brazzaville)
 - Pointe-Noire
- Djibouti
 - Djibouti
- Egypt
 - Alexandria
 - Cairo
- Ghana
 - Accra
- Israel
 - Beit Shemesh
 - Tel-Aviv
- Ivory Coast
 - Abidjan
- Kenya
 - Mombasa
 - Nairobi
- Kuwait
 - Kuwait City
- Lebanon
 - Beirut
- Libya
 - Tunis - Libyan desk
- Madagascar
 - Antananarivo
- Mauritius
 - Port Louis
- Morocco
 - Casablanca
 - Rabat
- Mozambique
 - Maputo
- Namibia
 - Windhoek
- Nigeria
 - Lagos
- Oman
 - Muscat
- Palestine
 - Ramallah
- Qatar
 - Doha
- Saudi Arabia
 - Jeddah
 - Riyadh
- Senegal
 - Dakar
- South Africa
 - Bloemfontein
 - Cape Town
 - Durban
 - East London
 - George
 - Johannesburg
 - Kathu
 - Kimberley
 - Paarl
 - Plettenberg Bay
 - Port Elizabeth
 - Pretoria
- Tanzania
 - Dar es Salaam
- Tunisia
 - Tunis
- Uganda
 - Kampala
- United Arab Emirates
 - Abu Dhabi
 - Ajman
 - Dubai



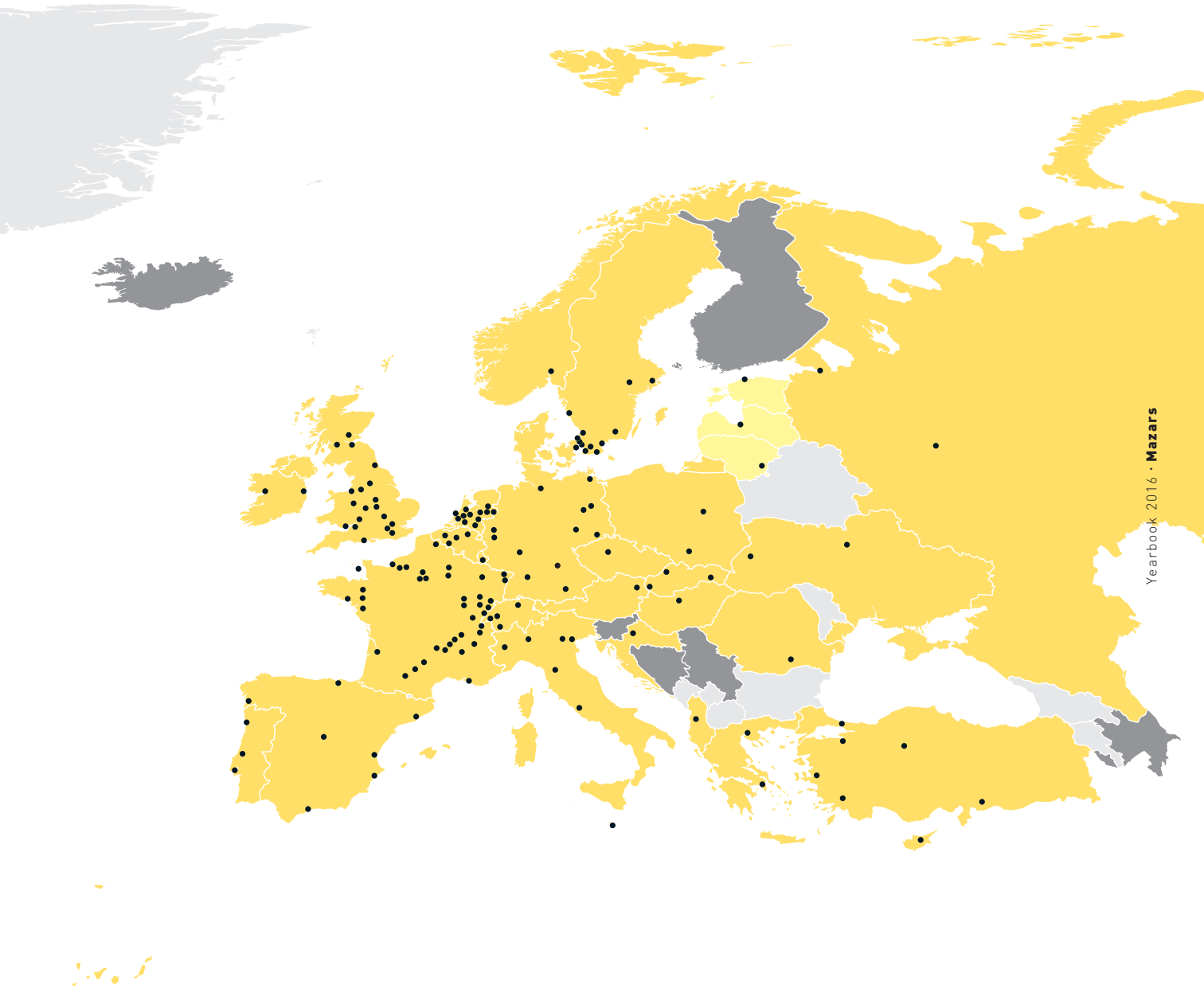
Asia-Pacific

- Australia
 - Melbourne
 - Sydney
- China
 - Beijing
 - Changsha
 - Guangzhou
 - Hefei
 - Nanchang
 - Shanghai
 - Shenyang
 - Shenzhen
 - Wuhan
 - Wuhu
 - Xi'an
 - Zhuhai
- Hong Kong
 - Hong Kong
- India
 - Bengaluru
 - Gurgaon
 - Mumbai
 - New Delhi
 - Pune
- Indonesia
 - Jakarta
- Japan
 - Tokyo
- Korea, The Republic of
 - Seoul
- Kyrgyzstan
 - Bishkek
- Malaysia
 - Kuala Lumpur
- Myanmar
 - Yangon
- New Caledonia
 - Nouméa
- Pakistan
 - Islamabad
 - Karachi
- Philippines
 - Manila
- Singapore
 - Singapore
- Thailand
 - Bangkok
- Vietnam
 - Hanoi
 - Ho Chi Minh City



Europe

- Albania
 - Tirana
- Austria
 - Vienna
- Belgium
 - Antwerp
 - Brussels
 - Ghent
 - Tournai
- Channel Islands
 - Jersey
- Croatia
 - Zagreb
- Cyprus
 - Nicosia
- Czech Republic
 - Prague
- Denmark
 - Copenhagen
- Estonia
 - Tallinn
- France
 - Albi
 - Annecy
 - Besançon
 - Bordeaux
 - Dijon
 - Epernay
 - Fort-de-France
 - Grenoble
 - Haguenau
 - Is-sur-Tille
 - Langeac
 - Le Grand Quevilly
 - Le Havre
 - Le Puy-en-Velay
- Germany
 - Berlin
 - Cologne
 - Dresden
 - Düsseldorf
 - Frankfurt on the Main
 - Greifswald
 - Hamburg
 - Leipzig
 - Munich
 - Nuremberg
 - Potsdam
 - Stuttgart
- Greece
 - Athens
 - Thessaloniki
- Hungary
 - Budapest
- Ireland
 - Dublin
 - Galway
- Italy
 - Florence
 - Milan
 - Padua
 - Rome
 - Turin
 - Verona
- Latvia
 - Riga
- Lithuania
 - Vilnius
- Luxembourg
 - Luxembourg
- Malta
 - Attard
- Netherlands
 - Amsterdam
 - Apeldoorn
 - Breda
 - Eindhoven
 - Enschede
 - Goor
 - Gouda
 - Nijmegen
 - Rijssen
 - Rotterdam
 - The Hague
 - Utrecht
- Norway
 - Oslo
- Poland
 - Cracow
 - Warsaw
- Portugal
 - Leiria
 - Lisbon
 - Porto
- Romania
 - Bucharest
- Russia
 - Moscow
 - Saint-Petersburg
- Slovakia
 - Bratislava
 - Košice
 - Považská Bystrica
- Spain
 - Alicante
 - Barcelona
 - Bilbao
 - Madrid
 - Malaga
 - Valence
 - Vigo
- Sweden
 - Båstad
 - Eskilstuna
 - Eslöv
 - Göteborg
 - Helsingborg
 - Höganäs
 - Kristianstad
 - Landskrona
 - Lund
 - Malmö
- Stockholm
- Ystad
- Switzerland
 - Fribourg
 - Geneva
 - Lausanne
 - Sion
 - Zurich
- Turkey
 - Ankara
 - Bursa
 - Denizli
 - Gaziantep
 - Istanbul
 - Izmir
- Ukraine
 - Kiev
 - Lviv
- United Kingdom
 - Birmingham
 - Bristol
 - Cardiff
 - Durham
 - Edinburgh
 - Gatwick
 - Glasgow
 - Gloucester
 - Leeds
 - Leicester
 - Liverpool
 - London
 - Manchester
 - Milton Keynes
 - Nottingham
 - Perth
 - Poole
 - Sutton
 - Wolverhampton



Latin America & the Caribbean

- Argentina
 - Buenos Aires
- Brazil
 - Campinas
 - Curitiba
 - Rio de Janeiro
 - Sao Paulo
- Cayman Islands
 - George Town
- Chile
 - Santiago
- Colombia
 - Bogota
- Dutch West Indies
 - Willemstad-Curaçao
- Ecuador
 - Guayaquil
 - Quito
- Mexico
 - Coatzacoalcos
 - Guadalajara
 - Mexicali
 - Mexico City
- Monterrey
- Puebla
- Querétaro
- Toluca
- Villahermosa
- Peru
 - Lima
- Uruguay
 - Montevideo
- Venezuela
 - Caracas



North America

- Bermuda
 - Hamilton
- Canada
 - Montreal
- United States
 - Boston
 - Chicago
 - Edison
 - Fairfax
 - Fort Lauderdale
 - Fort Washington
 - Houston
 - Los Angeles
 - Miami
 - New York
 - Philadelphia
 - Sacramento
 - Sarasota
 - West Palm Beach
 - Woodbury



The globalisation game

Discerning

**THE MAZARS /
ZHONGSHEN ZHONGHUAN MERGER**

IN JANUARY 2016, MAZARS ANNOUNCED A GAME-CHANGING MERGER WITH THE CHINESE AUDIT FIRM ZHONGSHEN ZHONGHUAN, BRINGING TOGETHER 1,800 PROFESSIONALS FROM MORE THAN 15 OFFICES ACROSS MAINLAND CHINA. HERE, WE LOOK INTO HOW THE TRANSFORMATION OF THE COUNTRY AND THE DRIVE OF ITS BUSINESSES TO GO INTERNATIONAL CHANGES EVERYTHING FOR PROFESSIONAL SERVICES FIRMS.

On April 21st, 2016, a freight train reached its destination: Lyon, the 3rd-largest city in France. What may appear as a small event in the world of transportation may well have significance of an entirely different magnitude. One fortnight before that date, the 41-carriage convoy laden with automotive spare parts, electronic and chemical goods had left Wuhan⁽¹⁾. Departing from the megacity of 10-million inhabitants and biggest land transportation hub in China, it headed West in an 11,500 kilometre-long journey across China, Kazakhstan, Russia, Belarus, Poland, Germany and France. This expedition, the first of its kind, was an extension of the already-existing route between Wuhan and Duisburg, Germany, part of what have been called ‘the New Silk Roads’ that unite China and the rest of the world.

ONE BELT, ONE ROAD: CHINA’S AMBITIOUS PLAN

Why was this big news? Despite two transshipments – due to different rail gauges between certain countries – the new land route is a more efficient option compared to its alternatives. The maritime route is cheaper, but can take up to three times longer; transportation by plane, on the other hand, is quite expensive and troublesome custom operations can slow down the delivery. This venture is the

perfect symbol of the ambitious ‘One Belt, One Road’ plan crafted by the Chinese government, which, at a staggering USD1.4 trillion, has been estimated to be 12 times bigger in absolute dollar terms than the post-World War II Marshall Plan⁽²⁾, designed to help rebuild the whole war-torn European continent.

The importance of this **mega-project** does not only reside in its sheer size – the plan has the potential to touch on 64 countries,

4.4 billion people and around 40 percent of the global economy – or the amount of investment; it also underscores the **long-term view** of the government’s strategy, as it spans 30 to 40 years of relations between China and the rest of the world.

China’s soft power strategy has been in the news for several years now, with many initiatives meant to **establish strong links** with other countries, and a priority given to Asia, Africa and Europe.



(1) Le Parisien, April 21st, 2016.

(2) Bloomberg, August 07th 2016 - <http://www.bloomberg.com/news/articles/2016-08-07/china-s-marshall-plan>



State-Owned Enterprises (SOEs), the first Chinese corporations to reach the ‘critical mass’ needed to intervene abroad have been spearheading this drive, acting as the armed wing of the government’s strategy. Three of them, State Grid, CNP and Sinopec, are now part of the Top 5 in the 2016 Fortune Global 500 list^[3]. With **100 of the world’s biggest companies – both public and private – now headquartered in China**, the country has become one of the three dominant seats of power together with the US and Europe, and has reached the point where it is ready to move to the next phase of its development plan.

China finds itself at a crossroads, as it is shifting from a labour-intensive economic model with

SHIFTING FROM A LABOUR-INTENSIVE ECONOMIC MODEL TO A TECHNOLOGY- AND INNOVATION- DRIVEN ECONOMY

an annual growth rate well over 10 percent, to a **technology- and innovation-driven economy** featuring a lower growth rate (the famous ‘slowdown’). The 13th Five-Year plan, adopted on March 26th 2016, lays down a framework for the country’s development from 2016 to 2020, setting a minimum annual growth rate target to a level deemed necessary in order to ‘double the 2010 GDP and the per capita income of both urban and rural residents by 2020’^[4]. This groundbreaking document highlights key proposals for **innovation**, the **environment**, **consumption**, **services**, the **digital economy** and structural reforms.

MANAGING A PARADIGM SHIFT

The country faces a significant number of challenges. Some of them are linked to the **environment**, with increasing resource constraints; but others are of an **economic** nature, such as digesting industrial over-capacity or the rise of neighbouring countries such as Vietnam, which offer lower land and labour costs for industrial investors. The very structure of

the Chinese economy is rapidly evolving. As a consequence of the emergence of a strong middle class (estimated at 225 million households; since 1978, an astonishing 700 million people have been lifted out of poverty^[5]) and the increasing **openness and internationalisation** of the country, ‘there is a pressure on local businesses to climb up the ladder and improve their management, supply chain and processes to be able to compete with foreign-made goods’ surmises Aaron Xu, senior auditor working at Mazars in Shanghai. ‘That is quite new for local Chinese businesses.’

The impacts are more apparent in the **quality of products and services**. ‘Chinese companies are trying to build **global brands**, constantly improving their service offerings in order to align themselves with **international quality standards**’ says Joan Wu, a senior manager working in Accounting and Outsourcing at Mazars in Guangzhou. This in turn **enhances the role of professional service firms**. ‘Globalisation has certainly accelerated the **development of the accounting industry**’, adds Wu.

[3] <http://beta.fortune.com/global500/list> • [4] <http://www.china-un.org/eng/zt/China123456/> • [5] The Economist, July 9th 2016, p. 3.

‘Since the day China opened its doors to the world, many foreign investments have flowed into the country. This situation has prompted the adoption and implementation of International Accounting Standards, and a gradual alignment of China’s standards with the latter. **Listed companies in China** are now required to present their reports in accordance with **International Accounting Standards**. Not only will this raise the professional standards of China’s accounting firms, it also will **improve China’s global competitiveness** as a whole.’

RIDING A COMET: ADDRESSING SOCIETAL CHANGES

From another point of view, Chinese society is also affected by several critical changes, among which is a potential shift in perceptions between generations. China’s long-standing one-child policy (now dropped to try and reverse the population’s ageing) has not only created a **strong bond between parents and children**; it also has led the former to invest massively in their offspring’s

education. ‘There is a **value that is central to the Chinese culture**, and that is unlikely to ever change: in this country, **education is of paramount importance** to families’ says Thomas Chen, a Shanghai-based Mazars partner. ‘It is so important that we still regularly see parents accompanying their child to a job interview!’. This protective behaviour is not only about career and ambition – it is fundamentally about the well-being of their children. ‘Some parents would strongly encourage their children to change jobs if they feel the **work-life balance** is being tipped too far towards stress. These examples show that children have been, in fact, protected so much that parents are at a loss as to how to let go of this bond over time.’

Younger generations, however, are more and more **exposed to foreign influences**. Among these, the impact of Korean and Japanese pop cultures is a famous phenomenon; more importantly – and this is a direct consequence of the abovementioned priority given to education – the growing number of **young Chinese people**

YOUNGER GENERATIONS ARE MORE AND MORE EXPOSED TO FOREIGN INFLUENCES

going abroad for their studies represents a strong, yet less apparent trend which may have profound effects in the long term.

57 percent of Chinese parents would send their child overseas to study if their family had means, according to the Shanghai Academy of Social Sciences; and in 10 years, the number of Chinese secondary-school pupils in the United States alone has increased almost 60-fold, to 35,000^[6]. ‘With all the recruitment events that we go to on various campuses in China, there’s a trend that strikes me as critical’ says Cindy Yan, senior HR officer at Mazars. ‘Not only do **many more students go abroad to study**, but they leave the country earlier by themselves,



[6] ‘The long march abroad’, The Economist, July 6th 2016, p.14.

even in middle school. Their line of thinking goes 'I am going to study abroad and when I am back, I will be ready to join a firm such as Mazars'.

'In my generation, there was nothing but the Chinese culture' concurs Page Dai, Tax Manager at Mazars in Shanghai and a young mother of two. 'Our children are exposed very early to different people and different cultures, notably through books, movies and TV series. The big difference with our generation is that they will have also gained real **knowledge about how other countries function, including their legal and tax systems**, during their college years –when in my case it was through work experience and training after joining an international firm that I discovered all this.

The changes occurring in the education system and the growing exposure of younger generations to the outside world is likely to **transform the very fabric of society**, especially given the importance of the youth in the country, with nearly half of the all people living in cities being under 35. 'Education is not

only about the scores anymore, but also depends on extracurricular activities –it is a good thing for the children. They can develop more **creative thinking** as they are learning more diverse skills' says Joanna Zhang, marketing manager at Mazars in Shanghai. 'Our children will have more opportunities to explore the world and learn about many other

THIS NEXT GENERATION WILL BE MORE AGILE, READY TO WELCOME ALL SORTS OF CHALLENGES

different cultures. Therefore, their **life values**, their **knowledge** and their **way of thinking** will be very different from ours. It will make them **more independent**, with a stronger grasp on what they want' reckons Joey Zhou, a tax partner working at Mazars in Beijing. 'In the past, our parents would arrange a path for us and we would simply

follow it. **Young people nowadays have their own thoughts**, they are more independent and would prefer to take full control of their own lives. **Our current society still needs to adapt** to their ways. On the other hand, I think **this next generation will be much more agile**, ready to welcome all sorts of challenges in life. Compared to the past, this is a very different scenario'.

In a new move, and as a striking parallel to this societal trend, **the Chinese government now strongly encourages Chinese corporations to invest massively abroad**, with impressive results in all sectors, from robotics to the entertainment industry. In the first half of 2016, Chinese investments abroad amounted to USD 100 billion.

In 2015, for the first time, Chinese investments abroad exceeded the amount of foreign investment in China, at an astounding USD 145 billion, with **mega-deals** such as the acquisition of the agro-chemical Swiss giant Syngenta by ChemChina or, more recently, the USD 10 billion takeover of a part of CIT by the Chinese conglomerate HNA, creating the third largest plane leasing fleet worldwide.

CHINESE INVESTMENTS ABROAD EXCEEDED THE AMOUNT OF FOREIGN INVESTMENT IN CHINA

With an overarching goal to **improve the quality of goods produced in China**, these new orientations do not target the supply chain of raw materials anymore, but rather focus on American and European high-value targets – as an example, the takeover of Pirelli in 2015 by ChemChina giving it access to the Italian tyre manufacturer’s patent portfolio.

These orientations also bring a series of challenges for Chinese groups – notably the **necessity of crafting sophisticated investment plans**, that involve real partnerships with local investors, so as to avoid protracted and costly takeover battles^[7].

THE ZHONGSHEN ZHONGHUAN / MAZARS MERGER

These new societal and economic trends shape a **completely new landscape for the Chinese audit and accounting market**, and not only in terms of accounting standards. **In January 2016, Mazars announced a merger with the Chinese audit firm ZhongShen ZhongHuan**, strengthening the Group’s unique integrated partnership model that had already been present in the Chinese audit and consulting industry since 1997. The merger brought together **1,800 professionals**, including around 80 partners, from more than 15 offices across mainland China.

Why was ZhongShen ZhongHuan the obvious choice for Mazars? It is a huge professional services firm in China, with **strong expertise in many industries**, such as the financial sector. In China, there are only a handful of firms that can match ZhongShen ZhongHuan’s capacity and market reach, serving 90 listed companies and 20 state-owned large enterprises. Many of their clients are in **high-end industries** such as **energy, aerospace, steel**

manufacturing, pharmaceuticals, financial services and the **media**’ says Wu. With the Chinese audit market being very competitive, being able to **rely on local resources and know-how** clearly was a key criterion for Mazars. As to ZhongShen ZhongHuan’s viewpoint, ‘We serve domestic listed companies, which are setting up subsidiaries overseas, with an **increasing amount of mergers and acquisitions**. The **internationalisation of audit missions** has led to different requirements for us’ states Chao Min, an audit standards training director with ZhongShen ZhongHuan, based in Wuhan. ‘Mazars is strong on **international accounting, legal and tax systems** – this will be beneficial in order to help our current clients expand to overseas markets’.

As with any merger, the combination of ZhongShen ZhongHuan and Mazars in China carries a host of challenges. ‘In order to reach an in-depth understanding of each other, we may need to intensify communication’ says Jia Liu, an administration officer working at ZhongShen ZhongHuan in



[7] ‘Pathways to success for Chinese companies expanding overseas’, by Erik Stroeve and Nikko Fu. <http://www.mazars.com/outbound-china-2016>

Beijing. 'We need to **implement common, interactive training programmes**, and develop **work exchange programmes** as well. Since the merger, we have been

A MERGER DEMANDS AN IN-DEPTH UNDERSTANDING OF EACH OTHER

encouraged to improve our English proficiency – this pushes us out of our comfort zone and will be beneficial for all of us'. Many hurdles still lie in the way – some of them specific to the merger, as Li Liu, an audit partner working with ZhongShen ZhongHuan in Beijing,

indicates: 'We have to work hard on the development of our **human resources plan**, as well as on our **brand impact**'. **The sheer ambition that motivated the merger creates strong dynamics, and pressure to comply with high standards** in all fields. 'There are quite **high expectations** on the part of our new colleagues, and it is our duty not to disappoint them' notes Chen.

Technical excellence and **improved internal communication**, however, do not sum up what is needed in such an endeavour. As in any ambitious merger, the **cultural aspect** of the operation is key: 'Merging two different company cultures requires **adaptability and flexibility**' insists Zhang, highlighting the fact that going more local, for Mazars, also means striving to fully understand and embrace both ZhongShen

ZhongHuan's company culture and the local context.

Challenges, on the other hand, can be embraced as opportunities, and leveraging on shared values can be a sound option. The two firms present **strong similarities** when it comes to **providing quality services** to their clients and promoting a **good work-life balance** for their staff, thus paving the way for building a global platform that can bring about more career opportunities. With **more talents** joining in 2017, Mazars China is expected in the short term to account for 10 percent of the Group's turnover, making ZhongShen ZhongHuan and Mazars, combined, one of the 10 largest accounting firms in the country – **a significant milestone** in a long march.

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A LONG MARCH.’



AARON XU**Senior, Auditor, Shanghai**

The main benefits I see in the merger? Brand recognition, but also the ability to work with any type of clients, all across the nation. Simply put, that means more opportunities and more challenges.

HESTER HAO**China Desk, Mazars
in Australia**

Combined, Mazars and ZhongShen ZhongHuan gather a tremendous talent pool – specialists working together.

LI LIU**Partner, Audit, Beijing**

Due to the 'One Belt, One Road' policy, Chinese audit and accounting firms cannot escape globalisation – they are under pressure to go international. This is a game-changer for our whole industry in China.

JOAN WU**Partner, Accounting and
Outsourcing Services, Guangzhou**

Young people nowadays have their own ways of thinking, they are more independent and would prefer to take full control of their own life. Our society will need to adapt to that.

MARIKO SAKAI**Consultant, Japan Desk, Shanghai**

I was both surprised and excited when I heard about the merger. The Chinese market is very competitive – it is a market in which being able to grow fast is key.

CHAO MIN**Audit standards training manager, Wuhan**

The merger with Mazars allows us help our Chinese clients go international, thanks to a thorough expertise in accounting and auditing standards that apply in other countries.

JOEY ZHOU**Partner, Tax services, Beijing**

The next generation will be much more agile, ready to welcome all sorts of challenges in life.

THOMAS CHEN**Partner, Accounting and Outsourcing Services, Shanghai**

Younger generations in China are much more exposed to foreign cultures. This makes them much more ready to adapt to the big challenges that are ahead of us.





EMILIO WANG JIANMIN

Partner, Audit, Beijing

Chinese listed companies have embarked on an impressive journey towards internationalisation. For them, together with ZhongShen ZhongHuan, Mazars could become more than a global audit firm: a trusted adviser.

PAIGE DAI

Manager, Tax, Shanghai

I believe the merger will have a big impact on my day-to-day work – Chinese businesses going abroad will need expertise on many different tax systems. This would let me focus more on the coordination of our international tax teams.

CINDY YAN

Senior HR manager, Shanghai

Company culture and staff retention may be the biggest challenges in a merger context. I've been quite impressed by the pragmatic approach of our new colleagues – and by their focus on training programmes.

CHUNXIA DAI

Overseas project manager, Wuhan

To go towards the next step, we needed to find the right partner. Mazars made perfectly sense in terms of quality and independence.

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Is insecurity the new normal?

Knowledge-intensive

**HOW THE MASSIVE DEVELOPMENT
OF CYBERCRIME LEADS CORPORATIONS TO
RE-EVALUATE THE WAY THEY DO BUSINESS**

ON OCTOBER 21ST, 2016 A MASSIVE CYBERATTACK LED AGAINST THE INTERNET PROVIDER DYN⁽¹⁾ RENDERED THOUSANDS OF DOMAIN NAMES ACROSS THE WORLD INACCESSIBLE, PREVENTING ACCESS TO MANY LARGE AND SMALL WEBSITES INCLUDING A NUMBER OF MAJOR PLAYERS SUCH AS NETFLIX, AIRBNB, PAYPAL OR TWITTER. EVEN IF IT WAS NOT THE FIRST AND WILL NOT BE THE LAST 'DENIAL OF SERVICE' ATTACK⁽²⁾, THIS DATE MAY BE REMEMBERED AS THE BLACK FRIDAY OF CYBERSECURITY.

This episode is notable for both its significance and sophistication: the hackers launched a massive attack, using malicious traffic at the unprecedented volume of 665 gigabytes per second, by mobilising tens of millions of connected devices, called ‘zombies’ as they were remotely controlled by botnets⁽³⁾. Even though it represents only one form of cybercrime, this coordinated aggression sheds light on the risks that economic players are exposed to, and the difficulty they encounter in addressing them.

A rising form of criminality

The fast **acceleration of digitalisation** in all industries, and the fact that the **Internet is the primary vector of communication** for almost all data exchanges, have made vulnerable not only **large companies**, but also **SMEs**, associations and non-governmental organisations, as well as **public administrations** and, as a matter of consequence, states themselves. Attacks can also target individuals who are identified due to their high profile or their opinions, such as the DDoS attack led against the website of Brian Krebs, a cybersecurity blogger⁽⁴⁾. Who are the culprits? There are many of them, and **cybercrime encompasses a broad spectrum of motivations**, including simple acts of robbery as well as political activism (hacktivism) or aggression sponsored – or even masterminded – by states. In this context, every weakness is potentially an opportunity for hackers to **inflict considerable**

damage on a massive scale. As an illustration, in October 2016 Liberia, a country connected to the rest of the world by only a single Internet cable, underwent an attack against companies managing this crucial infrastructure⁽⁵⁾. Coordinated acts of aggression against a nation's strategic objectives on behalf of another state, known as '**cyberwarfare**', has led many countries to start adding this new front to their defence doctrine, following the example of the United States and its 'US Army Cyber Command'⁽⁶⁾. This situation has also led to the **creation of metrics measuring a country's maturity and proactivity** in the fight against cybercrime, like the Global Cybersecurity Index, sponsored by the International Telecommunication Union⁽⁷⁾. The explosion of cybercrime threatens, first and foremost, **financial institutions**. On February 4th, 2016, hackers

used the access codes of Bangladesh's central bank employees to send the Federal Reserve Bank of New York dozens of fund transfer orders to several bank accounts in the Philippines and in Sri Lanka through the international banking system SWIFT. Although these cyber-bank robbers managed to embezzle USD 81 million – ultimately withdrawn from the recipient accounts – their goal was much more ambitious, as the rest of the transfers – amounting to a whopping USD 850 million – was luckily frozen by the Federal Reserve Bank solely because of a typo in a recipient's name⁽⁸⁾. While the **enormous amounts of money at stake** made this an unparalleled episode, it is not a one-off incident at all, and has led some public authorities to **consider whether cyber risk is leading to systemic risk** for the entire banking system, with a potential to actually create another full-blown financial crisis⁽⁹⁾.

A phenomenon that impacts all industries and all organisations

This attack against one of the cornerstones of the international banking system, albeit digital, is a relatively traditional case of embezzlement. Still, **no organisation is insulated nowadays from the threat of cybercrime**, given that data exchanges have become the driving force and the very engine of the world economy. Attacks targeting organisations like the IRS (Internal Revenue Service) of the federal government of the United States, or the UK flag carrier company British Airways, have one thing in common: '[...] each possesses **valuable consumer data** such as names, addresses, credit card numbers, financial institution information, protected health information, and social security information⁽¹⁰⁾.'; we could also

mention other data such as IP addresses, navigation history and purchasing preferences. Virginia Rometty, IBM Corp.'s Chairman, President and CEO, talks about this prevailing trend: 'We believe that **data is the phenomenon of our time. It is the world's new natural resource**. It is the new basis of competitive advantage, and **it is transforming every profession and industry**. If all of this is true – even inevitable – then cybercrime, by definition, is the greatest threat to every profession, every industry, every company in the world⁽¹¹⁾.'

The cost of cyberattacks for businesses was estimated in 2013 at USD 100 billion, according to the Wall Street Journal. In 2015, the CEO of British insurance company

Lloyd's evaluated it at USD 400 billion⁽¹²⁾. As surprising as it looks, this fourfold increase in two years was just the beginning, according to consultancy firm Juniper's assessment, estimating the **cost for companies in 2019 will exceed USD 2 trillion⁽¹³⁾**. This might be a conservative assessment, as a significant part of cybercrime is not even detected, especially when it comes to industrial espionage, as noted by the World Economic Forum. **Beyond financial losses, the consequences for corporations** could be devastating, indirectly causing damages in at least three fields: **reputation** – endangering the confidence between the company and its stakeholders –, **existing partnerships**, and **legal liability**.

Increasing vulnerability

The rapid growth of **cloud computing** is a key risk factor for cybersecurity, given the dependency it entails on the providers of such services, and the use of the Internet as the primary communication channel between providers and their clients.

In addition, the development of the **'Internet of Things'** (IOT) is a growing risk factor. With the ever increasing exchange of data from device to device (M2M or machine-to-machine) and the poor level of built-in security for these devices, there

is a correspondent increasing vulnerability to hijacking. The previously mentioned attack against Dyn used a huge number of IOT devices with little or no protection. **The democratisation of connected objects**, used by individuals as well as businesses, is all the more significant as it is a deep-set trend in the digitalisation of the economy and society, representing a market estimated to be worth USD 11 trillion by 2025^[14].

Lastly, the growing **trend to interconnection** generates new issues: in a context of increased

outsourcing, more and more companies are giving third parties access to their resources and data. It is precisely due to network credentials stolen from a third party vendor that American retailer Target incurred a data breach that affected roughly 40 million customers, damaged the corporation's reputation with shoppers, and cut into sales. This kind of incident calls for **risk assessment and action plans extended to an entire business ecosystem**, which represents a level of complexity much higher than the protection of one single company.

A wake-up call: cyber awareness as a primary objective

Concretely speaking, **what can and what should companies do to protect themselves?**

In light of the unprecedented scale of the phenomenon, the business community is fighting back, with a priority given to **raising awareness within corporations and society at large**. Among the initiatives taken, the designation of October as the 'National Cyber Security Awareness Month', in the **United States**⁽¹⁵⁾, is one good example, followed by the **European Union** which established a similar programme⁽¹⁶⁾.

Within companies, cybersecurity must be **considered by executive boards as a strategic issue**

they must tackle, instead of as a merely technical topic; data is so important that its protection is **a business issue rather than an IT issue**. Raising concern for the matter among employees' is also a top priority: it is about creating and fostering a culture of '(...) cyber awareness where **employees recognise and avoid risky situations** and take action as instinctively as reaching for a seatbelt when they start a car'⁽¹⁷⁾. This approach is especially important with 95% of **security breaches resulting from human mistakes**. It is not about ticking boxes in a training session's checklist; it is about **empowering employees** so that they can individually take up the issue

and grasp the importance of it; **developing knowledge about the risks** to be aware of and necessary actions to be taken across the organisation; and finally, **measuring and monitoring results**. Transparency is also key: the more employees are informed about what happened during a security breach, the more likely they will comply with existing controls and even suggest new types of controls⁽¹⁸⁾.

In other words, it is permanent, long-term, user-centric action that must be instituted, aiming at **making the organisation feel responsible, as a whole, for cybersecurity**.

Defining an acceptable level of risk

Perhaps one of the greatest challenges is defining the level of risk a company is ready to live with. **Risk assessment, the first measure to take for any organisation willing to implement a cybersecurity strategy**, consists of identifying the vulnerabilities and allocating the corresponding resources to protect the data.

Instead of a strictly compliance-based mindset, **a business-oriented approach must also be adopted**; organisations should determine what data must be protected at all costs – which will always include **confidential information** about the employees and clients as well as the company's growth plans.

'It's important to **really understand what you are actually protecting**. It's easy to assume that we are all protecting the same thing, but the truth is that protecting a hedge fund is different than protecting a health care organisation' says Justin Berman, VP of Information Security at Flatiron Health⁽¹⁹⁾.

Reinforcing defences, shifting resource allocation, ERM integration

A significant number of companies today remain **insufficiently protected against cybercrime** and capable of detecting an attack. It takes ‘[...] about 256 days for [a company to identify] a malicious attack or 158 days for a breach caused by human error. The time gap allows enough time for the hacker to steal or manipulate data or infect it with virus’^[20]. As a consequence of the **growing sophistication** and increasing number of attacks, **it is common that corporations’ internal resources get overwhelmed**. ‘Quite often the IT people are confident that their security is sound and their risks are known. But that is often not the case’, Chris Hills, CEO of South African IT security firm Magix Security, indicates^[21].

For the largest corporations, increased cyber risk necessarily

involves an evolution of the organisation’s IT resources. ‘In a context of pressure on budgets, it is not about scaling up resources; the solution is to **implement tools and processes that automate the detection of incidents**, thus transferring value-added work to problem analysis’, Pierre Chakalov, director in charge of IT audit for the ‘Global Banking & Investor Solutions’ (GBIS) division at Société Générale in the Americas, explains^[22]. ‘It has a direct impact on **recruitment**, which must target more expert profiles. On the audit side, co-sourcing allows companies to follow the trend; this is what has been done with Mazars, which provided us with **resources capable of understanding code and detecting interaction patterns between applications** that could potentially harm security’.

Cyber risk is still underestimated by many companies and is not always integrated into their Enterprise Risk Management framework. The reason is simple: **leaders do not always know how to integrate cybersecurity into the traditional structure of risk prevention**. There is however a direct relationship between technological risks and business risks.

Fortunately, the appointment of a **CISO** (Chief Information Security Officer), independent from the IT teams and directly reporting to the executive board, is a path taken by a growing number of organisations. The CISO’s role is to ensure that data content, technologies and all the company’s assets are adequately protected, and to advise the executive on risks.

Multi-national entities (MNEs): an added layer of complexity

For **companies operating across several markets**, the situation is tricky: every national regulator sets its own requirements, with a direct impact on the corporation's security policy. 'Making investment that is inconsistent across different operational areas could lead to a **heterogeneous security level**, introducing a weak link within the international organisation. It is therefore critical to adopt a consistent approach of security', Chakalov asserts. 'In many countries, it is a requirement to store data within your national

borders. Yet, as soon as there are transnational transactions, **companies must comply with the most restrictive laws**, which can be troublesome, notably regarding the organisation of internal IT resources', Chris Hills underlines.

This seemingly chaotic cybersecurity-related regulation landscape, with some cutting-edge **countries leading the charge** while others tend to lag behind, may nonetheless be seen as an opportunity for MNEs, provided that expert

knowledge is available: 'As an advisory and audit firm operating in about 80 countries, Mazars gets ahead of its clients' needs. We go well beyond compliance as required in a given country, and **get inspiration from the best practices that exist in other regulation areas**', Olivier Lenel, head of Consulting at Mazars in France, highlights. 'To achieve that, it is essential to have an international team of high-calibre experts working together with a common methodology'.

The unexpected benefits of the fight for cybersecurity

While the stakes of cybersecurity are of critical importance, the changes it triggers within organisations may have some more positive impacts. Research carried out by The Economist

and sponsored by Mazars points out that 76% of financial services companies use data analysis and cybersecurity technologies to actually improve their ethical standards well beyond applicable

regulations^[23]. Taking positive steps like these ahead of the competition can only strengthen a company's reliability, reputation and brand.

Audit in the 21st century

Knowledge-intensive

AS COMPANIES CONTINUOUSLY TRANSFORM IN AN ERA OF SPEEDY TECHNOLOGICAL ADVANCEMENT, THE IMPACT IT HAS ON THE AUDIT PROFESSION IS MOMENTOUS. AUDITORS NEED TO RESPOND BY FOCUSING ON THE RELEVANCE OF AUDITS – TO CHALLENGE AND ADD VALUE FOR THE SAKE OF THE PUBLIC INTEREST

NUMEROUS CORPORATE SCANDALS AND ECONOMIC CRISES OF THE LAST TWO DECADES HAVE SPURRED MANY STRUCTURAL REFORMS WITHIN THE AUDIT MARKET. THE EUROPEAN UNION (EU), IN PARTICULAR, HAS TAKEN A BOLD STRIDE BY INTRODUCING NEW REGULATION TO CLARIFY THE ROLE OF AUDITORS, SAFEGUARD THEIR INDEPENDENCE, FOSTER A MORE DYNAMIC AUDIT MARKET, AND IMPROVE THE OVERSIGHT OF AUDITS PERFORMED IN THE EU. REGULATORS AND INTERNATIONAL STANDARD SETTING BODIES ARE TAKING ON A GREATER ROLE BY ANTICIPATING VULNERABILITIES AND INTRODUCING STANDARDS TO PREVENT FUTURE MELTDOWNS. IN OUR YEARBOOK 2015, WE SHARED OUR OWN BELIEFS ON THE ROLE OF AUDIT AND ITS VALUE FOR THE BUSINESS COMMUNITY AND FOR SOCIETY AS A WHOLE⁽¹⁾. THIS YEAR, IN ORDER TO FOSTER OPEN DEBATE ON THE STATE OF TODAY'S AUDIT, BUT ALSO TO UNDERSTAND THE EVOLUTIONS THAT WILL IMPACT THE WAY AUDITORS WILL DO THEIR JOB IN THE FUTURE, WE ASKED THREE EXPERTS FOR THEIR INSIGHTS.

Here is what Eddy Wymeersch, Chairman of the Public Interest Oversight Body (PIOB)⁽²⁾, Pablo Perez, Senior Advisor on Accounting, Auditing and Disclosure at the Financial Stability Board (FSB)⁽³⁾, and Joe Perry, Member of the Secretariat of the FSB, have to say about the present and future of our profession⁽⁴⁾.

Q. More often than not, regulation is viewed as a burden by the private sector. From your perspective, do you think that this is the case for the audit market?

PABLO PEREZ:

With the clarification that the FSB is not an accounting or audit standard setter, we view regulation as a matter of incentives. It's about striking the right balance between preserving the public good on one hand, and respecting private choice on the other. Regulation should not dictate entrepreneurship: it is the management's responsibility to make decisions on business strategy. The regulators' responsibility is to preserve the public interest. Sometimes striking a balance between different objectives can be difficult. It really depends, however, on how incentives are developed. For audit firms, such incentives could relate to firmly basing their reputation on technical expertise and preserving their independence, which improves audit quality and serves the general interest through enhanced investor confidence. In general, I think

EDDY WYMEERSCH:

auditors understand they are in fact providing a public good.

I think the question should be considered differently. Most of the profession recognises that standards are guidelines for auditors worldwide. A point that is rarely mentioned is that standards enable auditors around the world to speak the same language. For instance, if auditors talk about independence, they should know what it really means; and if there is a doubt, they can always refer to the standards. Also, standards create a universal foundation that can be applied anywhere. Each country can then choose to further build upon those standards. Moreover, it allows auditors to be active in different jurisdictions as the same baseline standards will apply. Therefore, when adopting international standards, it is important to maintain a level of flexibility, as these standards are meant to be applied across numerous countries that have different systems. When standards or regulation are considered as a burden, it is often related to complexity and precision. That is the issue that often instigates complaints.

Q. Businesses are facing challenges as a result of globalisation, technological development, and generational change. Taking this into account, do you believe that auditors are looking at the issues that truly matter? And what will be the issues that will matter in tomorrow's world?

PP: Indeed, the world is changing at a rapid pace. With advances in technology, the way audits are conducted will no doubt change, especially with the growing use of big data and artificial intelligence, which will greatly enhance tracking and analysis capabilities and likely make techniques such as sampling less relevant. This will particularly affect audit tasks often performed by junior staff –such as year-end inventory. For instance, some audit firms are using drones to more accurately determine the size or volume of inventories in the manufacturing, retail and natural resources industries. However, it is essential to keep in mind that the main goal for auditors will remain the same. Technology will not change the key audit matters in tomorrow's world, and being able to determine whether financial statements fairly and accurately depict the financial position will still be the ultimate goal.

The introduction of technology may change the way auditors work, but will not change their fundamental purpose.

EW: From my understanding, the audit activity will change from what is today very burdensome verification tasks. The basic, tedious parts of the audit will be performed by computers. Does this mean that the role of auditors will become superfluous? Absolutely not. It's rather the opposite! Auditors will be more engaged in the judgmental process, in ensuring the critical eye, the decision-making, the documentation of decisions, and the presentation of these decisions to the market. This is much more difficult, yet at the same time much more valuable and intellectually rewarding. As for the numerous new issues that will be important for auditors tomorrow, the threat of cyberattacks will need to be integrated in the risk assessment part of the auditors' work. There are more and more cyberattacks today, and auditors will need to check whether the existing procedures, programmes and mechanisms put in place by the audited entity are sufficient. And if any doubts arise, they should point out to the management that additional steps should be taken to make sure that the management improves cybersecurity.

Q. There is a growing perception that statutory audits are becoming a commodity in today's world. Is this a fair description of the reality? What should constitute the added value of audits for companies and for the public good?

PP: I would not talk about a full, outright commoditisation. However, this is a common concern for regulators, as they see an increasing trend in relinquishing some of the main roles that the audit profession was meant to fulfil. For instance, there is pressure on the managers of audited companies to release financial statements sooner – and ahead of peers – especially in certain sectors, such as financials. That may in turn press to unduly accelerating audits, but auditors must remember their responsibility is towards the board of directors and the audit committee, not management; they must follow the facts and report any material concerns. Related to this, there is an increasing use of the materiality excuse, especially when auditors become aware of something that might be considered capable of rocking the boat. It is the auditors' responsibility to determine whether identified red flags are material, and whether they should be further investigated and reported. Crunching the numbers will not suffice. Auditors will have to take into account the qualitative aspect to

determine whether those red flags are material. Also, we observe there is an increasing reliance on management's assumptions, and this has been flagged consistently. It is one of the main duties of the auditor to contest those assumptions and apply professional scepticism. That is precisely where the auditor adds the most value. Once again, audit should not boil down to merely crunching numbers and determining technical compliance with the accounting standards. Clean reports provide trust on a company's financial position, so professional scepticism is a must in determining whether management assumptions are realistic and whether financial statements fairly represent the business.

EW: I agree that there is a growing perception that audit will become a commodity. Some parts of audit, the parts that can be automated, can become a commodity, but the rest will certainly not. The role of auditors will be upgraded to a much higher level. Indeed, technology will change the audit function and process, but we will need more and more experts. Valuation issues especially under the new accounting standards, will require deep expertise. Scepticism cannot easily be captured in a computer algorithm. Some judgments will require

legal assistance. And increasingly auditors will have to assess business judgments. It is in the public interest that these new functions are well framed.

Q. The audit profession is facing pressure to decrease the cost of audits while expecting to ensure greater quality financial reporting to favour fair and transparent financial markets. How can we achieve these two objectives? What would your recommendations be?

PP: I would not refer directly to costs; the audit industry is not precisely a predatory environment characterised by fierce competition. Rather, I think we have to bear in mind that the business model of audit firms is changing, and the contribution of non-audit services to their overall revenues is increasing. This may be changing the balance of power within audit firms, and putting pressure on audit engagement partners to be more efficient. But even if these ancillary services are more lucrative, they may be considered to affect the independence of an audit firm, and thus also impact its reputation and hence the firm's franchise value. Again, this puts pressure on firms to focus on their basic assurance goal.

EW: I can tell you that in one of the standard setting boards I attended, I drew attention to this point. I think the fees are clearly insufficient, I don't know how this will evolve in the new landscape where you have more automation. However, with the fees decreasing, the best people in the audit firms might go to the non-audit services part of the firm because there is more money to be made and, as a consequence, there is a fear that the audit could increasingly be in the hands of those who are not necessarily the most motivated. To address audit fees, we need to strengthen the procedure by which the auditors are hired. This is a governance issue: the auditors need to be hired by the full board on the proposal of the audit committee at a correct price with a clearly defined scope and mandate. This procedure should not be managed by the company's human resources, as I was once told! There have been instances when companies have laid off their auditors for lack of quality, which was a response to the audited company's unwillingness to pay suitable fees. We could compare it to purchasing insurance: if you pay a cheap premium, you are likely to receive cheap coverage.

Q. Europe has taken a bold step with the EU Audit Reform. Do you think that this regulation will improve the way audits are performed in the EU?

PP: I think it is clearly a significant step forward. However, mandatory rotation might create an environment of musical chairs where the biggest firms swap audit mandates amongst themselves. In this sense, there seem to be concerns around the re-rendering of audit engagements, with firms having created specific departments to deal with the related procedures. The ideal scenario would be to see this leading to significant improvement in the quality of audits and an eventual increase in the number of players within the audit sector. Again, I think that we need to focus on the basics: audit quality and auditor independence. Audit firms must never forget they are serving the public good. They should be continuously reminded that their client is not management but the audit committee and the board. Broad changes in the business model of audit firms also need to be addressed, while being aware of the key focus on challenging

assumptions, following on leads, and gathering the evidence needed to determine material misstatements. And in the end, being able to provide an opinion as to whether financial statements are a fair depiction of the financial position of the audited company.

EW: The EU has adopted a regulation which is directly applicable in EU Member states at a higher level of proficiency. What I mean is that the regulation is stricter than the international standards and quite different. For example, audit firm rotation has not been introduced in international audit standards, mostly because many countries, and particularly the United States, view this model as too disruptive. The EU has adopted a much more stringent view regarding the audit profession and that is what you find in the new regulation. The United States have a different point of view, and it is important to consider that in practice liability for auditors is much stricter in the US than in Europe. That is the reason why American auditors are afraid of having generally formulated standards. They want to do box-ticking, and they tend to believe this will

protect them against liability. This of course influences the development of international standards.

I don't know if the EU will apply international standards on audit (ISAs). In the legislation, there is a provision saying that the EU could adopt these international standards provided that are subject to sufficient public interest oversight, maybe referring to the PIOB's oversight activity.

I understand that the EU is not, at present, willing to do that because they believe that the international standards are too lax. The United States is now looking more closely to what the EU is doing. But keep in mind that the American administration and essentially the PCAOB^[5] do not have the same manoeuvring room as EU institutions.

You know that Congress in the United States has imposed a certain number of very strict no-go zones, and rotation is one of them.

Q. Climate change is an immediate concern, and world governments have made an important stride in engaging the international community to limit global warming to less than 2 degrees Celsius. Will auditors play a role in this engagement? If so, in what sense?

JOE PERRY:

Our work on this issue is ongoing.

In April 2015 the G20 asked the FSB to consider risks related to climate change and, in response, the FSB proposed the creation of an industry-led task force, chaired by Michael Bloomberg, to develop recommendations on climate-related financial disclosures. Appropriate disclosures are a prerequisite for financial firms not only to manage and price climate risks but also, if they wish, to take lending, investment or insurance underwriting decisions based on their view of transition scenarios. The Task Force on Climate-related Financial Disclosures (TCFD) was launched in January 2016, with the aim of developing a set of recommendations for consistent, comparable, reliable, clear and efficient climate-related disclosures by companies. These recommendations will apply broadly to financial and non-financial firms.

The TCFD published a set of recommendations for consultation in December 2016. The recommendations focus on disclosure of how a firm's governance, risk management and strategy are impacted by climate change together with disclosure of risk metrics. The final report will be presented to G20 Leaders ahead of their Summit in July 2017.

PP: The Task Force believes that publication of climate-related financial information in mainstream financial filings will help ensure that appropriate controls govern the production and disclosure of the required information.

EW: I see that quite a lot of companies already have environmental reports. What is the content of that and how solid is it? I cannot say for sure. However, I do believe that over time auditors will have to consider such issues as well. The question then will be about how they will move into this field? I think that most of the time they will not be able to do it themselves. Instead they will have to seek the help of environmental experts who can make the necessary judgment. That is what they often do in other fields.

'Audit firms must never forget they are serving the public good. They should be continuously reminded that their client is not management but the audit committee and the board.'

— Pablo Perez

Mazars' point of view

These insights illustrate the true significance of the audit market reform movement in which Europe is playing a prominent role. This reform recognises the value added by auditors in the service of the public interest and as such makes audit committees and auditors more aware of their responsibilities. We believe that the rapid evolution of technology, combined with these regulatory changes, will make audit a better performing and more attractive profession, thereby creating a new dynamic and sustainable business model for the industry.

(1) 'The Audit Manifesto', in *Creating Shared Value* - Mazars Group Yearbook 2015, pp. 16-17. <http://www.mazars.com/The-audit-manifesto>

(2) The Public Interest Oversight Board (PIOB) is an international body that oversees the International Federation of Accountants (IFAC) and seeks to improve the quality and public interest focus of the IFAC standards in the areas of audit, education, and ethics. <http://www.ipiob.org/>

(3) The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. It was established after the 2009 G20 London summit. The Board includes all G20 major economies and the European

Commission. It is based in Basel, Switzerland. <http://www.fsb.org/>
The views expressed by the interviewees are personal opinions and do not necessarily reflect the views of the FSB and its members.

(4) These interviews were conducted separately.

(5) The Public Company Accounting Oversight Board (PCAOB) is a private-sector, non-profit corporation created by the Sarbanes-Oxley Act of 2002 to oversee the audits of public companies and other issuers in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. <https://pcaobus.org>

Luxury: ethics at the heart of value creation

**BRANDS ARE EXPECTED TO ADOPT NEW
PRACTICES AND INTEGRATE ETHICS INTO
THEIR BUSINESS MODELS**

TIMES HAVE CHANGED IN THE WORLD OF LUXURY. FOR NEARLY TWENTY YEARS, ENVIRONMENTAL CONCERNS AND ETHICALLY INFLUENCED CONSUMER HABITS HAVE INCREASINGLY TRANSFORMED AN INDUSTRY WHICH IS VALUED AT CLOSE TO EUR 250 BILLION WORLDWIDE⁽¹⁾. FOR MAJOR BRANDS, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY HAS BECOME A STRATEGIC PRIORITY. FOR A NEW GENERATION OF INNOVATIVE ENTREPRENEURS, ETHICAL GOALS ARE A POTENT MOTIVATOR AND AN EFFECTIVE ANSWER TO THE CHALLENGES OF ECONOMIC DEVELOPMENT. SUSTAINABLE GROWTH HAS BECOME ESSENTIAL, AND INDUSTRY MEMBERS THAT LEAD BY EXAMPLE TEND TO CREATE A BALANCE BETWEEN EXPERTISE, CULTURE TRANSMISSION, HUMAN RIGHTS, LOCAL DEVELOPMENT AND THE PRESERVATION OF NATURAL RESOURCES.

A major player in auditing and consulting for the luxury industry, Mazars has conducted an international study to measure the impact of this new approach to the entire value creation chain and to show how ethical concerns have become both a key challenge and a lever for growth.

Four major phases in the history of luxury

While the phenomenon isn't unique to the luxury sector, it is sharply felt there: since the 2008 financial crisis, **ethics have become a fundamental motivation** for a growing number of businesses. It is no longer enough to dabble in philanthropy or to peddle an image of being socially and environmentally responsible. Companies are expected to go above and beyond by **adopting new practices** and integrating values at the heart of their business models. This is confirmed by Sylvie Bénard, Environmental Director at LVMH: 'Our model rests on the trust of our clients and on the exceptional quality of our products. **Beyond ethics, setting an example is therefore first and foremost a business challenge**'.

Between 1950 and 1970, the luxury industry's growth relied exclusively on the quality and longevity of its products. Over the course of the following two decades, the manufacturers' desire to make their products available to the greatest number of people possible led to a huge **increase in production volume** – which in turn led to the rise of counterfeiting. During the 90s, the first large international

conferences on the environment paved the way for the emergence of **ecological and social concerns**, and their **growing convergence with economic issues**. Value creation became underpinned by the promotion of a local, artisanal production model featuring **a true partnership-based view of relationships with subcontractors**. This approach not only aims to **limit negative externalities**^[2] anymore (the impact on the environment, for example), but has also developed in to a more 'proactive' stance, with the emergence of business models based on strong ethical requirements. **Growing brands get involved with local development projects and become engaged citizens themselves**. In other words, they want their value creation processes to serve a higher purpose; and in doing so, they embody the transition from the concept of corporate social responsibility to that of **creating shared value**^[3].

Raw materials: transparency and innovation

This 'activist' ambition encompasses **all stages of the value creation chain**, from the procurement of raw materials to distribution and sales. Leather, fur, plant fibres, gems and precious metals are the raw materials most used by the luxury industry. It is estimated that between 1999 and 2001, leather goods, gloves, shoes, and clothing used some 5.7 million tonnes of raw leather that came from a population of around 1,500 million cattle. In the case of fur, 56 million animals are used each year and around 85% of them come from specialised farms. 30 million tonnes of plant fibres are produced annually, primarily for use by the textile industry. Diamonds have become a safe investment and their international market is estimated at EUR 33 million, with demand set to double by 2020.

Alongside these traditional materials, a **growing number of young brands** are using **new and innovative materials** that are more environmentally friendly. These include British labels Shrimps, Stella McCartney, and Beyond Skin, all of which use only faux leather and fur. Another rapidly growing practice is **upcycling**, which involves reusing

waste to create high-quality products. Yves Saint-Laurent's 'New Vintage' collection was created using recycled fabrics from previous seasons, while Hermès' 'Petit h' is a collection of accessories and toys made using scraps from the brand's workshop. Both have contributed to **the promotion of a circular economy**.

In addition to these innovative approaches, luxury brands are also involved in the use of organic and biodegradable leather, fur and plant fibres, hence eliminating potentially toxic chemical products. This **ethical sourcing of materials** has been spurred in particular by the Greenpeace 2012 report on hazardous chemicals used in the production of fashion items⁽⁴⁾. The international NGO was back again in 2015, releasing a list of businesses that had taken no steps away from the use of toxic materials since 2012. **Faced with consumers' increasing awareness**, several brands are now using organic fabrics for their collections, and have obtained the Global Organic Textile Standard (GOTS) label that certifies the percentage of fibres derived from organic agriculture⁽⁵⁾. Furthermore, the demand for quality materials by brands has **sometimes helped**

A double challenge of protecting and promoting territories

to protect endangered animals.

'The agreements passed in Peru between some vicuña breeders and designer Loro Piana have contributed to the protection of the species, while providing the designer with a raw material of exceptional quality', says Bénard.

In addition to limiting negative externalities, these approaches amount to a real strategic choice.

By ensuring the health of consumers, brands offer themselves new opportunities for value creation. President of the Chamber of Italian Fashion Carlo Capasa explains: **'In our industry, there is no future without sustainable development [...]** 13% of buyers have criteria pertaining to sustainable development. This may seem low, but it is a lot if we consider that two years ago the figure was 2%.'

The luxury industry's key players have developed real commercial ecosystems in regions that are often symbolic of their brand identities. They now contribute to the creation of an **'intangible collective heritage'** based on the perpetuation of

artisanal skills and the **development of networks of stakeholders** that ensure the origins of products, quality of manufacturing, and control of impacts. This results in initiatives that aim at **saving resources** and minimising their carbon footprint, via eco-packaging for example. In a more 'positive' way, it also aims at **promoting local skills** and artisans. In 2006, the *Entreprises du Patrimoine Vivant* (Living Heritage Companies) label was created in France to promote companies that have '(...) an economic heritage, composed of a particularly rare or ancestral skill, based on the mastery of traditional techniques or high technical skills and that is ascribed to a territory' . Moreover, recent years have seen the **birth of a 'New Luxury'** that gives brands a highly efficient vehicle for local development. For example, Norlha Textiles works exclusively with yak hair from the Tibetan plateau.

The challenge of human resources and craftsmanship

Businesses in developing countries tend to focus on wages and working conditions, while in wealthier areas, they seek to **preserve local knowledge and craftsmanship**, and create a higher value for artisanal skills generally. Added costs generated by local, non-industrial and hand-made production are compensated for by the additional value created by the production process and story. Fendi, Hermès and Chanel have for instance all launched initiatives to highlight their brands' intangible heritage that stems from their local roots. Via its Paraffection subsidiary, founded in 1985, Chanel buys out and salvages local French craft-based businesses which feature a wealth of specialised expertise. 'It is not to be charitable' says Chanel CEO Bruno Pavlosky, 'the programme is about **supporting exceptional craftsmanship skills that in the end bring value to us.**' In order to protect and promote these local and specific skills, the major challenges are education and training. 'At LVMH, we've set up **apprenticeship programmes** at group level and within many of our brands', says Bénard. **These programmes also**

contribute to the advancement of communities, particularly in countries where they can both help save traditions and offer a valuable job, when opportunities offered by a 'classic' education are very limited.

An increasing number of brands have also joined the fight against discrimination and have come to the aid of **communities located around sites of production.** The long-term goal is often to facilitate access to work for the most disadvantaged people. In India, the 'My Paper Bags' collection by Myomy Do Goods is produced by artisans belonging to the lowest castes.

Consume less, but more ethically

In addition to **quality**, the consumers of luxury products have now added **transparency** and **sustainability** to their list of requirements. Being better informed, they tend to favour both quality and long-term investment. This new paradigm requires brands to show an ethical and sustainable commitment, which highlights the question of **traceability**. 'Leading luxury brands have developed audits that they perform themselves or entrust to independent contractors', explains Bénard. Jewellery is an example of an industry in which traceability has become a key issue in terms of image. The 'Kimberley Process' was launched with a view to address the **concerns of public opinion** surrounding the provenance of raw diamonds; its member countries now account for 99% of worldwide production.

What are the incentives for ethical value creation?

There are two aspects to the incentives for implementing new practices and new, more ethical and responsible standards – on one hand there is the development of regulation at local and international levels, including charters and labels, and on the other there are the

businesses' own initiatives. If **regulation** creates minimum standards, they're seldom specific. In the luxury industry, two areas in particular are affected – jewellery with the above mentioned Kimberley Process, and fur, for which the constraints are regional and very heterogeneous. Fur farms are completely forbidden in the whole United Kingdom and in six out of nine federal states in Austria. They have been rendered economically unviable in Switzerland, but they remain largely unregulated in Canada, China and many other countries.

Meanwhile, **labels, which the industry itself created**, allow brands to demonstrate their engagement over a number of well-defined criteria that they can then communicate to their customers. Some of them are today recognised labels such as the 'Responsible Jewellery Council' (RJC) label, which was created in 2005 by an alliance of prestigious companies such as Richemont, Cartier, De Beers, and Tiffany, to **promote ethics, human rights and environmental protection** across the whole jewellery value chain.

‘Our model rests on the trust of our clients and on the exceptional quality of our products. Beyond ethics, setting an example is therefore first and foremost a business challenge’.

— Sylvie Bénard, LVMH

Another one is the 'Cosmetic Valley' charter that attests to an eco-friendly approach in the perfume and cosmetic industry . Others remain more regional or confidential. For brands, steps have been taken to define and implement best practices. To go beyond greenwashing, a superficial façade of environmental concern which consumers typically see right through, patronage has been developed, through partnerships with NGOs and the creation of foundations (Fondation Louis Vuitton and Kering Foundation to improve women's lives for example). Even though it generates concrete results, patronage is however not directly linked with actual business activity.

The promotion and communication of best practices are **driven by the need to build strong relationships with stakeholders**, who can choose the brands with whom they will engage according to ethical and sustainable criteria. Finnish auction house Saga Furs has been working since 2005 towards the improvement of welfare for animals being raised for the fur industry, starting with **educating brands**, and working with them to create new standards that go beyond current regulation.

The programme went on to include visiting farms and educating them on these requirements; only the breeders complying with the required standards are able to remain fur suppliers to the brands that partnered with Saga Furs. Similarly, thanks to its notoriety and to endorsements from celebrities such as Vivienne Westwood and Beyoncé, the online sales platform NJAL (Not Just a Label) can now influence brands and lead them to adopt ethical and sustainable practices.

Society therefore has a major influence, but brands themselves are also able to adapt their governance to these new requirements, deploying CSR management resources as well as steering and reporting systems. 'Businesses still need to enhance their skill level in dealing with environmental matters' asserts Bénéard. 'That is why we created our 'Academy of the Environment' designed for marketing, finance and purchasing managers. The idea is to give them the **necessary scientific knowledge** and the ability to **integrate environmental issues into their strategic thinking**'.

Three distinct approaches

Some players have already decided to integrate a green, global accounting so as to assess the environmental impact of their activities from the production of raw materials to logistics to the sale of products to clients. Kering was at the forefront of this movement, giving equal importance to its financial statements and its 'Environmental Profit & Loss Account'. These ethical challenges are not the only ones that must be addressed by the luxury industry, which faces other powerful trends such as the general slowdown of growth in the luxury market, its hyper-segmentation, and also, perhaps in a counter-intuitive way, digitalisation, with six out of every ten sales already being influenced by digital media.

An analysis of the links between ethics and value creation in the luxury world reveals three types of business ecosystems:

1. **Independent brands** that have adopted a risk management strategy. Their approach is often reactive, and they engage in ethical and environmental approaches to respond to the requirements of their stakeholders, rather than on their own.

2. **Large groups**, for which the image issue is critical, and which have started to transform their business models. Often subject to increasingly demanding regulation, including the publication of non-financial indicators, they understand that ethics can be strategically leveraged to create value. They have the resources necessary to define their standards and ensure control. In addition, their size allows them to impose standards across their whole value chain.

3. **Activist entrepreneurs** who have placed ethics at the heart of their model. They are built around best practices and therefore do not need to rebuild or adapt their value chain. Supported by NGOs, they also benefit from sales platforms such as NJAL which present their products to the global market. They are the pioneers of 'slow fashion' and just might foreshadow the future model for the luxury industry. Their success will demonstrate that ethics and sustainable development are not only able to be leveraged for value creation, they are a prerequisite.

Read Mazars' study: **Luxury: ethics and value creation'** at www.mazars.com/luxury2017



[1] Estimate as of 20/10/2016 for the personal luxury goods market. 'The Global Personal Luxury Goods Market Holds Steady At €249 billion Amid Geopolitical Uncertainty'. <http://www.bain.com/about/press/press-releases/spring-luxury-update-2016.aspx>

[2] In the economics theory, a negative externality is a cost that is suffered by a third party as a result of an economic transaction. In a transaction, the producer and consumer are the first and second parties, and third parties include any individual, organisation, property owner, or resource that is indirectly affected. http://www.economicsonline.co.uk/Market_failures/Externalities.html

[3] 'About shared value' in *Creating Shared Value* - Mazars Group Yearbook 2015, p. 5. <http://annualreport.mazars.com/yearbook2015>

[4] <http://www.greenpeace.org/international/en/publications/Campaign-reports/Toxics-reports/Big-Fashion-Stitch-Up/>

[5] <http://www.global-standard.org/certification.html>

[6] in '*Luxury: ethics and value creation*', a Mazars study. <http://www.mazars.com/luxury2017>

[7] <http://www.patrimoine-vivant.com/en>

[8] The Kimberley Process (KP) is a joint governments, industry and civil society initiative to stem the flow of conflict diamonds – rough diamonds used by rebel movements to finance wars against legitimate governments. <https://www.kimberleyprocess.com/>

[9] <http://www.cosmetic-valley.com/actualite/developpement-durable/charte-pour-une-cosmetic-valley-eco-responsable.html>

[10] 'Digital or Die: The Choice for Luxury Brands'. <https://www.bcgperspectives.com/content/articles/technology-digital-consumer-insight-digital-or-die-choice-for-luxury-brands>

Skydiving without a parachute?

Knowledge-intensive

**WHEN TAX TRANSPARENCY
BECOMES A BUSINESS ISSUE**

ALTHOUGH TAX STRATEGY AND TAX TRANSPARENCY HAVE BEEN VERY HIGH ON THE AGENDA IN THE BOARDROOMS, MULTINATIONAL ENTITIES (MNES) HAVE FACED AN UNPRECEDENTED AMOUNT OF CHANGES AND UNCERTAINTY. THESE PROFOUND TRANSFORMATIONS OF TAX REGULATION ON ALL CONTINENTS HAVE BEEN DRIVEN BY GAME-CHANGING INITIATIVES SUCH AS THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)'S ONGOING WORK ON THE BASE EROSION AND PROFIT SHIFTING⁽¹⁾ (BEPS) PROJECT, THE EUROPEAN UNION'S FOCUS ON STATE AID INVESTIGATION, THE EU PROPOSED ANTI-AVOIDANCE DIRECTIVE, THE RE-LAUNCH OF COMMON CONSOLIDATED CORPORATE TAX BASE (CCCTB)⁽²⁾, THE US TREASURY DEPARTMENT'S WHITE PAPER ON TRANSFER PRICING AND STATE AID, AND THE INCREASED, BUT INCONSISTENT, ENFORCEMENT OF PREVIOUSLY EXISTING RULES IN MANY TAX JURISDICTIONS.

Europe charging ahead

The transfer pricing and international tax landscape have been rapidly evolving over the past year, leading businesses to face **increased administrative burdens and cost of compliance**.

The European Union (EU) has been the strongest voice for tackling aggressive tax planning and has acted as the leading **ambassador of transparency**. The European Commission issued several state aid decisions, concluding that some member states granted **illegal state aids** to certain MNEs. Commissioner Margrethe Vestager, in charge of competition policy, emphasised that 'Europe is open for business, if you want to do business, but maybe not so open if you want to come for tax avoidance'^[3]. While 'It is vital that Europe takes up the **leadership in the fight against tax evasion**' according

The European Union has been the strongest voice for tackling aggressive tax planning

to the Nobel Prize-winning economist Joseph E. Stiglitz^[4], this powerful thrust is so unprecedented that it is actually raising worries among Europe's main trade partners. As a matter of fact, then US Treasury Secretary Jacob J. Lew and his staff engaged extensively in 2016 with the European Commission to express their concerns related to its state aid investigations. In a letter to Commission President Jean-Claude Juncker in February 2016, they urged the Commission to reconsider these new actions, while **reaffirming the US commitment to continued collaboration through the BEPS project**. They pointed out that 'The Commission's actions could threaten to undermine foreign investment, the business climate in Europe, and the important spirit of economic partnership between the US and the EU'^[5].

Other aspects of the **growing demand** for tax transparency include the new legislation adopted in the United Kingdom in March 2016, which requires large global businesses to disclose their tax strategies publicly, but also the requirement of country-by-country (CbC) reporting in an increasing number of jurisdictions. Endorsement of CbC Reporting by the G20 and the EU marks a new area of transparency, opening the door for future changes. As a consequence of these regulatory evolutions, businesses with a global footprint have to comply with an ever-growing number of tax reporting obligations. In addition to what can be seen as an increased administrative burden, some businesses point out the specific risks that stem from international regulation, due to the

Businesses with a global footprint have to comply with an ever-growing number of tax reporting obligations

necessary coordination between countries. According to Erik Knijnenburg, the Global Head of Tax & TP of retail giant H&M, 'BEPS did not succeed in stopping countries from taking what they could get out of [the project] and then moving on to do whatever is in their own interest!⁽⁶⁾'. Ian Brimicombe, Global Head of Tax at Astra Zeneca, adds: 'As a company which operates in over 80 countries, we favour such overall initiatives as BEPS, but see the potential for multi-speed application and differing interpretation of transfer pricing guidelines as a significant challenge to manage. If governments fail to agree on the basis for profit allocation in respect of multi-national organisations, then the higher tax costs will have a meaningful drag on global economic activity⁽⁷⁾'.

A foundation of corporate reputation

Going beyond mere compliance with these obligations, **forward-thinking businesses understand that transparency is a foundation of their reputation** and are increasingly focused on rethinking their existing policies and strategies, taking into account the developing tax information demands on the part of their key stakeholders, while striving to minimise the risk of misinterpretation of the data^[8].

Reputational risk is one of the most important risk factors for businesses, with a potential to weaken brands within a short period via an eroding customer base. Corporations have actually never been under such tight scrutiny: Twitter, Facebook, WeChat, LinkedIn and other social networks boast millions of users

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and nobody can deny that they have taken the world by storm. These new media have the power to heavily **influence consumer habits** and, as a positive effect, generate billions for businesses; on the other hand, one tweet can start a chain reaction, putting a brand into the spotlight, crashing its share price and more. It becomes increasingly clear that not having the right tax strategy or not complying with emerging requirements could attract unwanted attention and questions from a large number of stakeholders.

In this new situation, a high volume of information is now available to the customers and other stakeholders, who use social media to interact with each other. Underestimating how informed

their external stakeholders are is now, for MNEs, tantamount to 'skydiving without a parachute'.

With **initiatives such as BEPS, which increases the awareness around MNEs' tax planning techniques**, and non-governmental organisations that can now challenge and publicly disclose the names of businesses that are not complying with new tax requirements, consumers have all the information they need to make their purchasing decisions, based on ethical criteria.

Businesses that refuse transparency, or are not seen as **honest and willing taxpayers**, will increase their reputational risk and could lose significant market shares. 'Reputation is extremely important to companies [such

Consumers have all the information they need to make their purchasing decisions, based on ethical criteria

as ours], which invests significant resources in compliance and in meeting statutory obligations including those relating to disclosure and transparency', adds Brimicombe.

Understanding compliance as a lever for value creation

What may appear as a growing burden on the shoulders of businesses can, on the other hand, be seen as **a source of value creation and innovation**.

Sharing more information and publishing tax strategies is **proof of compliance** with reporting rules. It is also a strong sign of **a business' willingness to build and strengthen good relationships** with its customers and other stakeholders, by demonstrating how serious they are at being honest taxpayers, or in other terms 'good corporate citizens'. Tax advisers have a critical role to play in leading businesses toward a new tax approach, providing them with insights, and assisting companies with future-proof options. Tax advisers also can **lift the administrative burdens of tax executives**, educate them and

Tax advisers have a critical role to play in leading businesses toward a new tax approach

facilitate real-time compliance.

It seems clear, however, that finding solutions that can both ensure good corporate citizenship and be a lever for value creation will require **taxpayers, tax advisers and tax authorities** to further work together. 'Co-operative compliance as set out by the OECD is the ideal way for tax administrations and corporates to work together', concludes Paul Morton, Head of Group Tax for the RELX Group.

'The focus on anti-avoidance as well as the global need to raise revenue yield has placed some negative pressure on co-operative compliance and **a renewed push by all involved is needed to ensure that we move forward positively**, rather than slip back into the more adversarial and inefficient style of operation which was prevalent in the past⁽⁶⁾.'

[1] Implementing the BEPS package. Building an inclusive framework. <http://www.oecd.org/ctp/beps/>

[2] European Union - Common Consolidated Corporate Tax Base https://ec.europa.eu/taxation_customs/business/company-tax/common-consolidated-corporate-tax-base-ccctb_en

[3] 'What you need to know about Margrethe Vestager, the politician going after Apple'. Rachel Butt, Business Insider, Aug. 30, 2016. <http://uk.businessinsider.com/margrethe-vestager-european-commission-apple-2016-8>

[4] Audition before the European Parliament's inquiry committee on the

'Panama papers', Dec. 12, 2016. <http://www.europarl.europa.eu/news/en/news-room/20161114ST051063/stiglitz-on-fighting-tax-evasion-europe-can-have-a-very-significant-impact>

[5] <http://blogs.mazars.com/letstalktax/2016/08/eu-comm-state-aid-apple/>

[6] Interview conducted in October 2016.

[7] Interview conducted in September 2016.

[8] 'Tax transparency: clarity without explanation is no answer to the question' in *Creating Shared Value* - Mazars Group Yearbook 2015, pp. 22 sq.

Preventing corruption: transformation at the heart of business models

**SHIFTING FROM MERE COMPLIANCE
PRINCIPLES TO A PROGRAMME
THAT ELEVATES BUSINESS PERFORMANCE**

CORRUPTION IS A REALITY THAT, IN SPITE OF AN INCREASING STRUGGLE AGAINST THE PHENOMENON, STILL ACCOUNTS FOR A SIGNIFICANT 2% OF THE GLOBAL WEALTH PRODUCED EACH YEAR, REPRESENTING BETWEEN 1.5 AND 2 TRILLION DOLLARS, ACCORDING TO THE INTERNATIONAL MONETARY FUND⁽¹⁾. CORRUPTION IS A CONCEPT DEFINED BY THE TREATIES ON THE MATTER⁽²⁾, AND WHICH TAKES TWO FORMS, NOT ONLY AS ACTIVE CORRUPTION (OFFERING MONEY OR SERVICES TO POWER HOLDERS IN RETURN OF UNDUE ADVANTAGES) BUT ALSO PASSIVE CORRUPTION (ACCEPTING THAT MONEY OR SERVICE, WHICH MAY CONCERN ANY PERSON OR ORGANISATION HOLDING DECISION-MAKING AUTHORITY). WHILE THE CONCEPT ALWAYS REFERS TO THE VIOLATION OF LAW AND/OR MORAL PRINCIPLES, IT HOWEVER ENCOMPASSES A DIVERSITY OF SOCIO-CULTURAL REALITIES IN DIFFERENT TIMES AND PLACES.

A social, political and economic issue

Those wide disparities in **perceiving and handling corruption** are frequently correlated to the way societies generally consider civic and moral standards. Indeed, '(...) corruption is less likely to thrive within a context of high moral standards, civic-mindedness on the part of the general public, and sense of duty on the part of public servants^[3].' Although one cannot overlook the idiosyncratic nature of local cultures in this matter, it is more important to notice the **gradual implementation, at a global scale, of mechanisms aiming to fight actively against corruption.**

These mechanisms stem from moral principles as well as from the assumption that **corruption represents**, for any socio-economic system, not only an **infringement of a 'free and fair competition' principle^[4]**, but also **additional costs** that burden the economy as a whole.

More significantly, corruption '(...) grows out of and helps sustain low levels of political and economic competition. (...) It weakens institutions that protect the growth of active markets and political processes, and that define and link the political and economic arenas in legitimate ways. Thus, a growing body of evidence suggests that **corruption reduces economic growth**, penalizes foreign direct investment, and thrives in relatively closed, uncompetitive economies^[5].'

The cost of corruption for distinct societies and economies is therefore unaffordable in regards to **overarching objectives** such as **fostering civil liberties** or helping developing countries catch up politically and economically. As a consequence, the human cost of corruption is high, even though it is difficult to assess.

The combined effect of regulation and public morals

The upsurge in the fight against corruption finds one of its main roots in the 'Lockheed affair' which was, back in 1976, one of the first modern bribery scandals that shed light on the wrongdoings of policymakers, secret services, arms manufacturers and organised crime, from the United States to Japan to Germany to the Netherlands. In light of the extent of the scandal, in 1977 the government of the **United States** enacted the **Foreign Corrupt Practices Act** which allowed authorities to prosecute American companies for the crime of bribing foreign public officials.

In the following decades, **the liberalisation and globalisation of trade** as well as the emergence of new economic players and markets encouraged the standardisation of business practices. On the international level, the **OECD** (Organisation for Economic Cooperation and Development) adopted on December 17th, 1997 an **anti-bribery**

convention^[6] which, as of today, has been ratified by 41 countries – including, interestingly enough, 6 countries that are not part of the OECD. More and more countries are bringing themselves up to speed, with ambitious regulation such as the **Bribery Act** adopted in 2010 by the **United Kingdom**^[7] or the recent 'Sapin II' **Transparency and Anti-Corruption Bill** proposed by the **French government**^[8].

Under these circumstances, fines imposed on corporations held accountable for corrupt practices are becoming commonplace. One study carried out in 2015 of what CSR-related penalties, if any, were imposed on 2,500 listed companies across the world found that corruption-related penalties rank second (11% of total penalties), right after anti-competitive practices^[9]. **As the number of sanctions has increased, so has the cost of those penalties:**





the ten largest fines imposed in the United States between 1998 and 2015 for such deeds ranged between 185 and 800 million dollars⁽¹⁰⁾.

Parallel to this normative and punitive evolution, it is noteworthy that society's perspective is changing and that **tolerance towards transgression of these ethical boundaries is eroding**. The rise of whistleblowers, supported by widespread corporate or governmental use of information technologies that favour data leakage, finds support with international alliances formed by **investigative journalism** in order to process – and thereby give credibility to – the gigantic amount of data exposed, as demonstrated with the Wikileaks or Panama Papers scandals. More and more businesses, starting with multinational entities, are also setting up **whistleblowing systems**, in order to let internal or external whistleblowers play a role and help organisations become more virtuous.

Such phenomena echo the **expectations of a new generation of citizens**, far less fatalistic and much more demanding towards public decision-makers' responsibility, which ultimately further

increases the **pressure for more transparency**. Some countries are at the forefront of that movement. The United States, whose elected prosecutors system had already favoured the fight against white-collar crime, are allocating more and more resources through their Department of Justice to the fight against bribery, including international corruption cases, thanks to the extraterritorial scope of the American legislation.

This tendency to reduced tolerance for corruption is also well illustrated by the emergence of non-governmental organisations specialising in the fight against corruption⁽¹¹⁾, or **country-by-country performance indicators** like the Afrobarometer⁽¹²⁾, the Corruption Perception Index and the Global Corruption Barometer⁽¹³⁾.

The issue has become especially sensitive in public opinion, thanks to the perception that the phenomenon shows no sign of abating. As a matter of fact, more than half of the Europeans surveyed in 2014 claimed they believed the corruption level in their country had actually soared over the last three years⁽¹⁴⁾.

Increasingly strict regulations for companies

The frequency of **crime detection**, the **skyrocketing cost of fines**, and the **pressure of investors**, other stakeholders and public opinion have transferred bribery on **the corporations' risk map** to an area where they just cannot ignore the consequences of a potential failure.

From that perspective, all companies are concerned, and those aiming to do business abroad in particular, insofar as the crime of 'foreign public official bribery' has become a charge in and of itself. All industries are equally concerned even though, according to David Lewis, Executive Director at the NGO Corruption Watch, '(...) the water, energy and construction sectors rank among the high-risk industries⁽¹⁵⁾'.

Furthermore, and perhaps more significantly, one of the major evolutions in the **national and international regulatory framework**

is the appearance of new types of crimes such as the 'failure of commercial organisations to prevent bribery' created by the Bribery Act that came into force in 2010 in the United Kingdom. **The burden of proof lies in this respect on the businesses themselves**, upstream and even in the absence of a criminal offence.

To meet these new requirements, the first step for any company is to **come up with an anti-bribery plan**. This plan must be designed with a holistic approach, analysing all the machinery of its activities, its **value chain**, and its transactions, in order to identify the **key risk areas**; to create questionnaires for all employees, subcontractors and agents; to clearly set the rules of the game and the price to pay for breaking them; and, last but not least, to draw up a **anti-bribery code** or to reinforce its existing code of ethics.

From a formal approach to an operational framework

While setting up such programme is a necessity and a prerequisite, it is hardly a sufficient condition; beyond a mere formalistic approach, **businesses must ensure that their action plan is likely to deliver the right results** in case of misdeed. They must also guarantee that they are able to **generate an anti-bribery culture** within their organisations by raising awareness on the issue, and providing training on how to take action.

During that phase, it is key that the top management is leading the way as this will denote the likelihood of success or failure. 'Everyone can get a turnkey anti-corruption plan', David Lewis acknowledges, 'That being said, **if there's no commitment from the executive board, this won't make any difference at the end of the day.** That's a golden rule.'

To walk the talk, companies need to leverage an internal control system that establishes mandatory checkpoints for certain operations such as external consultancy services, hiring, accommodation and give-aways in order to make sure they are not hijacked for corruption purposes.

The ultimate goal of these measures is, according to Cédric Haaser, partner at Mazars in Paris, 'to **make sure that an improper transaction is not considered by a court of law as a corruption case within a criminal company, but as an accident within a virtuous business**'. One can argue that there is no 'zero-risk' when it comes to criminal offences, yet the quality, the real implementation and the actual control of the organisational processes should serve as evidence of the wrongdoer's individual liability in front of the courts.

Warning, reporting, correcting and enhancing

In order to corroborate the quality of their anti-bribery plan, corporations may also enter an **anti-corruption certification process**, following the example of Thales. 'As early as 2014, we started getting our internal anti-corruption processes certified by Mazars and ADIT', Dominique Lamoureux, Ethics and Corporate Responsibility Director at Thales explains⁽¹⁶⁾.

Why is that? Since 2012, Mazars and ADIT (a French organisation for the dissemination of technological information) have partnered to develop an **anti-bribery control framework**, based upon five key parts taking the form of more than 200 checkpoints that cover all aspects of internal anti-corruption control. Together with the energy giant ENGIE, the French-based geophysical services company CGG was one of the first

organisations this model was applied to⁽¹⁷⁾. Building teams with a mix between ADIT and Mazars enables the **conjunction of specific skills** coming from a professional services organisation that is a leader in business intelligence, with the strengths of an audit and advisory firm.

One additional advantage is that the latter not only offers specific competencies such as **statutory auditing** or **forensics**, but also **impartiality**, as an ethical, chartered and independent organisation that is subject to rigorous regulatory oversight.

Mazars is all the more at the cutting edge of the fight against bribery since it is committed to collaborating with organisations such as the corporate responsibility and anti-corruption





commission of the International Chamber of Commerce (ICC) or the OECD working group on anti-corruption.

This notwithstanding, the value added by **auditors** on the issue goes way beyond; their role is to **raise the alarm, to report, to help correct and enhance the anti-bribery plan**. They are also capable of assisting their clients in the **shift from a reactive approach to a proactive and collaborative one**.

As Dominique Lamoureux testifies, 'Mazars helped us build up our internal processes by **involving all our employees in the creation of techniques for resisting bribery requests**. Our processes are

thus much more efficient than turnkey solutions in which companies just tick boxes on a predefined checklist'.

In addition to risk control, the synergistic approach involving companies, their internal and external stakeholders, and the expertise of certifiers and auditors results in the **creation of processes that become part of, rather than sitting beside, the business model of companies**. This may well be the most interesting aspect of this evolution – **shifting from mere compliance principles to a programme that elevates business performance, thus creating shared value** through an ethical and socially responsibly governance.

- (1) International Monetary Fund / Staff Team from the Fiscal Affairs Department and the Legal Department, 'Corruption: Costs and Mitigating Strategies'. <http://www.imf.org/external/pubs/ft/sdn/2016/sdn1605.pdf>
- (2) Dr. Leonardo Borlini, 'Corruption Markets, Competition, and Rules'. Syracuse University, College of Law Oct. 2, 2014. http://insct.syr.edu/wp-content/uploads/2014/10/Borlini_Corruption_Presentation_100214.pdf
- (3) Franca Ferrara, Francesco Gambacurta. 'Anticorruzione: commento alla riforma. La legge 6 novembre 2012 n. 190 e i provvedimenti attuativi'. Maggioli Editore, 2013, pp. 69 sq.
- (4) Ministry of Justice of the United Kingdom, 'Guidance about procedures which relevant commercial organisations can put into place to prevent persons associated with them from bribing (section 9 of the Bribery Act 2010)', p.2. <https://www.justice.gov.uk/downloads/legislation/bribery-act-2010-guidance.pdf>
- (5) Michael Johnston, 'Corruption and Distorted Development: Competition, Institutionalization and Strategies for Reform'. http://pdf.usaid.gov/pdf_docs/pnacf658.pdf
- (6) Organisation for Economic Cooperation and Development - Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. It entered into force on February 15th, 1999. <http://www.oecd.org/corruption/oecdantibriberyconvention.htm>
- (7) <http://www.legislation.gov.uk/ukpga/2010/23/contents>
- (8) Xavier Oustalriot and Jonny Frank, 'Five ways to prepare for the new French anti-corruption law' – FCPA Blog, July 26, 2016. <http://www.fcpablog.com/blog/2016/7/26/five-ways-to-prepare-for-the-new-french-anti-corruption-law.html>
- (9) Vigeo Rating, 'Responsabilité Sociale d'Entreprise : le coût des sanctions', mai 2015, p. 16. http://www.vigeo.com/csr-rating-agency/images/stories/formulaires/2015_Related%20Sanctions_version%20finale_fr2.pdf
- (10) Jean-Louis Dell'Oro in *Challenges*, 23/01/2016.
- (11) Such as Transparency International (<https://www.transparency.org>) or Anticor (<http://www.anticor.org>).
- (12) <http://www.afrobarometer.org/>
- (13) http://www.transparency.org/research/gcb/gcb_2015_16
- (14) European Commission, Directorate-General for Home Affairs. 'Special Eurobarometer 397 / Corruption Report', Feb. 2014, pp. 8 sq. http://ec.europa.eu/public_opinion/archives/ebs/ebs_397_en.pdf
- (15) Interview, October 2016. Corruption Watch is a South African NGO founded in 2012. <http://www.corruptionwatch.org.za/>
- (16) Interview, October 2016.
- (17) <http://www.mazars.com/CGG-Anti-Corruption>

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Leveraging the value of diversity

**WHAT DOES DIVERSITY MEAN
IN THE WORKPLACE, AND HOW
CAN WE ACHIEVE IT?**

THERE IS A CLEAR, UNIVERSAL CALL FOR MORE DIVERSITY. BOTH 'GENDER EQUALITY' AND 'REDUCED INEQUALITIES' FEATURE IN THE 17 SUSTAINABLE DEVELOPMENT GOALS WHICH CAME INTO EFFECT ON JANUARY 1ST 2016 AS PART OF THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT OF THE UNITED NATIONS' GLOBAL COMPACT⁽¹⁾.



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1. Amanda H. Haynes-Dale • 2. Anna Simioni • 3. Barbara Taube • 4. Cheryl Lawrence McDaniel • 5. Gina Omolon
6. Gwynn Berney • 7. Jacqueline Franjou • 8. Katelyn Kogan • 9. Maria Cabodevilla • 10. Meg Mosley
11. Randi Shubin Dresner • 12. Rebecca Philbert

Defining diversity

Some will associate the term 'diversity' with equality in numbers and demographics; simple facts such as the low rate of women making it to managerial positions⁽²⁾ in the business community are both well-known and quite easy to grasp. Others will stress cultural aspects such as openness to different points of view.

Yet, when asked⁽³⁾, female business leaders unanimously prefer a combination of both definitions, underlining the polysemic nature of the term. Randi Shubin Dresner, President and CEO of Island Harvest Food Bank captures this impeccably: **'Diversity encompasses acceptance and respect and an understanding that each individual is unique.** This can be along the dimensions of race, ethnicity, gender, sexual orientation, socio-economic status, age, physical abilities, nationality, religious belief, experience, interests, and other ideologies.'⁽³⁾

It seems indeed that we cannot define diversity anymore with a set of nicely delineated boxes, as an individual alone can embody a multitude of the different dimensions highlighted above. Jacqueline Franjou, CEO of the Women's Forum for the Economy and Society, goes even further, stating 'I don't like the word 'diversity'. We should use inclusion, respect. We should live in a world where we can change all together, men and women alike.

Do we say that men represent diversity? We should extend that notion. 'Diversity' is quite a vast concept, it can encompass men, women, geographic origins... Diversity is a difficult word for me to understand.'⁽⁴⁾

This wide definition makes the topic all the more interesting but also more

[1] Sustainable Development Goals: <https://sustainabledevelopment.un.org/?menu=1300>

[2] McKinsey & Company (2013), 'Gender diversity in top management: Moving corporate culture, moving boundaries', Women Matter 2013, p.8.

[3] Series of interviews conducted with female executive clients of Mazars in the United States, August-September 2016.

[4] Jacqueline Franjou, Women Leaders @Mazars Seminar, Milan, Italy, 20-22 September 2016.

complex, especially when we are talking about **diversity in the workplace**, where it 'means **having different perspectives reflected and considered in the decision-making process**' (Meg Mosley, North American Group Controller, Technicolor^[3]).

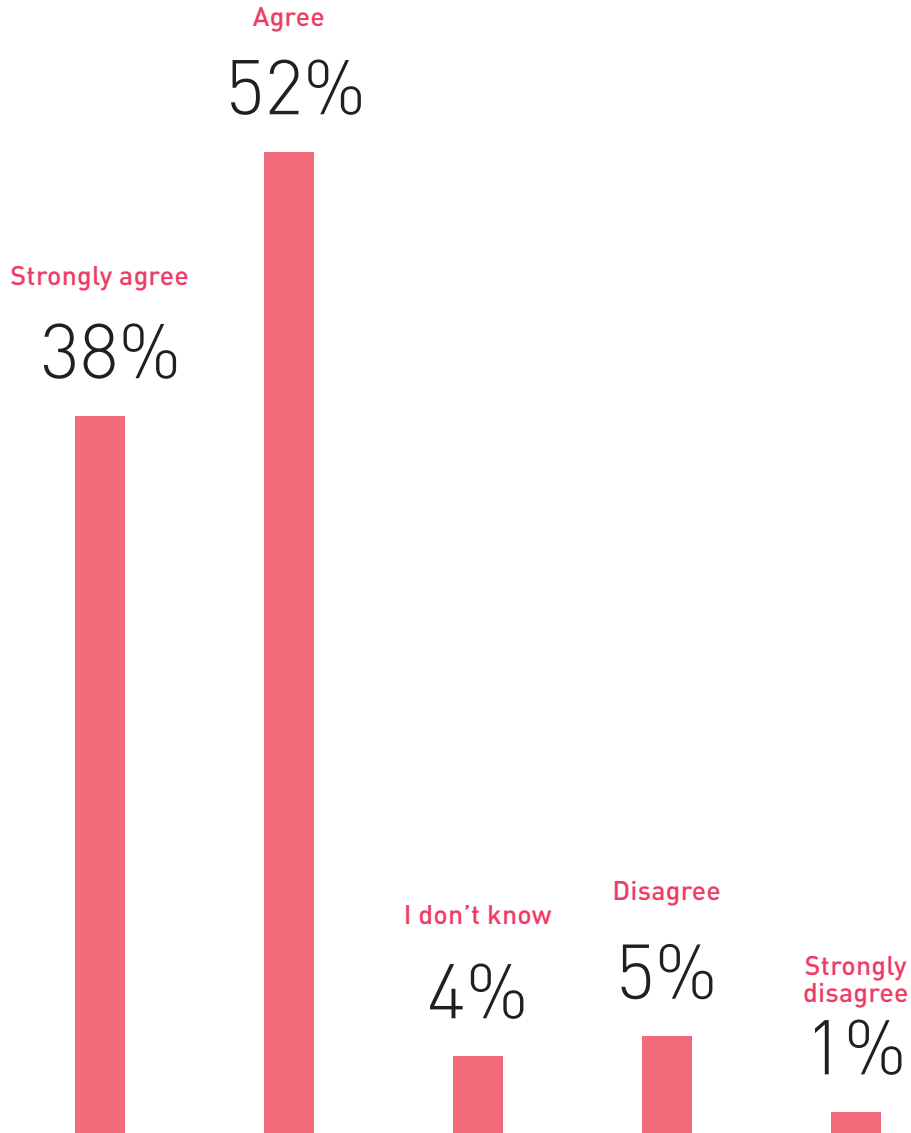
Why is diversity that important anyway?

Beyond the obvious benefits for women, there is a case to be made that gender **diversity also serves the interests of the entire organisation**. 'It's not just morally and ethically right to give everyone a seat at the table, but it's good for business too' states Rebecca Philbert, President and CEO at Best Yet Market Inc. 'When a group of individuals showing generational, social, educational and professional diversity come together to work towards a shared goal' continues Philbert, 'they benefit from their collective experiences. Just as importantly, the organisation benefits from these experiences as well.'^[3]

Echoing this point of view, the results of Mazars' first **gender diversity survey**^[5] not only overwhelmingly show that the topic interests the firm's staff and partners – 90% of them answering that it does matter for them –, but also that gender diversity initiatives are seen as favourable for the whole company.

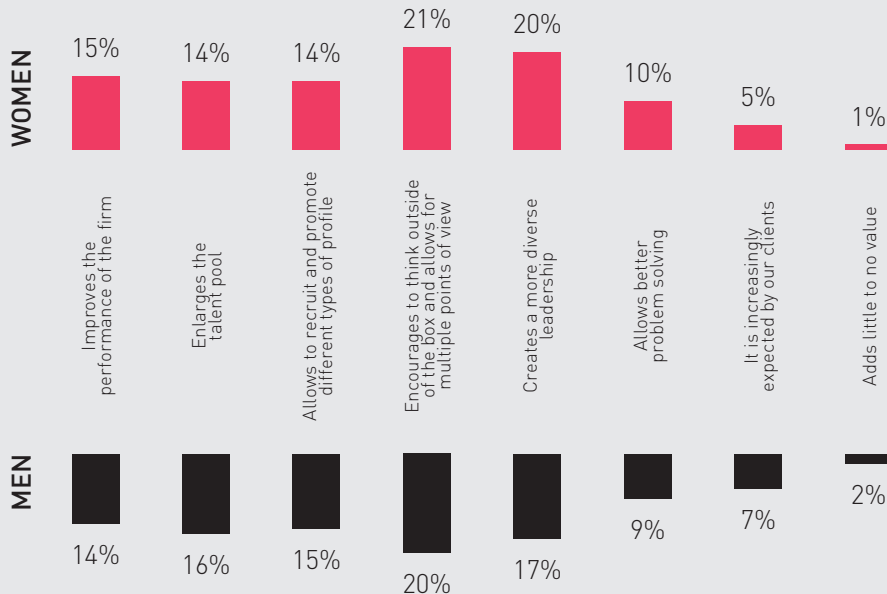
(5) Internal gender diversity survey conducted between August and September 2016, encouraging all staff, men and women alike, from 66 out of 77 countries in which Mazars is present, to give their views on this topic. 4,100 answers were received and analysed (cf. infra).

Do you agree with the idea that developing gender diversity initiatives in the organisation (work environment, work-life integration, career development, collaboration...) brings benefits to all staff members, beyond women?



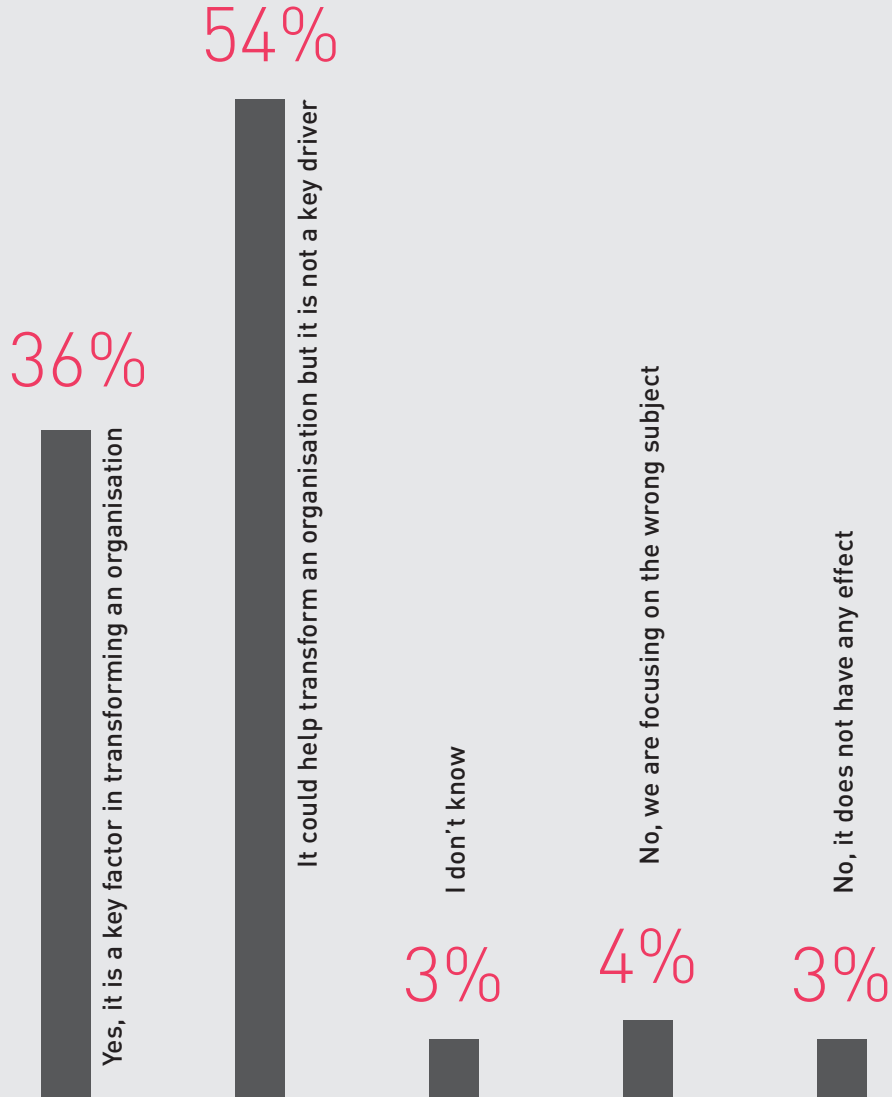
Going into further detail, the answers allow us to understand how gender diversity initiatives are viewed as a source of benefits for the whole organisation. Interestingly enough, the results shed light on three major aspects: first, these initiatives encourage a **more creative mindset** (thinking outside the box, expressing diverging ideas, better problem-solving capabilities); second, they allow an increase **in the quality of recruitment** (enlarging the talent pool, being able to recruit different types of profiles, creating a more diverse leadership); and finally, they **make room for improved performance** (answering clients' requests, but also improving the overall success of the firm).

In what ways do you think gender diversity would add value to Mazars?



From a more strategic point of view, it is even possible to argue that these programmes can, in fact, help a business become more agile. When Mazars' professionals were asked whether gender diversity could be a lever for change in the organisation, 90% answered positively.

Do you believe that gender balance is a driver in transforming organisations?



It is by no means a surprise, then, that 88% of Mazars partners believe that accelerating gender diversity is of strategic importance for the Group^[6]. But how can a business make tangible progress in this field?

A rocky road ahead

Even though things are progressing, achieving gender equality still seems a long way off. For instance, women saw bigger gains in terms of career progression between 1985 and 2000 than they have seen since^[7]. This seems to be confirmed by first-hand evidence gathered by business women with international experience: 'most of the countries I have visited remain fairly homogeneous and lacking in diversity,' says Gwynn Berney, CEO of Don Jagoda Associates, Inc.^[3]

The general consensus maintains that the tone must be set at the top: if management and business leaders do not embrace diversity and walk the talk, then little tangible progress is to be made. The problem with the diversity issue is that it pushes people 'out of their comfort zone,' explains Cheryl Lawrence McDaniel, President and Owner at Direct Success^[3].

'Undoubtedly, there is no lack of talent, but the real challenge is about allowing those candidates who do have qualified skill sets to thrive in a culture in which they may not necessarily be familiar,' concludes Amanda H. Haynes-Dale, Managing Director at Pan Reliance Capital Advisors^[3].

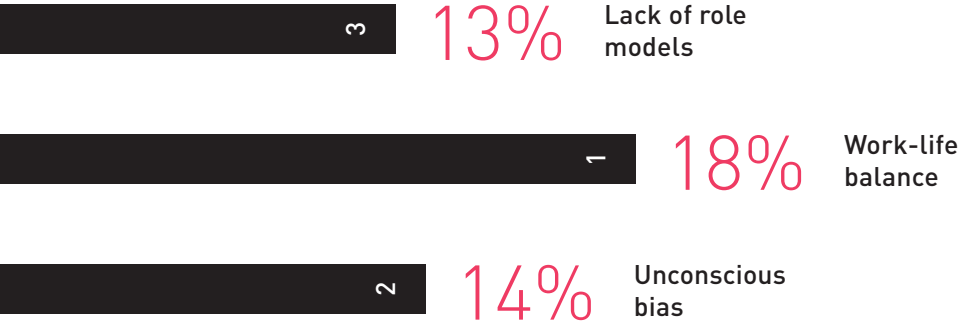
Therefore, 'as business leaders, I think this starts with you. If you respect, honour and embrace the differences in those you work with, others will follow,' reiterates Barbara Taube, Senior Vice President at Guarantee Trust Life^[3].

When it comes to identifying the most difficult obstacles, at Mazars, **both men and women** placed work-life balance as the number one hurdle on the road towards a more diverse workforce and ecosystem.

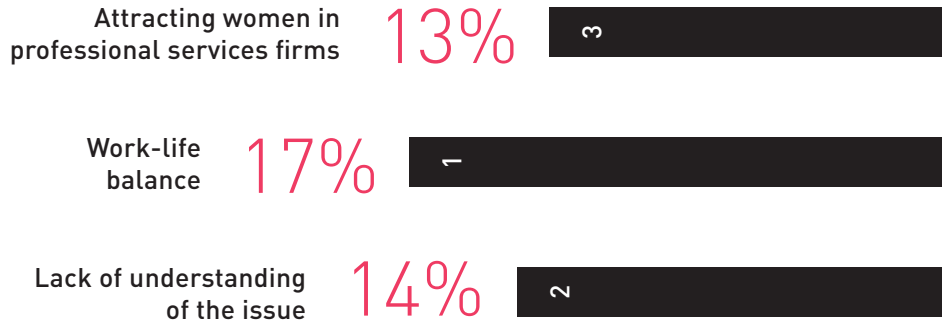
[6] Survey conducted in September 2016 among all Mazars partners worldwide.

[7] The figure applies to white women working at all US companies with 100 or more employees. Dobbin F. and Kalev A. (2016), 'Why Diversity Programs Fail', Harvard Business Review, July-August 2016, p.54.

WOMEN



What are the most serious obstacles to developing gender diversity at Mazars?



MEN

Today, **any female executive will mention work-life balance in one way or another**. Some, like Meg Mosley, bravely point out that they were unsuccessful in this matter. Most female business women maintain it is difficult, but it is something they must work on because it ultimately helps them be more well-rounded people. For instance, Gina Omolon^[8], Senior Audit Manager at Mazars, gives financial literacy courses outside of work because it was always her 'desire to be part of something bigger'; or Katelyn Kogan^[9], Audit Manager at Mazars, who makes sure to catch her gym class because 'it helps me get through busy season,' she explains.

So far, the main obstacle thwarting women in the business community is that **'the system has not adapted,'** as Berney contends, and that an outdated model prevails whereby 'it is only up to the woman to find that balance' as Philbert indicates.

'Diversity *per se* means nothing' explains Anna Simioni, Leadership and Change Topic Leader at The Boston Consulting Group. **'What interests me is to go beyond diversity.** By itself, diversity is not a value. The important part is to create the conditions to leverage diversity. On its own, it's just a statistic'^[10].

Professionals want organisational changes that enable them to work in more agile and innovative ways; they want to feel supported. Yesterday's regimented diversity programmes do not work because force-feeding fails^[11] and because **'challenging stereotypes must be a way of life, not just a statement'** states McDaniel. 'In fact, forcing people will not have the desired outcome, and sometimes could actually encourage the contrary. Counterintuitively, this negative sentiment might not only be felt among the 'constrained' population, but it can also be felt by the token woman if placed in a role for diversity sake, instead of her abilities' explains Mosley.

[8] The Be Visible Campaign of Women of WeiserMazars features women leaders at WeiserMazars LLP that embody the core values and principles the Firm seeks to promote: <http://weisermazars.com/bevisible/>
[9] *ibid*.

[10] Anna Simioni, Women Leaders @Mazars Seminar, Milan, Italy, 20-22 September 2016.

[11] Dobbin F. and Kalev A. (2016), 'Why Diversity Programs Fail', Harvard Business Review, July-August 2016, p.54.

Concrete solutions that benefit all

From this point of view, it is up to organisations to create the right kind of ecosystems where the real value of diversity can flourish. Steering away from punitive stances and formal approaches, the sensible way to address the issue may, in fact, involve providing incentives to encourage diversity, but first and foremost, giving women the right support and tools to prevail in their business environment.

When Mazars' professionals were asked how diversity could be further advanced, they clearly showed a preference for organisational changes in line with the way they conduct their daily work.

What initiatives would best foster gender diversity at Mazars?

- 42%** Encourage flexible working
- 22%** Design training or mentoring programmes for female team members to build confidence, visibility and influence
- 18%** Review our internal processes linked to evaluation to remove unconscious bias
- 17%** Educate all team members on unconscious bias
- 16%** Set gender diversity KPIs and objectives at all levels (recruitment, career advancement, promotion to partner)

The results are quite clear: for business leaders and executives to concretely fulfill their commitments to diversity, addressing the issue of work-life balance has become crucial.

Not only do women call for this, but the younger generations expect to be able to work in smart and agile ways.

The analysis of more than 400 qualitative comments in Mazars' gender diversity survey speaks for itself: the size of the words below reflect their frequency.



In addition to balancing personal and professional spheres for all, it is crucial to provide women with positive role models. This observation was one of many that inspired the WOW programme at Mazars in the United States.

This fully-fledged programme is based on the belief that it is more by developing, mentoring, and retaining talented women that diversity in the workplace can be achieved, and outlines specific actions towards that goal.

**‘What interests me is to go beyond diversity.
By itself, diversity is not a value;
the important part is to create the conditions
to leverage diversity.’**

Anna Simioni

In the same vein, the first ‘Women Leaders @Mazars Seminar’ gathered 44 women from more than 20 countries in Milan, Italy, in October 2016, around three main pillars: leadership, business development and innovation.

As stated by Maria Cabodevilla, partner at Mazars in Spain, ‘women from different parts of the world are facing the same challenges’ and therefore, as an international organisation, how to achieve a diverse workforce is a common priority for the whole of Mazars’ global partnership.’

SURFING ON A ROCKET: MANAGING PERMANENT CHANGE

**Could diversity be the best lever
to help businesses and societies face
increasing challenges?
A Nordic case study**

Globalisation, urbanisation, digitalisation, but also terrorism, the refugee crisis, and climate change: our modern societies face a kind of existential crisis, where individuals and businesses can either jump on the bandwagon or be left behind in the face of an ever-increasing list of game-changing trends. What if more diversity was the answer to these challenges?

Digitalisation is the first and maybe the most impactful trend affecting businesses in all sectors, regardless of size or structure. A paper by Carl Benedikt Frey and Michael Osborne, of the University of Oxford, argued that jobs are at high risk of being automated in 47 percent of the occupational categories into which work is customarily sorted. As a striking example, the probability that computerisation will lead to job losses within the next two decades was estimated at 0.99 (1 being equal to certain) in the audit and accounting industry⁽¹⁾, which certainly gives us pause for thought. Moving faster than business, technology is today the biggest driver of change, and the mother of all battles. This unescapable trend entails a growing need for new competencies, which in turn generates new types of jobs. This technologically driven disruption goes hand-in-hand with the transformation of organisational structures. Whether it is radical new forms, like holacracies⁽²⁾, or simply flatter management hierarchies, these new forms of business organisation bring to the fore the vital importance of diversity.

‘Entrepreneurs need to act as policymakers for diversity’

Elaine Eksvärd

In this fast-changing environment, and seeking a range of skills and diversity, companies need to contend with the war for talent. In her work as Client Service Director for Kantar TNS Business Employee Research &



Katarina Önell

Consulting and as chairman of Diversity Charter Sweden⁽³⁾, Katarina Önell has noticed that it becomes increasingly difficult to find the right skills in the recruitment of new employees for their clients. ‘This is a reality in every modern economy around the world and it is partly due to demographic changes. The greater need for competencies makes it important that more people get a chance to enter the labour market’, she argues.

Moreover, **millennials have changed the rules of the hiring game.** For instance, today's young people ask that companies make a substantial contribution to society. This is clearly shown in the research conducted by the Swedish consulting firm Kairos Future: **young people want to work in companies whose values are based on responsible entrepreneurship^[4].** During paid working time, they want to be able to contribute to, and volunteer in, community foundations or organisations – it is so key that they consider this as being more important than a higher wage.

Therefore, in a world where generations Y and Z are increasingly asking businesses to go beyond traditional corporate social responsibility and engage in creating shared value^[5], and where technological disruptions are creating new business needs, **it becomes necessary for entrepreneurs to work together with political institutions,** researchers and individuals. The goal is to find new solutions and seek stable partnerships to help build a society that is both sustainable and diverse; when policymakers' take on diversity is not enough, there is an argument to be made about whether companies and other organisations can offer another, more efficient approach.

Diversity in itself is a complex matter – it encompasses differences in terms of, ethnicity, age, sexual orientation, gender identity or expression, disability, religion or other beliefs. To manage diversity issues and create a society that is truly inclusive and counters discrimination is often seen as a utopian dream; nonetheless, a diverse and inclusive workplace is able to better understand clients, which in turn can increase **profitability.** A well-developed diversity programme can be linked to both business value and goals, opening the door to the genuine creation of shared value. McKinsey's research clearly demonstrates that companies that address diversity in recruitment are more likely to outperform^[6] their competitors.

The report analysed data from 366 large companies in a variety of industries in North America, Latin America and the United Kingdom; in the United States, the results confirm a clear link between diversity and greater economic profitability. For every 10 percent increase in diversity in senior positions, the revenue before interest and tax (known as EBIT) increased

by 0.8 percent. **Gender-diverse companies are 15 percent more likely to outperform**; ethnically diverse companies do even better, being 35 percent more likely to outperform competitors.

Diversity in Sweden: a case study

Sweden is one of the most dynamic economies in the Eurozone, with a growth rate of around 3.5 percent in 2016, after an even higher 4.2 percent in 2015, and its unemployment rate has fallen below 7 percent. Generally perceived as a successful, neutral, and stable country, Sweden is however facing the exact same challenges as other developed countries. The refugee crisis is a striking example of this, with 163,000 people seeking asylum in Sweden in 2015. SCB, the nation's statistics agency, forecasts Sweden's population will have passed 10 million in 2017, and 12 million by 2040^[7].

Approximately 70 percent of this population growth is occurring in the three largest cities, Stockholm, Gothenburg and Malmö. **Integrating newcomers into the Swedish society** through education, jobs and housing is a major challenge for policymakers, the Swedish business community, and individuals alike.

However, prejudices and discriminatory attitudes are major hurdles for immigrants and newcomers to entering the labour market. 'A lot of research and studies confirm the positive effects of diversity on businesses, especially the link with increased profitability. But there is still too little research in this area. Just looking at turnover and profit is not enough. One of the most important criteria to consider is inclusive leadership', says Katarina Önell. In her role as chairman of Diversity Charter Sweden, she works to inspire and provide tools to businesses that feature diversity in their agendas.

The NGO also highlights the **significance of diversity for the competitiveness of Swedish companies**. 'It is therefore very positive that more and more clients integrate diversity and inclusion into their strategy and that they live up

to their values' continues Önell. She hopes that the European Union directive that requires large and medium-sized enterprises to report their actions on diversity will help accelerate the movement.



Azita Shariati

'Without inclusion, diversity means nothing!' states Azita Shariati, who, in 2015, was distinguished as the most powerful Swedish businesswoman^[8]. As the CEO of Sodexo in Sweden since 2015, her leadership is anchored in the company values, and features an **inclusive approach to business development**. For the Teheran-born woman who came to Sweden at the age of 20, diversity involves accepting that we, as humans, are different.

When Sodexo embarked on its global change process in 2010, the objective was actually to increase customer satisfaction, create growth and achieve better profitability. 'We started to look at the leadership because it is the management that should drive the change process. It was found that 70 percent of the managers in Sodexo were men. The target we set in our own management group was that, within five years, we should have 50 percent of women in senior positions', explains Shariati. Today, half of the senior management team are women and at other management levels, the part of women reaches 40 percent. All managers have also been trained in diversity and inclusion in order to understand how their own prejudices influence decisions and treatment.

**'Without inclusion,
diversity means nothing'**

Azita Shariati

From a broader perspective, Shariati believes it is a worthy challenge to be involved in, contributing to make it easier to employ newcomers in the country. 'The most important thing is to get a job. It is more important than housing and knowing the language. If you have a job, you learn the language,

and if you have a job, you can also get housing. To achieve concrete change, we need better synergy between policymakers, the business community, and trade unions; only together can we find solutions that give newcomers a better introduction to society' exhorts Shariati.



Elaine Eksvärd

As a young, talented and successful consultant, writer and speaker Elaine Eksvärd has never related to herself as a child of immigrants. 'To create diversity, a completely new norm is needed' she says. 'We need entrepreneurs to act as policymakers and find new, working solutions that lead to a better understanding and improved communication between people'. This high expectation applies to all industries, including audit, accountancy and consulting. Mazars in

Sweden has come a long way in its work on diversity and has, for the sixth year in a row, been ranked as the most gender-equal audit firm in Sweden^[9]. Among the seven largest audit firms, it is the second firm with a female CEO and a high proportion of female managers and partners. 'As a modern firm, we must follow evolutions and be at the forefront when it comes to mega-trends such as digitalisation and skills training. I still wish that more women would choose to become partners at Mazars. We have to find the key to how we can get talented women to take the step and become partners', says Åsa Andersson Eneberg, an audit partner at Mazars in Sweden.



Åsa Andersson Eneberg

A change in perspective

Maria Hansen and Viktoria Wessman, two young female auditors working at Mazars in Sweden, have their own approach to the topic, that comes from being part of a larger community.

They belong to a generation where gender equality is natural and diversity is a given.



Viktoria Wessman

Even for them, the upcoming challenge is to accelerate on diversity issues and achieve a more diverse workplace. 'We want to contribute to creating an open and tolerant firm that accepts and values differences' says Hansen and Wessman. As a firm, we benefit from hiring both men and women with different backgrounds and cultures, but who also have the required skills that we need'. As the CEO of Mazars in Sweden since

2011, Marianne Sandén Ljungberg has made change management the focus of her leadership. Being the leader of one of Sweden's most gender-equal audit firms, one that uses modern technology, actively works on sustainability issues and which develops its own products and services could be, of course, a source of pride. 'We have a tolerant corporate culture that makes it possible to combine family and career. But for me, diversity is much more than men and women of different ages with different backgrounds and sexual orientations. We are all different, and it involves capitalising on each other's differences – that is what creates diversity'.



Maria Hansen



Pia Lillebaek

Pia Lillebaek, managing partner of Mazars in Denmark, concurs: 'There is a strong tendency to put people in 'boxes'. I tend to be annoyed when only women are asked about gender issues, or only older people are talking about 'managing' GenY recruits. We need to think of ourselves more like a melting pot.' The challenge may well be about combining this approach with more traditional recruitment goals: 'In the end,

we always recruit people based on skills and by seeking the potential for development in each person’, says Sandén Ljungberg.



Marianne Sandén Ljungberg

As the role of the auditor is gradually changing to become more consultative, she sees a great potential in giving customers advice on both sustainability and diversity issues. ‘Many companies have not yet come far on these issues. As trusted advisers, we can offer relevant role models’. As we look to the exemplary approach of these Nordic case studies, we learn that we can never simply rest on our achievements. As technology and business continue to change,

we can only create shared value for businesses and society if our diversity strategies adapt and grow to keep pace.

‘Diversity involves capitalising on each other’s differences’

Marianne Sandén Ljungberg

[1] ‘The future of Employment: How Susceptible are Jobs to Computerisation?’ by C. Frey and M. Osborne (2013).

[2] <https://blog.holacracy.org/holacracy-vs-hierarchy-vs-flat-orgs-d1545d5dffa7#87yh84fe3>

[3] <http://www.diversitycharter.se/>

[4] <http://www.kairosfuture.com/research/>

[5] ‘Creating Shared Value’. Mazars Group Yearbook 2015. <http://annualreport.mazars.com>

[6] ‘Why Diversity Matters’. <http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

[7] http://www.scb.se/en_/About-us/News-and-press-releases/Container-for-news-and-press-releases/Statistics-Swedens-population-clock-is-ticking-away-toward-ten-million/

[8] ‘Sveriges mäktigaste affärskvinna vänder upp och ner på strukturerna’. Veckans Affärer, March 3rd 2015. <http://www.va.se/nyheter/2015/03/06/naringslivet-maktigaste-kvinna-azita-shariati>

[9] ‘Vi får inte slå oss till ro’. Balans, March 16th 2016. <http://www.tidningenbalans.se/nyheter/vi-far-inte-sla-oss-till-ro/>

Revitalising the workplace

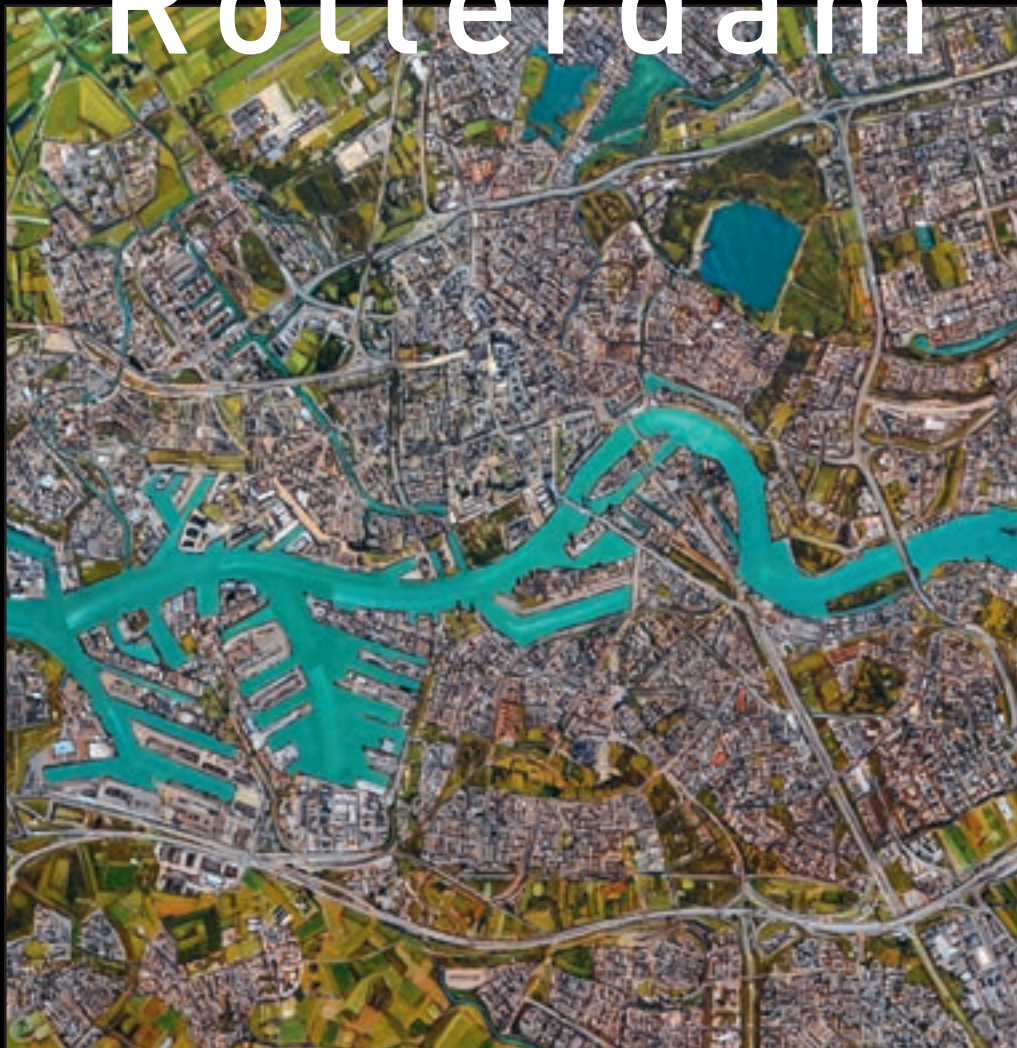
Agile

**HOW TO MEET THE CHALLENGE
OF ORGANISATIONAL AGILITY?**

AGILITY, MOBILITY, SUSTAINABILITY, DIGITALISATION, WELL-BEING, OPENNESS: OVER THE LAST DECADES, THE WORKPLACE HAS EXPERIENCED PROFOUND TRANSFORMATIONS THAT BOTH REFLECT AND SPEARHEAD THE TRENDS OPERATING IN SOCIETY AS A WHOLE. ON ONE HAND, PAPER, CLOSED OFFICES, ATTRIBUTED WORKSTATIONS ARE DWINDLING. ON THE OTHER HAND, REMOTE WORKING, SUSTAINABLE FACILITIES AND FLEXIBLE OPEN SPACES ARE BECOMING MORE AND MORE COMMON. HERE, WE LOOK AT THE NEW APPROACH TO THE WORKPLACE ADOPTED FOR THE RELOCATION OF MAZARS' HEAD OFFICE IN THE NETHERLANDS AND THE HIGHER PURPOSES IT SERVES.

The transformation of the workplace is not a seamless transition, especially within traditional organisations where it translates not only into a change of furniture but also a **change of mindset**. 'As an accountant, for instance, you have a higher than average tendency towards conservatism', Egon de Prouw, director at Mazars in the Netherlands, admits. Beyond practical project management aspects, the 'mindset factor' was indeed one – if not the most important – of the many challenges that Mazars had to face when considering the **relocation of the head office** of its Netherlands branch in **Rotterdam**. Mazars' ambition has been made quite clear by its leadership: staying true to its founding fathers' values⁽¹⁾, the firm thrives on cultural, intellectual, professional and personal **diversity**. It aims not only at promoting local and global economic and social development, hence **creating shared value**; but also, as a **sustainable firm**, at creating value on the **long term**; and finally, as a tribute to the concept of **stewardship**, at passing this value on to future generations. Only then can a business such as Mazars be deemed **to be both future-proof and a modern firm**. At the core of the project lies therefore this question: how to substantiate these – quite ambitious – claims when relocating a 275-people office in one of Europe's economic capitals? Walking the talk of such principles may prove in reality not just to be plain sailing, as Erik van der Eijk, financial controller, recalls: 'As I was telling my friends that my company was in the process of not only relocating but also reinventing our way to work, I figured out not everyone was excited, as some of them actually went through difficult experiences'. Companies willing to embrace this transformational trend need to operate with a holistic approach, as it has **impact on every function**, from office management to human resources to finance. As stated by Joyce van Vliet, senior tax adviser, 'moving to new premises is **a complete cultural change programme**', highlighting the fact that the challenge may seem daunting at first, but also that **change takes time**. Assuming that 'people do not easily change on their own', de Prouw stresses the importance of 'making change attractive'. Indeed, saying that change requires an effort is not an overstatement: change is a bet on the future, and it comes with both financial and social costs. •••

Rotterdam



Urbanity by Mazars - ©Dominique Emard

Walking the talk of sustainability

Sustainability is a concept that has become increasingly popular over the last years. As stated in the United Nations Brundtland report, 'development that meets the needs of the present without compromising the needs of future generations to meet their own needs' arose as one of the greatest challenges that mankind will face in this century^[2].

Technology, government incentives and financial investment enabled our buildings and cities to go 'smart', thus making citizens' lives easier and their carbon footprint lower. The **private sector** quickly understood the **issues at stake**, resulting in more and more corporations striving to become sustainable champions. As **stakeholders demand transparency and commitment**, companies can no longer settle for meaningless declarations of intent and 'greenwashing' statements.

A report^[3] from the non-profit 'Alliance to Save Energy' pointed out that USD 2.8 billion are wasted annually due to computers not being shut down at night. In the French business district of La Défense near Paris, light pollution is raising concern: it is estimated that EUR 75,000 are being squandered in **energy bills** every month because of corporations' carelessness in this matter. The Exaltis tower, home to Mazars' Group headquarters, is however one notable exception: following an investment of EUR 30,000^[4] – an amount equivalent to one year's power consumption – the building is equipped with motion sensors that automatically switch the lights on and off, as needed. Even though investing in such technology may seem burdensome, the return on investment always make it a **profitable expense** for any organisation willing to walk the talk of **environmental protection** and

sustainability. As Antonet Lajqi, HR consultant, puts it, 'you cannot say you want to be sustainable – you have to be it!'

Mazars' choice for new offices in Rotterdam is meant to fit this ambition, opting for an existing building that has been transformed into an **innovative office**, as climate neutral as possible. Due to its location, the office will also have **excellent connections to the public transportation system**. '**Accessibility, sustainability and cost efficiency** were key selection criteria for our new office', Remco Schoonderwoerd, a partner and one of the project leaders, points out. What's more, '**having cost effective facilities enables us to invest more in quality, innovation and people**, which ultimately benefit our employees, clients and stakeholders as a whole'.

Well-being in the workplace is much more than a buzzword. One study shows that absenteeism related to

[1] 'Robert Mazars, 1920-2015: a tribute to the pioneer' in Creating Shared Value – Mazars Yearbook 2015. <http://annualreport.mazars.com>

[2] <http://www.un-documents.net/our-common-future.pdf>

[3] http://link.springer.com/chapter/10.1007/978-3-642-37157-8_30#page-1

[4] http://www.francetvinfo.fr/economie/bureaux-eteignez-les-lumieres_1830807.html

Inventing new ways to work

illness dropped off by 6.5 percent with better office daylighting⁽⁵⁾. Research confirms that the physical work environment actually affects employees' well-being and, as matter of consequence, their productivity⁽⁶⁾. Located in the lively area of Alexandrium where it is expected to blend into, and form an integral part of the neighbourhood, the new Mazars' Rotterdam office has been designed with an emphasis on interior layout and space arrangement in order to make working days as pleasant as possible. The paperless policy that is being implemented at the new Mazars' office in Rotterdam is one practical application of sustainability in the workplace. On the other hand, with the Software as a Service (SaaS) model becoming the norm, an increasing number of companies – including large caps⁽⁷⁾ – are also changing their IT solutions management approach and often hosting their data in the

cloud, making it accessible for both their internal and external clients anytime, anywhere, on any device the (ATAWAD model). Associated with offices that are well-connected to public transports, a paperless policy enables work to be done on the go, 'making people more agile and travelling time more efficient' according to Schoonderwoerd. 'A new approach to work is key to maintain a proper work-life balance', van der Eijk adds. New ways to interact and work together are also being witnessed in the workplace itself. In the Netherlands, Mazars took the opportunity of the relocation of its Rotterdam premises to lay the groundwork for a new collaboration model. The new Mazars premises are spread over fewer floors and workspaces are allocated according to the employees' activity. In this configuration, partners are given the very same work conditions as other staff members.

This disruptive, open and more agile concept, called 'Mazars2B', aims at fostering cooperation and transparency between employees regardless of their seniority or the department they work in. Joyce van Vliet, senior tax adviser, agrees with de Prouw on the fact that this new flexible arrangement, with 'more open spaces and less boundaries between departments' should 'make it easier to consult your colleagues outside your own team'. Still, many hurdles lie in the way to make the venture fully successful. With an increased effort on internal communications, additional feedback is expected to be received from the teams during and after the relocation process, due to be finalised at the end of 2016. This feedback should prove to be extremely valuable as the Rotterdam relocation programme is designed to be the blueprint for all Mazars office moves in the Netherlands in the future.

(5) http://www.usgbc.org/sites/default/files/OR10_Daylighting%20Bias%20and%20Biophilia.pdf

(6) http://www.worldgbc.org/files/6314/1152/0821/WorldGBC__Health_Wellbeing__productivity_Full_Report.pdf

(7) <http://fortune.com/2016/07/19/big-companies-many-clouds/>

Erik van der Eijk

'Moving to new premises is a unique opportunity to reinvent one's approach to work. Corporations need to accompany the transformation process, as the road to change is fraught with hurdles'.





Antonet Lajqi

'Being granted more flexibility and agility, employees can better coordinate work and private life. At the end of the day, it results in more satisfaction and better productivity.'

Remco Schoonderwoerd

'Having cost effective facilities enables us to invest more in quality, innovation and people, which ultimately benefit our employees, clients and stakeholders as a whole.'





Joyce van Vliet

'Not only does working in a dynamic and inspiring environment improve our well-being, but it also fosters collaboration and team work.'

Egon de Prouw

'Deciding everyday where
to work and at what time —
this is flexibility at its best'.



Smart working: from innovation in the workplace to creating shared value

**FLEXIBILITY, TEAMWORK AND THE RELATIONSHIP
WITH URBAN SPACE: AN ITALIAN STORY**

HOTDESKING, FLEXOFFICES, SHARED WORKSPACES... HOW DO THESE CONCEPTS WORK IN PRACTICE? THEIR EMERGENCE IS LINKED TO OTHER TRENDS SUCH AS DIGITALISATION, THE RISE OF STARTUPS AND THE RUSH OF NEW GENERATIONS INTO THE JOB MARKET. ALL OVER THE WORLD, OUR RELATIONSHIP WITH WORK IS UNDER DEBATE⁽¹⁾. IN CERTAIN COUNTRIES, SUCH AS ITALY, NEW LEGISLATION HAS BEEN PASSED TO ENSURE EQUAL PROTECTION FOR ALL WAGE-EARNERS, INCLUDING THOSE AFFECTED BY NOMADIC WORK STYLES⁽²⁾.

According to data from the Smart Working Observatory at the Polytechnic Institute of Milan⁽³⁾, there are around 250,000 ‘smart workers’ in Italy, that is, 7% of the tertiary workforce (employees, executives and company heads) up by 40% compared to 2013. At Mazars in Italy, the **reinvention of company spaces** was devised first and foremost as **a mental process and a long-term project**. ‘In the beginning, it was about transferring the Mazars’ Italian headquarters to the centre of Milan, dictated by the need to bring together several teams. The size and configuration of the premises both suggested and allowed **a change in mindset** through a new approach to work,’ explains Pascal Jauffret, managing partner of Mazars in Italy. **This stance translates into spaces designed for three or four people in well-lit rooms, where the desks are allocated on a first-come first-served basis, and no place is attributed to any particular person. There are no labels or names: staff members settle wherever they like in available areas, in a fluid work dynamic. ‘In this way, the exchange of information is very efficient, with a start-up style atmosphere, where the classic rules are turned on their head so that people feel free to move around within their everyday routine,’ says Jauffret. ...**

Milan



Urbanity by Mazars - ©Dominique Emard

For Lorenzo Milani, senior manager, the choice of location for a professional services firm is far from neutral: **'Working in the heart of the nation's financial capital** is aspirational for us as tax specialists. Being in the centre of the business community is both gratifying and very motivating.'

Other staff members go further, mentioning a connection between geographic location and flexibility. 'Being at the nerve centre of economic life is crucial in our context, especially from the point of view of managing client

relationships. We would probably be able to enjoy larger offices if we were further out of town; but the new organisation gives us **genuine flexibility** in how we organise our missions', insists Laura Verrascina, an audit manager specialising in the industrial sector.

She is keen to expand on this point, directly referring to **the importance of human, face-to-face interaction**⁽⁴⁾: 'In our jobs, which aim to deliver high value-added services, **communication is key**: I envisage my future work environment as being completely manageable

outside of the office, yet without sacrificing the human connection, either with my colleagues or my clients.' This underlines the fact that the work dynamic is bound to become increasingly flexible. **'Smart means feeling independent** in how you organise your time', reasons Verrascina, who points out that 'innovative work organisation can only be legitimate when it matches the needs and demands of the individual. If 'smart working' is a goal (as well as a necessity) for many of us, it is notably about attaining a better work/life/travel balance.'



Pier Paolo De Santis



Sabrina Delfino and Carlo Crisponi

The Milan management is clear about its new approach: the aim is also to **take everyone out of their comfort zones** and to help them focus on the company's external stakeholders – the first being the client – **right in the middle of the living, breathing heart of the city.**

By choice, the organisation does not have enough office space for all staff to be present at once. If desks are in too high demand, people can work from home, in other collaborative spaces, in public shared spaces, or even in the client's offices: this is the principle of 'hot desking', applied at Mazars' Milan offices.

The importance of 'collision' between individuals

'Sometimes **moving around, exploring, engaging** and increasing the chances of 'collision' between people is even more important than individual productivity or creativity,' says Pascal Jauffret, alluding to the concept of serendipity^[5]. Translated into daily life via the organisation of spaces, the goal of allowing

such collisions can be summed up at Mazars in Milan with a single word: **lounge**. The lounge is a room people pass through, a place to share; it is the high point of a dynamic that goes beyond the **quiet work zone** of free desk space rooms, facilitating interaction through relaxation and play.



‘It is possible
to play
several roles
at Mazars’

—
Pascal Jauffret



Lorenzo Milani, Laura Verrascina and Sabrina Delfino



In a quite deliberate way, this space is also the entrance area, for staff but also for outside visitors, leading to the maze of work spaces. It is a convivial zone where people can get together around a video game console, or table football, while observing the comic strips on the walls: 'It is possible to play several roles at Mazars, **without compromising for even a second on our standards of quality, service and excellence**', adds Jauffret.

According to partner Marco Lumeridi: 'It is a kind of 'collision' that propels us into the **long term**, because it helps us to **attract talent** that is both young – in Italy, the average age at Mazars is 28 – and particularly **creative**. This applies also to the auditor's job, which will have completely changed within a few years. Nobody can predict exactly where automation is going to lead us in the area of accounting, auditing or consulting. **Recruiting adaptable**

staff is therefore the key element that will enable us to change at least as quickly as the technology. This approach will also allow us to manage our human resources efficiently.' Given that these new organisational principles and space sharing practices apply at every level of hierarchy, the facilitation of **transmission between generations** is one of the benefits expected from this revolution.

From traditional Italian craftsmanship to ‘smart working’

Investigating the evolution of work environments also means taking a step back to consider that **offices have a significance which goes well beyond mere real estate value**. Jon Fredrik Baksaas, CEO of the Norwegian company Telenor, asked for his head office to be designed not as a real estate asset, but as **a communications tool**; from this point of view, **the company’s strategy and the**

initiatives it adopts become more important than the notions of cost and efficiency⁽⁶⁾. It is a big difference compared to the past. The Italian reinvention of work style *made in Mazars* is characterised by a stronger valuation of both work spaces and community life within the company. This approach is part of a 360-degree strategy. And it is working, as evidenced by the establishment of the Mazars University headquarters in Milan; the creation of teams mixing

professions and nationalities; and international recruitment. The big picture is about overall **innovation**, starting with great value added by the new work dynamic.

A curious aspect of this approach is perhaps that the roots of this smart innovation actually reach back to national cultural tradition. ‘This way of working recalls a very old idea: the *bottega* (plural *botteghe*, or workshops) of 15th century Italian Renaissance. The result had been the emergence of a kind of **entrepreneurship** that came up with a revolutionary way of working, designing and delivering products and services⁽⁷⁾.





Daniela Ricci



Veronica Coffani

Beyond the search for a better work/life balance, technology and smart management of time and human resources should also allow for an evaluation of work by objectives and not by tasks.

If 'smart working' represents an innovative way of seeing things, this notion equally recalls the historical concept of those workshops, whose three main principles were the **translation of ideas into actions**, the promotion of debate and the facilitation of convergence between art and science, all without neglecting the commercial and pragmatic side - the business side, as we would say today.

For Veronica Coffani, executive assistant at Mazars, allowing this new link between private and professional life, as in the *botteghe* of olden days, forecasts in an ideal way the evolution of her current job.

In her opinion, 'this is also a workplace and work style that makes it easier to organise access to nurseries, gyms or other services.' An opinion shared by Sabrina Delfino, audit manager, who adds: 'Beyond the search for **a better work/life balance**, technology and smart management of time and human resources should also allow for **evaluation of work by objectives and not by tasks**, with complete digitalisation of tools and processes.'

To organise work spaces differently and, in reality, the work itself, actually serves **an even more ambitious objective**. 'Our new organisational modes allow

a much better convergence of the interests of the organisation and the people who work there,' argues Marco Croci, a partner specialising in audit and financial advisory services. 'The condition for success of such a model is that the leadership of the organisation believes in the importance of the teams being involved in choices that concern them, and more generally, in the many decisions of the company. In other words, **only when leadership is shared does collective intelligence become a reality.**' The secret to creating shared value is without doubt that **everything starts with people and their aspirations**^[8].

[1] 'The future of work: a revolution in progress. A study of one year of conversations on the social web' in *Creating Shared Value* - Mazars Group Yearbook 2015, pp. 34 sq. <http://annualreport.mazars.com>

[2] <http://www.ilssole24ore.com/art/notizie/2016-01-29/addio-telelavoro-debutta-smart-working-lavorare-casa-aumenta-produttivita-125526.shtml?uuid=ACbNXoJC> et <http://www.ilssole24ore.com/art/impresa-e-territori/2016-06-02/smart-working-attraversare-quarta-rivoluzione-industriale-210916.shtml>

[3] <http://www.ilssole24ore.com/art/impresa-e-territori/2016-10-12/smart-working-e-boom-2016-terzo-grandi-impres-e-flessibile-172346.shtml>

[4] 'Workspaces that move people', Harvard Business Review, <https://hbr.org/2014/10/workspaces-that-move-people>

[5] Anglo-American term meaning 'capacity, art of making a discovery, notably scientific, by accident' (Larousse).

[6] Id.

[7] Piero Formica, The Innovative Coworking Spaces of 15th-Century Italy, Harvard Business Review, <https://hbr.org/2016/04/the-innovative-coworking-spaces-of-15th-century-italy>

[8] 'About Shared Value' in *Creating Shared Value* - Mazars Group Yearbook 2015, pp. 35 sq. <http://annualreport.mazars.com>



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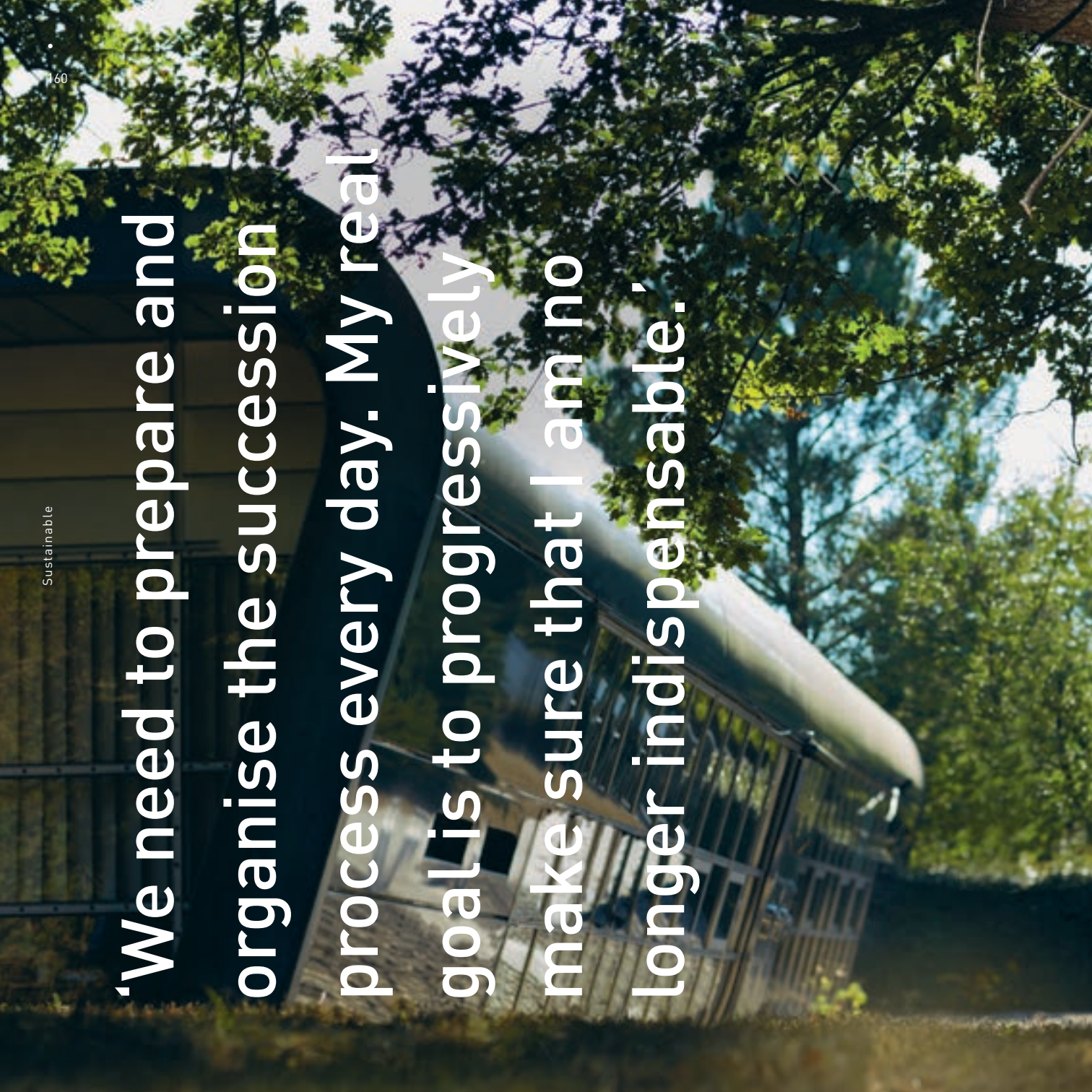
The time for stewardship

Sustainable

**AN ENTREPRENEURIAL ADVENTURE
ACROSS GENERATIONS**

WE USUALLY THINK OF STEWARDSHIP AS LOOKING AFTER PROPERTY FOR OTHERS. WHILE IT INITIALLY MEANT TAKING CARE OF MINOR TASKS, THE ROLE OF THE STEWARD EXPANDED OVER TIME TO INCLUDE HIGH STAKES ASSIGNMENTS SUCH AS MANAGING AND GROWING ASSETS FOR THE SAKE OF OTHERS.

**‘We need to prepare and
organise the succession
process every day. My real
goal is to progressively
make sure that I am no
longer indispensable.’**





_____ This is the definition the business world has adopted, stressing the fact that the steward's mission is to prepare a business to be passed on to future generations in a better state. Today, far from being mere housekeeping, stewardship touches on **every aspect of business performance**, not only in economic and financial, but also social, societal and environmental terms, with a view to growth and sustainability.



Serge Gérard

Obviously, it's also up to the steward to prepare the person or people who will succeed them. Sourcing, training, **grooming future leaders and turning them into decision-makers** is one of the major dimensions of stewardship. It is not only about rewarding technical skills, or the most assertive management skills. Instead, stewardship means focusing on the transmission of principles and values, ensuring that the founders' project remains at the heart of an ongoing story.

Local story, human story

————— The Boyer workshop, specialising in the manufacturing of doors for steel vats for the local **winemaking industry**, was created in 1920, in the small French village of Talence, not far from Bordeaux. Over the decades, the business grew and gained international recognition. They developed a remarkable technical mastery of vacuum and pressure mechanics that allowed them to create and manufacture doors and hatches of impeccable quality, and to sell them around the world in the evolving markets of **agribusiness, cosmetics, chemistry** and **pharmacy**.

————— 'I joined Boyer in 1982 as a welder and boilermaker before taking on several other positions in the area of purchasing, and then became responsible for logistics' explains Serge Gérard, who took the helm of the business in 2014 after working at the company for more than 35 years. 'I was given the job of repatriating a laser-cutting factory without losing production, and was then appointed as director of production. Shortly after, I took over responsibility for the engineering office, and became

the industrial director. Finally, the CEO who preceded me named me as chief operations officer. During my career at Boyer, I experienced two company buyouts and five different leaders. Each time, I had the good fortune of being promoted.'

————— This outstanding performance was awarded in 2016 at the *Victoires des Autodidactes* event^[1], in which Serge Gérard was awarded the Young People's Choice award, which was decided upon by youngsters participating in the programmes run by the Institut Télémaque^[2]. For Imène Kouidri, one of the voters who lobbied for Serge Gérard's candidacy, the jury didn't 'focus on sales or money, but rather on human values'. The recipient was particularly appreciative. 'This prize is the one I like best because it's focused on human values', says Gérard.

[1] The 'Victoires des Autodidactes' are a yearly event created in 1989 by the 'Harvard Business School Club de France', with support from Mazars. These awards are meant to reward self-made entrepreneurs who stand out thanks to their performance and their dynamism on local and international markets. More information at <http://www.mazars.fr/autodidactes>

[2] Cf. below, p. 172.

‘The staff
believed in me,
and gave
me their best.’

Serge Gérard





A question of values

‘The business turnaround period at Boyer was difficult’, says Gérard. ‘The company was in big trouble. We could no longer pay our employees or suppliers. The judicial administrator under whose control we were placed wouldn’t consider any option other than filing for bankruptcy. I had to call suppliers and promise that we would pay them. They trusted me because our **relationship with them was based on honesty and transparency**.

To convince the administrator not to file for bankruptcy, I had to commit my personal assets, with the agreement of my wife. In the first months that followed the recovery, we put a drastic savings plan in place – we went so far as to go around the offices each night to make sure the lights were turned off.’

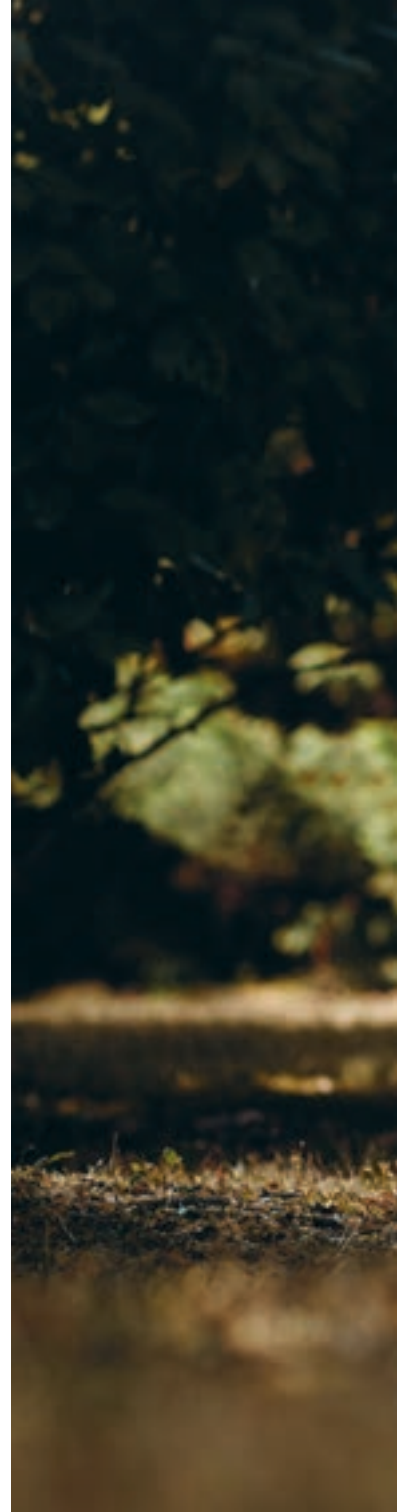
The challenge was daunting, primarily in human terms, owing to the 40 jobs that needed to be saved. ‘I was very fortunate to have had the unanimous support of all the employees who signed a petition in favour of my business turnaround project’, says Gérard. ‘I had experience in every position in the business. The staff believed in me, and gave me their best.’


This total engagement caught the attention of the young voters at the Institut Télémaque. ‘He risked everything, he put his own personal assets in jeopardy. He sacrificed his life to save families, despite being under no obligation to do so. I find that incredible!’ explains Kouidri. ‘I was captured by the fact that he had saved the employees. I think that we were all very moved by that. In the end, it was a deciding factor in why we thought he deserved the award’.

Work and team spirit

'When I was faced with my new responsibilities as CEO, I was scared', confesses Gérard. 'I was lucky enough to be in good company, thanks to my finance director who I had known for a long time, and to my accountant who acted as a true adviser. Beyond that, I'm convinced that the **sustainability of our success will be based on our ability to unite people** and create a big family'. This idea of **entrepreneurial adventure** changed Kouidri's perception. 'Serge Gérard's experience and journey gave me a different view of business life', she enthuses. 'Until then, for me, it was mostly about discipline, schedules and repetitive tasks. But on the contrary, we are affected by a desire to create a good working environment, and by a boss who really cares about his employees. He takes his time, speaks with everyone, and does everything he can to create the best working conditions. It is amazing. It makes you want to work there!'

Gérard considers a strong work ethic to be the only true key to success. 'Working at Boyer is rewarding. I recruit based on feeling' he says. 'I trust what I feel during an interview. **I look for outgoing people who relate to others.** This can be risky, but I don't envision any other way of doing it'. And what about diplomas? 'They are not essential', says Gérard, 'although technical skills are mandatory for certain positions, in our engineering office for example. Afterwards, **the challenge is to keep our talented people,** to make sure our employees are doing well in their lives and to take care of them. I know that leaders prefer diplomas and that hiring remains an obstacle for self-taught people, but I'm convinced that **talent will always be noticed and recognised,** particularly in **small businesses.**'





‘The sustainability of our success will be based on our ability to unite people.’

The challenge of transmission

At Boyer, it would be counter-productive to dilute the values which have allowed the business to grow. **Being straightforward, acting responsibly, respecting quality, striving for excellence** – these key notions are not negotiable, and from Gérard's point of view, they will continue to form the basis of the business' future developments. 'When I decide to retire and pass on the reigns of Boyer', he says, 'I will favour a successor who shares these values, or even better, be replaced by the employees in the form of a SCOP⁽³⁾, for example. I have always considered that human values are far more important than just financial success. **Nothing should be done at the expense of the human factor.** The main objective will be to protect the company and the jobs. I know that the power of money can transform people and this is the main risk regarding the transmission of a business. This is why we need to **prepare and organise the succession process every day. My real goal is to progressively make sure that I am no longer indispensable**, and that I do not make all the decisions. I am trying to make it happen, bit by bit, by getting employees to deliberate and to assume additional responsibilities.

(3) A SCOP is a cooperative enterprise in which the employees hold the majority of the company's share capital. Employees elect the management team, actively participate in decision-making, manage the company, and share its profits, in accordance with the democratic economic principles of cooperatives. Under French commercial law, a SCOP may be incorporated as an SA (société anonyme) public limited company or an SARL (société à responsabilité limitée) limited liability company. <http://www.les-scop.coop/sites/en/>



‘Transmission becomes a virtuous cycle, which makes it self-sustaining.’

Day by day, **stewardship at Boyer is also about transmission of knowledge.** ‘It’s done directly, between the veterans and the youngest employees’ says Gérard. This is confirmed by Didier Bourdessoules, a welder and boilermaker, and a Boyer employee for 33 years. ‘Those who came before me taught me everything, from the products to the materials and the way to work. This is what allowed me to advance, little by little. It also gave me my values, my work ethics, and a demand for quality. **For my part, I try to pass this knowledge and these values on to younger employees. I benefited from this training, so now it is up to me to pass it on to future generations’.**

Transmission becomes a virtuous cycle, which makes it self-sustaining. ‘In our line of work, technical knowledge is sometimes akin to an art. Few people are really capable of mastering the craft of welding. It takes time. Young people need to be helped and supported.’ A Boyer apprentice for 2 years, Guillaume Chaudet confirms: ‘My apprenticeship mentor passed on to me the knowledge he accumulated over his 15-year career. And I know that I will be happy to transmit what I have learned to an apprentice at some point in the future. ...



For Kouidri, the concept of **mentoring** is also crucial. 'I have been supported by my parents who always wanted me to succeed in school, but without putting too much pressure on me. And I also relied on certain teachers who, for example, encouraged my love of reading. One of them even gave me a book by Jane Austen, one of my favourite authors'. What are the qualities required for transmission? 'I think it takes patience. You also need to be passionate, educational and willing to take time to explain things. It is in this way, I think, that we can encourage a love for knowledge.' In Gérard's opinion, **loving what you do is a prime virtue**. 'To have that passion is essential for all entrepreneurs. But it is even more essential for self-taught people. I know that because I don't have a diploma, and I have some shortcomings. I haven't necessarily mastered computers or office matters and I don't speak English.

But I know what I am doing. I approach subjects in a concrete way. And I love my job.' Kouidri concurs: 'Serge's journey is incredible, almost unique. He does not hold a diploma, but he has succeeded in his endeavours. Today, he is the boss and he does what he loves.'



‘To transmit, you need to be passionate, educational and willing to take time to explain things.’

An inspirational model

Gérard’s model is based on the love of work, quality, solidarity, the transmission of knowledge between generations, and the responsibility given to each person. Not surprisingly, this model has attracted other entrepreneurs, including young participants to the programme developed by Institut Télémaque. It’s not insignificant either that the model built by Mazars since its creation has mirrored it. The boss of Boyer and the leaders who have succeeded at the head of Mazars share a strong conviction that an **entrepreneurial adventure is above all a human adventure in which each generation builds on the achievements of the previous one**. They also know that sustainability can only happen under good conditions in which potential successors are groomed, supported, and given responsibilities.

It is precisely in this way that Mazars’ history has unfolded. In 1983, Robert Mazars,

founder of the organisation, decided to retire and entrust his business to young partners, who in turn have been able to grow and internationalise it. Soon there will be a new generation of leaders, all Mazars partners, who will receive the responsibility to pursue this adventure and develop the organisation again. The ambition to secure and sustain this desire to transmit has been implemented through a talent management policy that entrusts Millennials with management roles. They are actually empowered to directly manage relationships with clients and lead teams, and to make decisions. Through the same conviction, **Mazars assists companies over the long term, at all stages of their development, with a view to lasting growth and the sustainability of their business**. In the service of the public good, Mazars has long since set itself the task of helping entrepreneurs and companies to grow and develop over time, which benefits not only the business community but also society as a whole.

Contributing to social mobility

The Institut Télémaque

An association created in 2005, the Institut Télémaque aims to boost social mobility starting at high school level. They help motivated and deserving young people who come from disadvantaged backgrounds through a dual sponsorship programme between schools and businesses. Selected from both classic and professional channels (in cooperation with heads of establishments, and according to merit, motivation, and societal criteria), the students benefit from the advice of both an educational tutor and a business tutor who support them throughout their baccalaureat. To date, the Institut Télémaque has partnered with over a hundred schools, as well as apprentice training centres in areas such as commerce, hotel management, and hospitality.

'Success does not just depend on the qualities you pick up in management or engineering schools'



Former CEO of European energy giant EDF, **Pierre Gadonneix** is now head of the supervisory board of aerospace group Latécoère and president of the Harvard Business School Club in France. He shares with us insights about qualities and values that help people succeed, even without a diploma.

The ‘Victoires des Autodidactes’ (‘Victories of self-made people’) awards event was created 25 years ago by the Harvard Business Club in France. Isn’t this a contradiction? The world’s most prestigious university honouring people who never went to one...

Pierre Gadonneix: It’s true, the creation of these awards is based on a paradox. Harvard University invented the ‘business school’ a little more than a century ago in 1908. Harvard was the first institution to actually believe that management could be taught like a science, but science based on concrete experience. The founders used the case-based method developed by their colleagues from the Harvard Law School. Put simply, the teaching is based on concrete case studies, with three main objectives: promoting entrepreneurship, learning how to manage complexity in order to be able make decisions, and building character so as to combine ethics and leadership. It is this desire to set the teaching of management in real life that led the Harvard Business School Club to reward

self-made people. These are people who are fast learners, who have often successfully addressed major challenges, and have shown their ability to achieve the three above mentioned objectives in an everyday context. The values they embody are similar to those promoted by the Harvard Business School.

What are these values?

Pierre Gadonneix: Boldness, to begin with. Even more than other entrepreneurs, those who are self-taught need to be audacious. In a way, they believe they don’t have much to lose, and live by Mark Twain’s maxim, ‘they did not know it was impossible, so they did it’.

Self-taught people are also very hard workers, and in their eyes, work is a virtue. Their journeys to demonstrate great determination. Almost all have experienced failure and have bounced back. Finally, they’re often extroverts with particularly

engaging personalities that are guided by solid principles. They are charmers, able to unite people and to foster a real team spirit.

**What is the role of self-made people in business, both today and in the future?
Is it possible to become the head of a large organisation without a university degree or diploma?**

Pierre Gadonneix: I believe it is. There is no denying the added value of college education, but self-taught business people are very proud of their own journeys, and they all want their children to go to college. There is also no denying the fact that in certain professions, such as finance or audit, a recognised diploma is a prerequisite. The vast majority of people who run French large businesses are over-credentialed. However, success does not just depend on the qualities you pick up in business or engineering schools. Being bold cannot be found in a diploma. Nor does common sense, charisma, or the instinct

that gives you a sense of what the market wants. The digital revolution is set to disrupt our economic models and successful entrepreneurs will be those who innovate. We can already see a number of these innovations transforming our ways of consuming and living. It's not only made possible by overqualified individuals.

In my management career, I never attached great importance to diplomas. In fact, I have always preferred to select my staff based on criteria of personality, leadership and charisma. Actually, it seems to me that diplomas are more of an early-career accelerator; afterwards, they count for much less. Don't forget either that you can get training throughout your professional life. And apprenticeships, which are not well developed in some countries, can also be a significant driver for professional advancement.

Also read: 'The Glory and Loneliness of the Self-Made Professional', by Philippe Castagnac. <http://maza.rs/5Mzw3077SeQ>

Leadership in Africa: bridging the generation gap

A CONVERSATION IN CASABLANCA

THE QUALITY OF DEVELOPMENT
IN AFRICA NOW DEPENDS ON A KEY
RESOURCE: BUSINESS LEADERS CAPABLE
OF WORKING BEYOND THE LOCAL MARKET,
IN OTHER COUNTRIES, OTHER REGIONS,
AND DIFFERENT CULTURES.
THE CONTINENT HAS A UNIQUE ASSET –
THE YOUNGEST POPULATION IN THE WORLD,
WHICH CONSTITUTES AN UNPARALLELED
RESERVOIR OF HIGH POTENTIAL.
WE’RE NOW AT THE DAWN OF THEIR
ASCENT TO RESPONSIBILITY.

— IN MARCH

2016, the 4th edition of the Africa CEO Forum⁽¹⁾ was held in Abidjan, bringing together economic and political leaders from more than 40 African countries. During the event, 'The Making of Leaders: An African Outlook' was unveiled, a study conducted by Mazars and Morgan Phillips⁽²⁾. This unprecedented study highlighted the key success factors of African leaders of today, asking a number of questions: what are the leadership qualities that inspire future generations? How can the energy and ambitions of 'Millennials' be channelled to enable the development of future leaders in the service of common goals? Is there a specificity linked to the African context that breaks away from traditional principles of leadership?

(1) <http://www.theafricaceoforum.com>

(2) The Making of Leaders: An African Outlook.
<http://www.mazars.com/africa-leadership-2016>

— EVEN IF KEY SUCCESS FACTORS

identified by the surveyed CEOs are precisely those that Millennials recognise in the leaders who inspire them, the representatives of younger generations do not envision the same pathway for their own ascension to leadership. They also demonstrate great ambition, with 70 percent aspiring to take leadership positions during their career.

MILLENNIALS ARE ALSO CONVINCED

that they could attain their professional objectives within their current workplace.

54% of them believe they have the power to access a management position in the company in which they work. The fact that the majority of Millennials consider it possible to reach the highest positions in their workplace creates an important expectation that businesses need to consider, and for which they need to provide answers, lest a strong sense of frustration be created.

— ANOTHER REVELATION IS THAT THE FAMED

'brain drain' is no longer relevant – Gen Y is willing to construct the new Africa. African Millennials do not consider expatriation to be a major priority and seem convinced that opportunities are flourishing locally. Fewer than 10 percent of them want to spend their entire career outside of Africa, but 30 percent want to create their own business.

To put the results of this study in perspective, we interviewed a group of three people from different generations who are close to this subject: Ghita Lahlou, Special Adviser to the President of Saham Group and Director of the Ecole Centrale in Casablanca; Ikram Adnani, Senior Consultant, Financial Services, at Mazars in Morocco; and Ali Bensouda, Co-founder of Omniup.

From left to right:

GHITA LAHLOU —

Special Adviser to the President of Saham Group and Director of the Ecole Centrale in Casablanca

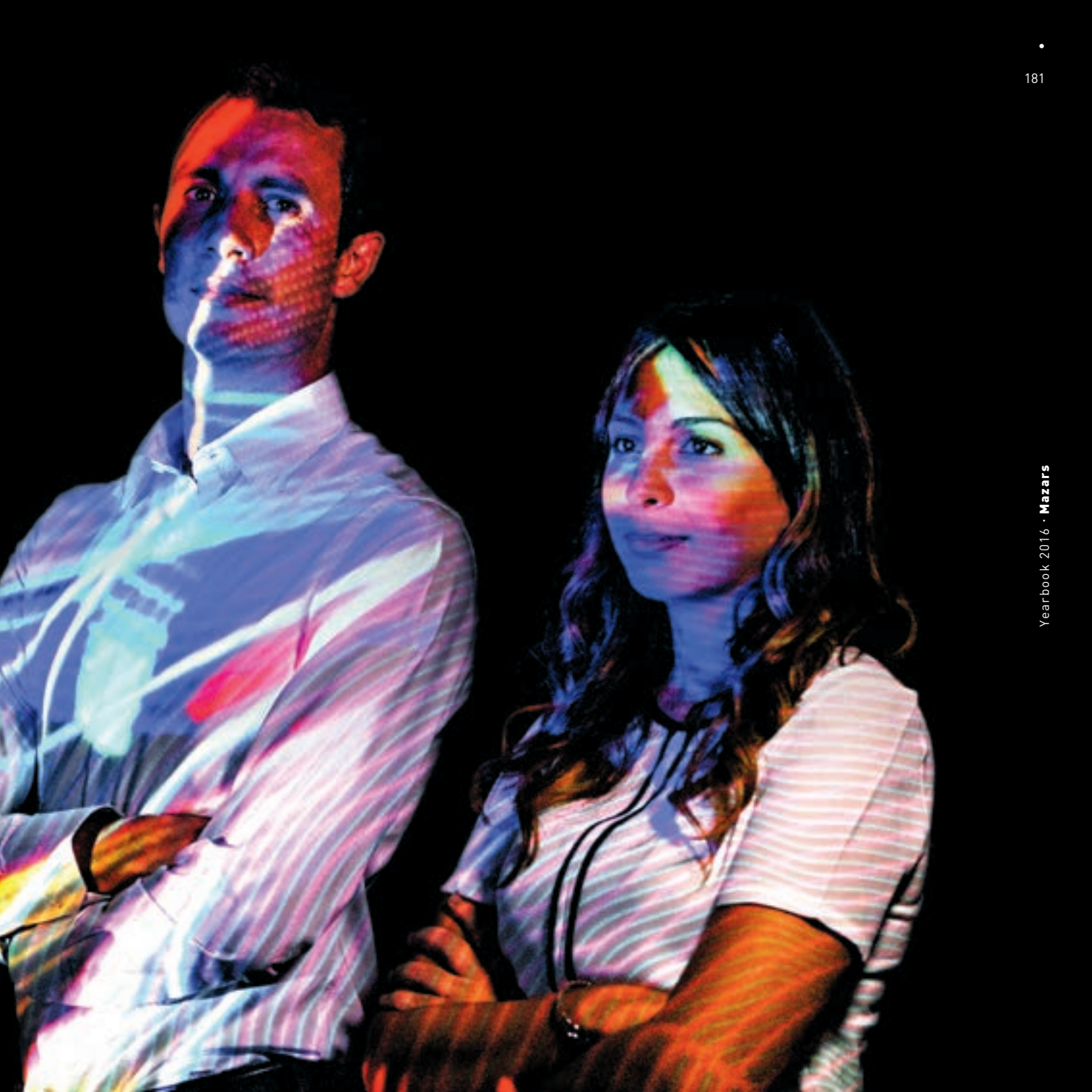
ALI BENSOUDA —

Co-founder of Omniup

IKRAM ADNANI —

Senior Consultant, Financial Services, at Mazars in Morocco





HOW CAN LEADERSHIP BE DEFINED?

GHITA LAHLOU —

A leader is a person who is capable of extracting themselves from their everyday experience and their environment in order to think about the future. They must have the tools, the know-how, the experience, the fundamental desire to seek out disruptive topics and also must tend to seek out innovation.

They need to have great interpersonal skills, to be able to convey key messages, rally the troops, and find funding. They need to be able to put themselves in danger, see the things that others don't see, defend projects, to sometimes be a bit of a 'daredevil', but all for a cause that they believe in.

They must be both a visionary and be able to break out of their comfort zone, whether they are 20, 30 or 50 years-old.

Leaders must also know how to seek out employees with different talents, and to set their creativity free. A truly efficient team needs to be made up of people who are complementary yet fundamentally different. These colleagues can go faster or slower than the leader, and don't have to think like them... this may be frustrating

but the leader must not inhibit the spirit and the creativity of their teams.

For me, leadership cannot be taught, but it is not inherent either. It necessitates the qualities that we acquire by ourselves through self-teaching.

There's also the personal journey that shapes a capacity for leadership. Was I born into a good environment? Did I benefit from a good education, did I meet people who allowed me to develop this courage, this aptitude to listen to my intuition while being supported by reason? It's a kind of alchemy...

IKRAM ADNANI —

A leader must not only be visionary and innovative, but also support their team, to bring the best out of them. It is not so important for a leader to know it all, as long as they can motivate, influence, and involve others, so as to spark their enthusiasm for shared success.

The leader must be able to identify themselves to each one of their team members, so that they can in turn identify themselves to the leader. In my opinion, diplomas are important but are not enough to prepare tomorrow's leaders. You can certainly acquire technical skills, but this acquisition remains theoretical. Leaders owe their success to their charisma and their human qualities more than to technical knowledge.

ALI BENSOUDA —

Leaders are those who have empathy, a unique sensitivity and aptitude to understand what the needs of others are. They are sort of magicians who help reveal someone's inner talent to themselves, and to society⁽³⁾.

Overseas, we are used to legitimacy stemming from technical skills – it's a meritocracy. Sometimes, when we return to our home countries, we're confronted by other forms of legitimacy such as family, heritage, or power...

We are faced with people who have a certain type of power but are not necessarily leaders, people who have authority that has not necessarily been given to them by the organisation. We are all in agreement on the criteria that define leadership, but in the case of Africa, other questions may arise.

GHITA LAHLOU —

In Africa, leadership status is covered both by one's skills and by other factors such as age, experience, social standing within a family, a clan or an ethnic group. Someone arriving in a new environment must have a good level of knowledge and good connections. A young person often needs to prove themselves to people who have been

in a position for 20 years and who therefore have a certain legitimacy.

HOW CAN INTERGENERATIONAL TRANSMISSION BE FOSTERED?

GHITA LAHLOU —

Until today, the replacement of leaders took place very slowly, in Maghreb as well as in West Africa. Systems of families, corporations, clans, and regions all found it difficult to accept this changing of the guard, regardless of whether you stayed in your region, or came from abroad. The new generation of leaders tend to overcome these limitations. They have a capacity to acquire new skills very quickly and often demonstrate a high level of flexibility and courage⁽⁴⁾.

I would add that cultural management is key. Many multinational entities have also understood this and send their leaders to their African subsidiaries that are located in their home countries. So, I think that leadership is changing. While leaders are trained locally, they're also able to gain experience abroad.

(3) As a complement, the answers provided by 50 CEOs and 760 Millennials in the Mazars / Morgan Phillips study highlighted a striking divergence between generations. Today's CEOs believe their success stems from their personality and experience, while most Millennials think of education as the first success factor. 'The Making of Leaders: an African Outlook', op. cit. <http://www.mazars.com/africa-leadership-2016>

(4) 30 percent of Millennials think about creating their own start-up. 'The Making of Leaders: an African Outlook', op. cit.

They're multicultural and thus able to work in the most difficult environments. And, above all, they're much more innovative.

ALI BENSOUDA —

African leaders, like their Latin American or European counterparts, undertake similar studies in major business schools, consume the same products, travel to and find themselves in the same places. When they return to their home countries, their origins give them an advantage.

Then, when they realise there is a gap between what they are living and what they have learned or lived abroad, they sometimes choose to re-enter the ranks and continue to do what their fathers or grandfathers have done – not rush things, not create change – in order to access responsibility more quickly. At the end of the day, they become themselves the barriers to change when they could become the torchbearers of a new way of seeing things, in order to better develop Africa.

IKRAM ADNANI —

There's a revolution in leadership, notably in Morocco. I undertook my studies and started my career in the United States but I always wanted to return to Morocco to contribute to the construction of something in my country. I dreaded my return a little, as I was somewhat expecting the stereotypes of leaders

that do not necessarily allow people to evolve within a meritocracy... However, regarding our clients or at Mazars, I've never actually felt such a thing.

Many things are changing with the new generations. Today's leaders are starting to adapt.

ALI BENSOUDA —

Many leaders want to change things because they have faith in Africa, which itself won't wait for change to come from the outside. We still sometimes find a paternalistic style of leadership within teams, both in large groups and start-ups. It's the 'father of the team' kind of mindset. But this paternalistic leadership has its limits – it cannot make room for international expansion. Agility and true leadership are also about knowing when it's necessary to change the model of leadership.

HOW TO FIND AND DEVELOP TOMORROW'S LEADERS?

GHITA LAHLOU —

Not everyone can become a leader, but we can nevertheless discover potential leaders at a young age. When recruiting





someone who is 25, we can perceive whether they have the capacity to become a leader or not. The goal for businesses is to create a pool of potential leaders during the very recruitment stage^[5].

I receive many spontaneous applications. Some catch my attention by their bold style or by the way they are presented.

To be the right person for the job, they need to be passionate – I need to feel their qualities such as their entrepreneurial spirit, their patriotism...

Once those with high potential have been identified, they need to be coached, trained, and pushed to challenge themselves by giving them the right level of responsibility, but also the freedom to fail, to some extent.

IKRAM ADNANI —

Businesses should not only detect profiles that have a good potential for leadership, but also invest in these people by providing them with training and challenging assignments. They must also allow them to express themselves and use their creativity so as to develop and innovate, which according to me is key in order to foster development in Africa.

I also think that our generation is trying to break down hierarchical barriers in favour of collaborative models. Millennials are very connected, able to multitask,

and are capable of teaching themselves through digital tools. By adapting to these new models, employers will be able to propose successful career paths for tomorrow's leaders.

FUTURE LEADERS, CORNERSTONES FOR CHANGE IN AFRICA?

GHITA LAHLOU —

The heart of a new economic and societal model is the younger generation that both embodies and fosters new models of technology, connectivity, collaboration and mediation. Some current jobs will not exist anymore in 20 years. In Africa, we will need to employ the 1.3 billion people that will arrive on the job market in 2050. Companies as they exist today will certainly not be the ones to employ them, nor will governments. The solution must come from the future leaders themselves, who will have to open up new spaces for work and services.

ALI BENSOUDA —

This is just as important as the disruptions that have already happened, and those that are going to occur over the next

[5] More than 70 percent of CEOs take into account school and higher education in their talent recruitment and development policy. Beyond diplomas, CEOs are looking for ethical behaviour, integrity, creativity and a capacity for teamwork. 'The Making of Leaders: an African Outlook', op. cit.

5 to 10 years will challenge all our value creation and value distribution models. Today, WhatsApp is run with a 50 people-strong staff. What will happen to the billions of other people? We may well have the leaders, but what will they do?

GHITA LAHLOU —

In the concept of leadership, there is thankfully a sense of progress, of creation, and the idea to inspire and lead teams. The billions of people we're talking about will have to take advantage of their own leadership potential in order to be able to live comfortably. I believe that for a long time, Africa has offered great career opportunities to younger generations, an evolution faster than what was possible in other regions. But African countries still lack specific skills such as engineers, for example. When considering a family business, a multinational entity or a major national company, the development of human resources and the use of Gen Y are different. Family organisations, may be out of step in terms of skills, organisation, and structure. They have a tendency to be reluctant to change. In the most organised groups, there's an obligation to adapt for pragmatic reasons.

IKRAM ADNANI —

Those in our generation don't hesitate to make it known when they're not happy. Members of this generation

are not afraid of losing their job, they are not afraid of change, not afraid of the system. This generation forges ahead. This strength we possess sometimes leads managers to review their management model. The whole business model can thus be disrupted to adapt to these cultural changes.

ALI BENSOUDA —

What we are going to need is stewardship. It is necessary that Gen X trusts and gives a bigger chance to Gen Y, whose style is different.

GHITA LAHLOU —

Global challenges are about progress or development - this is a widely shared aspiration. The challenge now facing Africa is the hardest of them all - it's almost a matter of survival. The leadership model that Africans will develop will probably be one that is largely reproducible for other systems as it will be more agile and efficient. This generation and the next in line will have to use their talents and ingenuity, the capabilities that those who have come before were not able to develop due to difficult social, political and economic conditions. They will eventually deconstruct and reconstruct that which the previous generations have built. And this leadership will be absolutely crucial to accelerate the growth of our continent.



Development in Africa: trusting African entrepreneurs

**ALTHOUGH LOCAL TALENT HAS ALL IT TAKES
TO SUCCEED, SUPPORT FROM THE WIDER BUSINESS
COMMUNITY WILL PLAY A SIGNIFICANT ROLE**

AFRICAN MARKETS ARE BOOMING, AND FOR MANY BUSINESSES THIS REPRESENTS MAJOR POTENTIAL FOR EXPANSION. THIS GROWTH IS ALL THE MORE SIGNIFICANT AS, FAR FROM THE CLICHES OF SIMPLY EXPLOITING NATURAL RESOURCES, IT IS DIRECTLY CONNECTED TO TECHNOLOGICAL ADVANCES AND INNOVATION. ALTHOUGH THE CONTRIBUTION OF THE INTERNET TO AFRICA'S GDP REMAINS FAIRLY LIMITED TODAY, IT IS EXPECTED TO ACCOUNT FOR USD 300 BILLION BY 2025, A SEVENTEEN-FOLD INCREASE COMPARED TO 2013⁽¹⁾. CORPORATIONS THAT ARE ACTIVE IN AFRICAN MARKETS EXPECT SOLID GROWTH; AS AN EXAMPLE, A NUMBER OF FRENCH COMPANIES ESTIMATE THAT IN THE NEXT 10 YEARS THEIR BUSINESS ON THE AFRICAN CONTINENT WILL GROW BY 75 PERCENT⁽²⁾.

With a population set to exceed 2.5 billion by 2050 and a middle class now numbering hundreds of millions of people, the African continent demonstrates an extraordinary potential for development and growth.

Access to funding remains a common obstacle

Between projections and reality, the gap remains nonetheless difficult to bridge. While Africa shows real potential in digital innovation, African entrepreneurs observe that access to digital technologies remains very limited, largely due to lack of funding, an obstacle affecting a number of industries across the continent. 'The number one barrier is access to funding. The banks don't take risks', confides Joel Sikam^[3], General Manager of FISCO.

In addition, the weakness of infrastructures and the often limited involvement of governments equally form major impediments to developing entrepreneurship. For Patrick Ehode, founder of the Cameroon start-up Vairified,

which developed an app aimed at reinforcing security onboard taxis, 'the government's involvement in entrepreneurship is very tactical. Lots of money is invested, but inefficiently, in costly private projects without real benefits. It's a real shame because meanwhile, SMEs are dying due to lack of funding^[3]'.

Another limit to the development of entrepreneurship, is insufficient examples of success and sources of inspiration. 'To encourage the creation of businesses, we need success stories', stresses Ehode. This is particularly true in French-speaking countries, which tend to lag behind their English-speaking counterparts in terms of development in the digital economy.

Indeed, according to a study by Disrupt Africa^[4], in 2015, 80 percent of the 186 million dollars raised by African start-ups was received by entrepreneurs in English-speaking Africa (South Africa, Nigeria and Kenya).

Having faith in local entrepreneurs

These barriers do not stop young entrepreneurs from showing an undeniable ambition to develop their own business in the African market. Some of these creators are motivated 'by a strong personal desire', explains Sikam. Others, like Saliou Barry, founder of a cooperative of women dedicated to sustainable and eco-friendly production of palm oil, want above all 'to contribute to the country's development. The world is becoming increasingly flat', explains Ehode(3). 'This creates a sense of disenchantment with the international arena and a desire to succeed locally'.

Tony Elumelu, Nigerian millionaire and serial entrepreneur, is quick to agree that '(...)nobody but Africans will help Africa to develop'. The remark may seem extreme,

but the peculiarities of the local market make importing external models difficult.

'Unlike China', which has copied existing models to create Didi Chuxing, the cousin of Uber, in Africa it is impossible to build the same offers as elsewhere. You have to invent new ones', explains Gilles Babinet, French 'digital champion' at the European Commission. This opinion is shared by African entrepreneurs themselves: 'People believe that one day Africa will become like Europe, but it is simply not true. That will never happen. A copy and paste would not work. We must create our own model', agrees Sikam.

This ambition could be based on a proven desire to find solutions that create shared value, that is by sustaining both the success of entrepreneurs and the development of local communities. 'Real wealth is not what is in the bank account, but in the development of the country', claims Elumelu. Kader Lamine, founder and promoter

of E3D Niger, a company that produces and markets organic products made from the neem tree, concurs: 'Creating your own job and your own business, while creating wealth in Africa allows you to not only improve your own living conditions but also to enhance or contribute to raising the living standards of others'⁽³⁾.

It is worth noting that these testimonies illustrate not only a real confidence in the value of the private sector, but above all the conviction that local entrepreneurship is the path to follow for the economic development of the continent.

Support remains essential

In this context, what role can international groups play in this development? For Lamine, it means accompanying local business people: 'The most important thing for young entrepreneurs is support in all fields, whether technical or financial', he says.

In a second stage, '(...) multi-nationals can help integrate start-ups and entrepreneurs. SMEs need support to access other markets and overcome barriers', outlines Ehode. The Bordeaux Cameroun France Club, founded by Pierre de Gaétan Njikam Mouliom, Deputy Mayor of Bordeaux, is precisely committed to this. In 2015, this organisation sponsored young entrepreneurs from five French-speaking African countries - Burkina Faso, Cameroon, Guinea, Mali and Nigeria. These young

entrepreneurs were offered training at the prestigious Kedge Business School in Bordeaux, and introductions to important figures in the business world. Mazars, which has offices in, or is involved with the countries of these young business people, takes care of identifying candidates, but also helps them to finalise their projects and gives them access to crucial resources they may need.

'At a certain point in the development of a start-up, the challenge is also about meeting banks, knocking on the right doors, and showing a project and a business plan that meet the expectations of business partners. That is when Mazars enters the process, to add its expertise to these innovative entrepreneurial projects', concludes Alain Chavance, partner in Bordeaux and head of the programme at Mazars.

(1) Lions go digital: The Internet's transformative potential in Africa. McKinsey Global Institute. <http://www.mckinsey.com/industries/high-tech/our-insights/lions-go-digital-the-internets-transformative-potential-in-africa>

(2) Stratégies n°1878, p. 38.

(3) Interviews conducted between August and September 2016 with entrepreneurs from the 2015 class of the Club Bordeaux Cameroun France programme.

(4) <http://disrupt-africa.com/>

Urbanity by Mazars

Sustainable

**A PROJECT THAT HIGHLIGHTS OUR INTEREST
AND OUR RESPECT FOR THE COMMUNITIES
THAT MAKE UP OUR ENVIRONMENT**

THE CITY IS, HISTORICALLY AND POLITICALLY, THE PLACE WHERE INDIVIDUALS COME TOGETHER, LETTING GO, IN PART, OF THEIR PERSONAL INTERESTS SO AS TO BUILD A COMMON FUTURE; BY DOING SO, THEY WORK TOWARDS AN OVERARCHING GOAL, CONTRIBUTING TO SOMETHING BIGGER THAN THE SUM OF THEIR OWN JOURNEYS. AS DEFINED BY 17TH CENTURY ENGLISH PHILOSOPHER THOMAS HOBBS, THE SOCIAL CONTRACT INVOLVES 'MORE THAN CONSENT, OR CONCORD; IT IS A REAL UNITY (...) MADE BY COVENANT OF EVERY MAN WITH EVERY MAN'⁽¹⁾. MORE THAN A GEOGRAPHICAL LOCATION, OR AN ACCUMULATION OF HOMES GIVING RISE TO A HIGH CONCENTRATION OF PEOPLE, THE CITY REPRESENTS A MOVE TOWARDS A HIGHER DEGREE OF CIVILISATION. NOT SURPRISINGLY, THE TERM URBANITY, DERIVED FROM THE LATIN *URBS*, FOR CITY, MEANS NOT ONLY WHAT IS LINKED TO CITY LIFE, BUT ALSO A QUALITY THAT IS POLISHED IN MANNER, COURTEOUS, OR SOPHISTICATED.

With 66% of the population projected to live in **urban areas** by 2050^[2], **cities** continue to absorb a major part of humanity's vigour and creativity. Although they are confronted with major challenges, notably from an environmental and social points of view, they also represent the place where **business**, the **arts**, political **activism**, social **entrepreneurship** and infinite **networks of individuals** become intertwined, forming vibrant human fabrics. How can all these parties, with different interests and agendas, interact in a positive way? The growing necessity of working together, **creating value** every day while taking into account the **public interest** shows that, more than ever, we all need to make more effort to better understand and renew our social contract. Present today in **260 cities all over the world**, Mazars believes in **creating shared value**, or in the interdependency between businesses and the communities to which they are connected. Cities are where we build our **entrepreneurial adventure**, where we **recruit** and **train talent**, where we **connect with our stakeholders**, and where we create value for our clients.

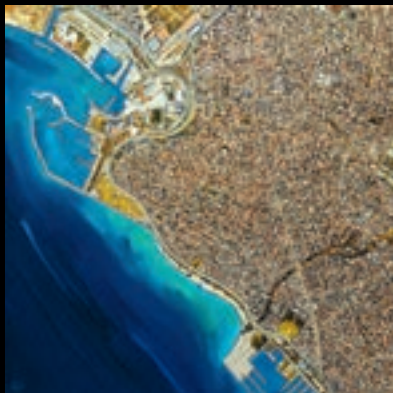
[1] The Politics of Peace: The Role of the Political Covenant in Hobbes's 'Leviathan'. Brian T. Trainor, *The Review of Politics*, Vol. 47, No. 3 (Jul., 1985), pp. 347-369.

[2] <http://www.un.org/en/development/desa/news/population/world-urbanization-prospects-2014.html>

URBAN*ity* by Mazars

We are delighted to introduce 'Urbanity by Mazars', a project that highlights the fascinating intricacy and interconnections of the urban world. This project features **artworks** representing the **unique and distinctive patterns** of cities where Mazars is present, across all continents. These paintings will not only be displayed in our offices – they will be the basis for various local and international projects sponsored by Mazars, **highlighting our interest and our respect** for the communities that make up our environment. It is an open endeavour, and your input is more than welcome – feel free to tag along for the ride.

For more information: <http://sharedvalue.mazars.com/urbanity>



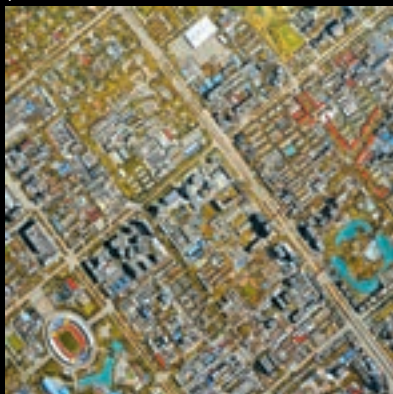
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URBAN*ity* by Mazars

¹ Athens

² Milan

³ Paris

⁴ Beijing

⁵ Rotterdam

⁶ Sydney

⁷ Geneva

⁸ Lisbon

⁹ Nicosia

Artwork: Dominique Emard

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Mazars' governing bodies

GROUP EXECUTIVE BOARD

The Group Executive Board (GEB) is our primary executive management body, in charge of management and oversight of the partnership with regards to our collectively defined strategic objectives. The GEB is comprised of eight members, elected for a four-year term ending in December 2016.



Philippe Castagnac
Group CEO, Chairman
of the Group Executive Board

Hervé Hélias
Co-CEO, leader of the Public Interest
Entities Global Business Unit, Managing
Partner of Mazars in France



Antonio Bover
Co-CEO, leader of the Tax and Law
Global Business Units,
Managing Partner of Mazars in Spain

Christoph Regierer
Co-CEO, member of the
Roever Broenner Susat Mazars
(Germany) management board





Hilton Saven
Co-CEO, Managing Partner of Mazars
in South Africa



Victor Wahba
Co-CEO of the Mazars Group,
CEO of WeiserMazars (United States)



Phil Verity
Co-CEO, leader of the Owner-Managed
Businesses Global Business Unit, Managing
Partner of Mazars in the United Kingdom

Liwen Zhang
Co-CEO, Chief Chartered Accountant
of ZhongShen ZhongHuan (China)



ADVISERS

The Group Executive Board relies on the help of a team of advisers.



Graham Durgan



Thierry Colin

Loïc Wallaert



GROUP GOVERNANCE COUNCIL

The Group Governance Council (GGC) is our impartial and independent supervisory body. In addition to its supervisory duties, the GGC has specific decision-making powers set out in the Mazars' Partnership Charter. As of August 31st, 2016, the GGC is comprised of eleven members, two of which are external.



Tim Hudson
Chairman



Jean-Louis Simon
Vice Chairman



Thierry Blanchetier



Kathryn Byrne



Charles de Boisriou

Anita De Casparis





Mohamed Ali Elaouani Cherif



Christian de Juniac*



Denise K. Fletcher*



Gregor Kunz

Wenxian Shi



* external members

H i g h l 2 0 1 5 -

inghts
2016

09/15

The MC Consulting practice in **Mozambique** joins Mazars' global integrated partnership.

Mazars in **Canada**'s managing partner, Louise Roby, nominated among 8 'Prominent Women in Finance' in **Montreal**, Quebec.

Mazars, in collaboration with Queen Mary University, organises its **International Tax Conference 2015 in London, United Kingdom**, with a focus on how the European Commission, the OECD and the United Nations are shaping the future of tax policy.

10/15

Mazars participates in **Expo Real**, the 18th International Trade Fair for Property and Investment in **Munich, Germany**.

Mazars participates in the seminar on 'The Danish Model of **Shareholder Foundations**' in **Copenhagen, Denmark**.

As part of the work done by the Mazars **Financial Advisory Services** practice with start-ups and entrepreneurial businesses, particularly in the technology sector, **Mazars and Ford partnered** on an exciting venture – the first-ever Ford SYNC® AppLink™ Developer Challenge in **Tel Aviv, Israel**.

'**Mazars for Good**' Innovation Challenge winners announced in **Singapore**. This programme rewards innovative ideas from young aspiring **entrepreneurs** and **intrapreneurs** that can transform the way companies engage with their employees, other businesses and society as a whole.

Mazars sponsors the art exhibition '**Warhol: Unlimited**' in **Paris, France**.

11/15

COP21: Mazars sponsors the ‘**Global Youth, Climate and Employment**’ survey. Mazars joins in the fight against global warming by supporting the ‘2015 ScenaRio’ project launched by Nomadéis for the COP21. The survey is also supported by Axa, Nielsen and Saint-Gobain. Thanks to a major global youth survey on the theme ‘Employment and climate’, the study helps feed the discussions at the **Paris Climate Conference** (Nov.-Dec. 2015).

For the third consecutive time, Mazars contributes to the **Business 20 (B20) policy proposals** for the Group of 20 (**G20**).

Launch event of Mazars’ expansion in the **Philippines** in **Manila**.

Mazars participates in the **Banking Union Conference 2015** in **Dublin, Ireland**.

Mazars launches the 5th wave of its **NextMBA**, with participants from Areva, Auchan, Axa, L’Oréal, Manpower and Saint-Gobain.

Mazars’ **Mittelstand Business School** starts the first week of its 2nd session in **Düsseldorf, Germany**.

Hilton Saven, managing partner of **Mazars in South Africa**, is appointed chairman of the **Praxity Alliance**.

12/15

Mazars partners from all over the world gather in **Brussels, Belgium**, for the Group's annual conference, also celebrating the **20th anniversary** of **Mazars' international integrated partnership**.

Mazars is the leading sponsor, alongside Barclays, Nasdaq, the Irish Stock Exchange, the Swiss Exchange and Euronext, of the **European Small and Mid-Cap Awards** 2015.

01/16

The Chinese firm **ZhongShen ZhongHuan** joins Mazars' integrated partnership, merging its audit activities with Mazars in **China**.

The firm **Duncan Dovico** becomes a full member of Mazars, expanding the Mazars international partnership into **Australia**.

The firm **Nacouzi Co.** is fully integrated into the Mazars partnership under the Mazars brand in **Cyprus**.

Mazars celebrates the **25th anniversary** of its presence in **Hungary**. With a sales return of HUF 1.5 billion, Mazars is one of the most prominent advisory companies in Hungary.

03/16

For the second year in a row, Mazars participates in the **Africa CEO Forum** in **Abidjan, Ivory Coast**, and unveils its study **'The Making of Leaders: an African Outlook'**.

Mazars sponsors the **Banking Forum 2016** in **Warsaw, Poland**.

For the 9th year running, Mazars has a high profile presence at **MIPIM**, the world's largest real estate exhibition and conference in **Cannes, France**.

300,

000

FOLLOWERS

Mazars' global audience via its official social media channels on Twitter, Facebook, LinkedIn, Instagram, Youtube and WeChat exceeds 300,000 followers.



04/16

Mazars becomes a Supporting Partner of **Project Inspire**, a joint initiative from Singapore Committee for **UN Women** and MasterCard, helping young social entrepreneurs create a better world for women and girls throughout **Asia-Pacific**.

The Digital Finance Global Report, written by **the Economist Intelligence Unit** and sponsored by Mazars, is published.

Philippe Castagnac, Mazars' CEO, member of the **LinkedIn Influencers** programme, has more than 80,000 followers.

05/16

Mazars participates in the **CEIBS** (China Europe International Business School) Europe Forum at **Paris Dauphine University**.

Mazars sponsors the **Insurance Europe International Conference 2016** in **Dublin, Ireland**.

Mazars' Global China Services, a dedicated group of professionals with particular expertise in serving Chinese clients, celebrates its 5th anniversary. It offers Mazars' clients with dedicated resources in 24 countries or regions.

The content of **Mazars' 2015 Yearbook** generates a total **2,500,000 views** and **72,000 interactions** on social media. Downloads of the full document are multiplied by 16 as compared to previous year.

06/16

Mazars sponsors **Global ABS 2016**, the leading European securitization event in **Barcelona, Spain**.

The **European Audit Reform** enters into force.

07/16

Mazars acquires international financial modelling consultancy and training provider, **Corality** Financial Group.

Mazars participates in the **European Communications Summit** in **Brussels, Belgium**, presenting a session on 'Employee advocacy'.

End of the 4th wave of **Mazars' NextMBA** in **Milan, Italy**.

08/16

Mazars welcomes to **Paris** and **Lyon**
a delegation of 40 members from
the **Beijing Institute of Certified Public
Accountants**.

Mazars releases its 10th **#WeAreMazars**
video.

A B C S

by Mazars

In October 2016, we asked our audience on Facebook (36,000 followers on our Mazars Group page only, our global Facebook audience accounting for 130,000 followers) to give us, for each letter of the alphabet, a word that according to them symbolises Mazars as an organisation.

The game had a tremendous impact, with a reach of 200,000 unique users, more than 2,700 answers and more than 3,000 likes and shares.

Here are the words most often mentioned.



Ambitious

Advanced - Accounting
 Acceleration - Achievement
 Adventure - Agile - Advisory
 Accurate - Adaptable
 Amazing - Ability
 Accountable - Analysis
 Assurance - Audacious - Audit
 Authentic - Awesome

Bold

Belonging - Best-in-class
 Bespoke solutions - Beliefs
 Brand - Brilliant - Building
 Business

Committed

Collaborative - Compliance
 Client-focused - Caring
 Confidence - Consulting
 Catalyst - Competency
 Community - Challenger
 Capable - Cool - Creative
 Customer-oriented

Diverse

Demanding - Discovery
 Dauntless - Driven
 Democratic - Diligent
 Determined - Daring
 Dedicated - Different - Doers
 Dream team - Dynamic

Entrepreneurial

Education - Equality
 Ethical - Enthusiastic
 Enjoy - Empowerment
 Excellence - Expectations
 Expertise - Efficient

Family

Forward-thinking
 Fast-growing - Focused
 Future - Finance - Fun

Global

Growth - Growing
 Genuine

Home

Happy at work - Harmony
 Honour - Humane
 Helpful - Happy trainees
 Hardworking

Innovative

Influential - Integrated
 Intelligence - Ideas
 Independent - Inclusive
 Inspired - Ingenious
 Integrity - International
 Intrapreneurs

Journey

Jobs - Joyful

Knowledge

Kind - Kudos - Knowledgeable
Key - Know-how

Leadership

Loyal - Leader - Limitless
Lively - Long-term

Multicultural

Meaningful - Mazarian
Methodology - Modern
Momentum - Motion

Numbers

Nurturing - Next generation
NextMBA - Noble

Outside the box

Objective - Open-minded
Opportunities - Organisation
Original - Outsourcing
Outstanding - Overcome

Passionate

Pioneer - People - Proactive
Partners - Performance
Professional - Partnership
Proficient - Proud
Public Interest Entities

Quality

Quest - Qualified

Reliable

Rectitude - Relevant
Resilient - Resourceful
Respect - Responsible
Rewarding - Robust

Sustainable

Service - Skillful - Smart
Sophisticated - Strategy
Successful

Talents

Talented - Team - Together
Top - Transparent
Trustworthy

United

Union - Unique
Universal - Uplifting

Values

Value - Vanguard
Vibrant - Visionary

Wow

#WeAreMazars - Welcoming
Wise - Worldwide

X-factor

Xenodochial - X-ray
X-men

YOLO

Yes - Young

Zestful

Zealous - Zeitgeist - Zen
Zero-default

Integrated Reporting: our approach

An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects – in the context of its environment - lead to the creation of value in the short, medium and long term. Integrated Reporting focuses on how an organisation uses and affects the following six capitals: Human, Intellectual, Social & Relationship, Financial, Manufactured and Natural.

Two years ago, Mazars embarked on a journey towards Integrated Reporting, allowing us to better explain who we are and how we serve our clients, our communities and the public interest wherever we operate worldwide.

With our previous Yearbook and this one, we are continuing on this journey and pursuing our effort to explain our business model and our value creation process using four different representations: a mapping of our stakeholders, our 'materiality matrix', our value chain, and key performance indicators (KPIs) that include an increased number of extra-financial indicators, all with the goal of an ever-clearer understanding of the relationship between how we use our resources and how we create value. The topics and concepts covered in this Yearbook attempt to demonstrate how we cooperate within our 'ecosystem'.

Statement of support from the Group Executive Board

As Group Executive Board (GEB) members, we hereby acknowledge our responsibility to ensure the integrity of our integrated report, and that we have applied our collective mind to the preparation and presentation of this third Mazars' integrated report.

We are still continuing our journey towards presenting an Integrated Report in accordance with the framework set out by the International Integrated Reporting Council (IIRC) at Mazars Group level. We started in 2013-2014 with a first Integrated Reporting (IR) approach, and stated that our challenge for the next 2 years would be to develop and deploy new key performance indicators (KPIs), which we did in 2014-2015 and 2015-2016 in order to be able to measure our progress.

While we chose not to communicate on all our non-financial KPIs in this year's report, we did take them into account to define our short-term strategy for the greater benefit of our organisation and stakeholders.

Our next step for 2016-2017 will be to strengthen our engagement with our stakeholders through different initiatives. Some of these initiatives already exist, for example our open, online Collective Intelligence 2.0 platform to collect stakeholders' feedback. Other initiatives are to be launched in 2017, such as satisfaction surveys for Mazars staff and our clients, systematic dialogue at GEB level to inquire about stakeholders' perception of, and requests to Mazars, etc.

Article 1.20 of the Integrated Reporting framework reads as follows:

1.20 Responsibility for an Integrated Report:

An integrated report should include a statement from those charged with governance that includes:

- An acknowledgement of their responsibility to ensure the integrity of the integrated report,
- An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report,
- Their opinion or conclusion about whether the integrated report is presented in accordance with this Framework.

Or, if it does not include such a statement, it should explain:









- (...) The time frame for doing so, which should be no later than the organisation's third integrated report that references this Framework.












The adjacent table shows the links between each one of the articles and the capitals we use.












Content item	Capitals used
The globalisation game	Human, Intellectual, Social & Relationship, Financial, Manufactured
Is insecurity the new normal?	Human, Intellectual, Social & Relationship
Audit in the 21st century	Intellectual, Social & Relationship
Ethics as a value driver	Intellectual, Social & Relationship
Skydiving without a parachute?	Intellectual
Preventing corruption: transformation at the heart of business models	Human, Intellectual, Social & Relationship
Leveraging the value of diversity	Human, Intellectual, Social & Relationship, Financial
Surfing on a rocket: managing permanent change	Human, Intellectual, Social & Relationship
Revitalising the workplace: how to meet the challenge of organisational agility?	Human, Intellectual, Social & Relationship, Financial, Manufactured, Natural
Smart working: from reinventing the workplace to creating shared value	Human, Intellectual, Social & Relationship, Financial, Manufactured
Building the future one day at a time	Human, Intellectual, Social & Relationship, Financial, Manufactured
Leadership: bridging the generation gap	Human, Intellectual, Social & Relationship, Financial
Entrepreneurship in Africa	Human, Intellectual, Social & Relationship















Analysis of potential risks and opportunities

 Human capital
  Intellectual capital
  Social capital
  Financial capital
  Manufactured capital
  Natural capital

Definition	Capitals	Stakeholders	Initiatives
I. SERVICE OFFERING & ACTIVITIES			
SERVICE OFFERING Specialty services are in higher demand, especially for non-audit services.	  	Clients, Society	We provide innovative, tailored and global solutions to our clients. Combining the reliability of our methodologies with our ability to think 'outside the box', we deliver value to our clients and our communities, not only in our main service lines but also for specialised services.
PERFORMANCE AND EFFICIENCY Volatile, negative or uncertain economic conditions could affect our ability to provide high quality services. On the other hand, they lead us on to the path of innovation.	  	Clients, Society	The quality standards of our services are not negotiable. We offer integrated solutions adapted to clients' markets and anticipate changes. We have learnt from past challenges how to increase the stability of our organisation. At the same time, we strive to nurture the Mazars DNA so as to guarantee business continuity to our clients, staff, partners and communities.
REPUTATION Mazars is a young, renowned and developing brand. Significant failure in one Mazars office to comply with legal, ethical or professional requirements could damage our brand and reputation.	 	Clients, Society	Our internal quality management systems, which are designed to maintain and enhance quality, include, among other things: <ul style="list-style-type: none"> • Client engagement and acceptance processes and standards supported by methodologies and tools, • Continuous technical and soft-skills training of staff and Mazars' partners, • Quality reviews of Mazars' offices. Furthermore, we train our staff and partners to adhere to ethical standards in their daily use of social media.

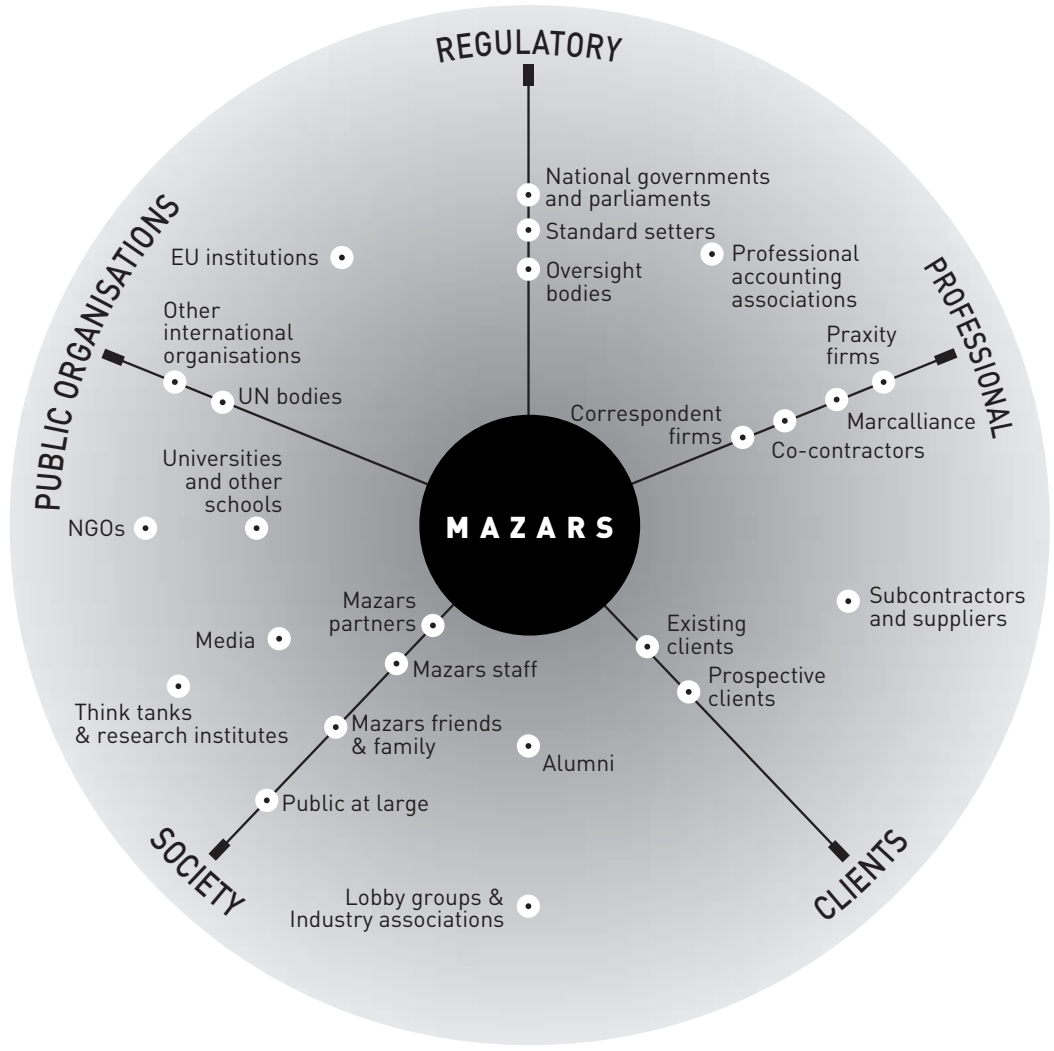
Definition	Capitals	Stakeholders	Initiatives
<p>ETHICS & INDEPENDENCE We do need to remain independent whether we provide audit & assurance (Channel 1) or non-audit/ advisory (Channel 2) services.</p>	 	Clients, Society	We make sure that our risk management procedures ensure independence of our two core professions as auditors or advisers (Channel 1 or Channel 2).
<p>COMPLIANCE WITH REGULATION The development and strengthening of regulation have an impact on audit activities – e.g., EU audit reform.</p>	  	Clients, Society, Public Organisations	<p>We comply with all regulation, whichever service is provided, audit & assurance (Channel 1) or non-audit/ advisory (Channel 2).</p> <p>We keep up-to-date with the latest changes in regulation and we inform our clients in a timely manner.</p> <p>We take part in the evolution of the regulation and anticipate potential impacts for the benefit of our clients and prospects.</p>
<p>QUALITY The audit and assurance market continues to be impacted by tough external conditions, client pressure and intense inter-firm competition. This had led to an audit 'price war', which could potentially cause a decrease in the quality of audit, an obligation for audit firms to restructure, or even a commoditisation of our profession.</p>	   	Clients, Society	We participate in fair tendering as a good way to maintain innovative solutions in our profession, and therefore we continuously invest to adapt our methodologies and tools.
<p>CONFIDENTIALITY AND DATA PROTECTION A situation could arise where business and personal data may not be adequately protected.</p>	 	Clients, Society	We are implementing a global data privacy policy in our offices and continually strengthen our information systems security management.

Definition	Capitals	Stakeholders	Initiatives
II. TALENTS & PARTNERSHIP ORGANISATION			
<p>TALENT Skilled people, especially in economically vibrant areas, are increasingly mobile. Specific, adapted policies are required in order to attract and retain them.</p>	 	Clients, society	As a professional services firm, we develop a dynamic human resources policy, valuing excellence and a strong sense of ethics. We invest in our people to make their years with Mazars a profitable experience and prepare them to be future leaders inside or outside our firm. For their first 2 years the youngest Mazarians have the option not to specialise. After which they are given the opportunity to select the sector they wish to specialise in and get trained accordingly.
The evolution of core audit and accounting services delivery due to digitalisation requires to define new skillsets for our talents.	 	Clients, society	Mazars strengthened its competency matrix as to embed IT and digital aspects into our core audit and advisory trainings. We actively recruit experienced specialists, especially in the most digitalised sectors such as banking, insurance, mass distribution, etc.
Evolving in an ever more connected and fast-paced global work environment, today's young talents expect more flexibility in their personal organisation.	 	Clients, society	We strive to offer work-life balance to our staff and partners through flexible new ways of working (e.g. home office, hot desk policy, etc.), improving our talents' efficiency and retention without losing interpersonal relationships.
Diversity ought to be encouraged, not only for moral/ ethical reasons but because more diversity is profitable for businesses.	 	Clients, society	Mazars initiated many actions at both global and local levels to promote diversity such as engaging with people with disabilities (You Hand' Mazars), and working against discrimination in all its forms. Mazars also focuses on gender diversity where progress still has to be made, and while we already recruit more women than men, we implemented a Women Talent Pool, including training programmes, to develop, mentor and retain female talent.
<p>INTERNATIONAL INTEGRATED PARTNERSHIP STRUCTURE Although it is demanding, growing as an international integrated partnership favours long-term reinforcement and transparency, all for the benefit of our clients.</p>	  	Clients, Society, Professionals	International expansion is in our DNA. We never fear to venture into new territories and discover new cultures. Although a partnership may be at times fragile, we remain convinced that our unique model brings us closer to our clients, allowing us to provide local tailored services around the world. We invest in and promote international mobility of talent internally as a lever to strengthen the continuous geographic expansion of our true global partnership.

Definition	Capitals	Stakeholders	Initiatives
III. GLOBAL TRENDS & STAKEHOLDERS EXPECTATIONS			
<p>DIGITAL TRANSFORMATION Clients Continuous and accelerated technological evolution impacts not only the way our clients do business but also the way we work and communicate with our clients.</p>	   	<p>Clients, Professionals, Society</p>	<p>Our role as a trusted business adviser position enables us to keep close links with our clients and to tackle technological changes together.</p>
<p>Business Model Disruption from technology-based possibilities, such as sophisticated automation, will impact basic accounting and audit services.</p>	   	<p>Clients, Professionals, Society</p>	<p>We watch technology evolutions and innovate via in-house and co-developed technology-based solutions, in order to focus on high-value services.</p>
<p>Communication Volatility Digital transformation empowers internal and external stakeholders' communication about Mazars' activities, with a risk of unchannelled enthusiasm leading to undesirable outcomes.</p>	 	<p>All stakeholders</p>	<p>Mazars implemented a proactive digital media strategy as well as formal social media policies for the staff at country level; it also appointed a CISO (Chief Information Security Officer) at group level. Enhanced presence on different media and social media channels at Group and country level is coupled with improved scrutiny and reactivity from our Group Communications Department acting at global level.</p>
<p>RESPONSIBLE BEHAVIOUR Our stakeholders expect us to demonstrate responsible behaviour with regard to our employment practices, our investments, the taxes we pay, and our relationships with our suppliers.</p>	 	<p>All stakeholders</p>	<p>Mazars' code of conduct is shared at the international level. It clearly defines our policy to promote responsible behaviour and avoid disputes with our clients, suppliers or local communities. We have deployed a global whistleblowing framework for both internal and external stakeholders.</p>
<p>BUSINESS FOR GOOD Our stakeholders and the public at large expect new solutions and services for a better and more sustainable world and consider that global organisations have global responsibilities.</p>	 	<p>All stakeholders</p>	<p>The Mazars international partnership tackles its global responsibilities internally and externally. - e.g. investing in and enforcing more diversity measures inside and outside our organisation, developing CSR consulting services, etc. We do meaningful business for good in order to seize the best business opportunities.</p>

Stakeholders map

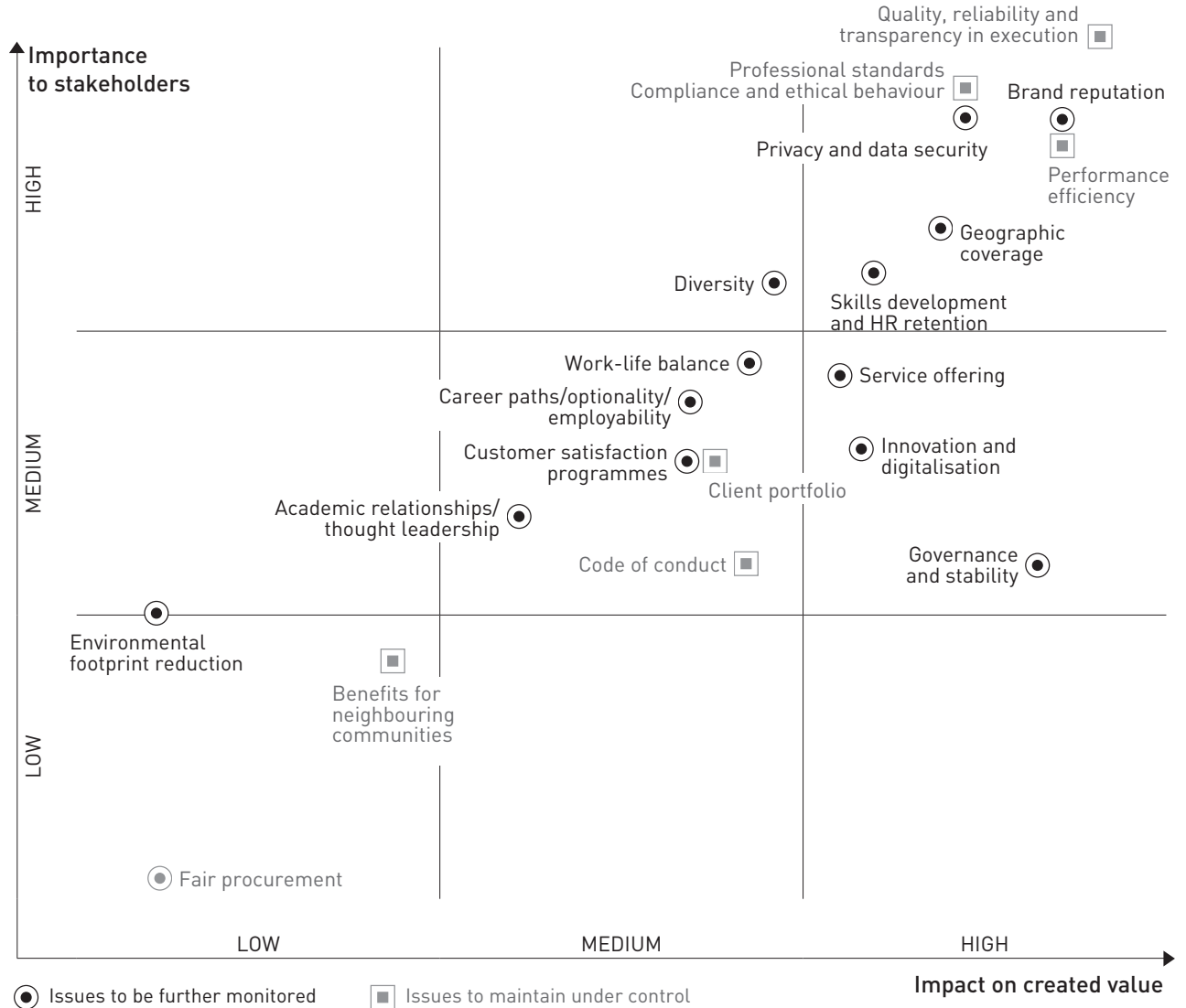
One year in a review



Importance of stakeholders for Mazars



Top material issues



Value Chain

THE CAPITALS WE USE

HUMAN

- High potential young graduates
- Top experts (experienced specialists)

INTELLECTUAL

- Methods and procedures linked to our professions
- Service offering
- Corporate culture and brand
- Licences and certificates for our professions

SOCIAL & RELATIONSHIP

- Academic partnerships, think tanks
- Personnel networks (staff and alumni)
- Communities established via social networks
- Relationships with professional organisations

FINANCIAL

- Funding from partners
- Working capital
- Loans

MANUFACTURED

- Real estate
- Computer systems

NATURAL

- Paper
- Energies
- Commuting / Travel

HOW WE CREATE VALUE

OUR SERVICE OFFERING

AUDIT & ASSURANCE

AOS*

FAS**

TAX

LAW

CONSULTING



(OUR BUSINESS MODEL)**WE DEVELOP SKILLS
AND EXPERTISE**

- Attract talent
- Build and encourage team spirit
- Promote engagement
- Promote innovation & entrepreneurship
- Develop a solution-focused, client-oriented attitude

**WE PLAN AHEAD IN ORDER
TO PROTECT THE PUBLIC
INTEREST**

- Develop technical expertise
- Develop and enforce worldwide standards and ethics
- Ensure quality

C
L
I
E
N
T
S**HOW WE SHARE VALUE****CLIENTS**

- ⦿ Deliver high quality services
- ▣ Provide greater confidence in communicated figures
- ▣ Simplify and reassure
- ⦿ Support executives' decision-making
- ⦿ Provide innovative solutions

EMPLOYEES AND PARTNERS

- ⦿ Ensure professional development
- ▣ Ensure a good work-life balance
- ⦿ Provide fair compensation
- ⦿ Provide fair distribution of profit
- ⦿ Foster out-of-the-box thinking
- ⦿ Nurture the Mazars DNA
- ▣ Increase optionality and employability

SOCIETY

- ▣ Provide confidence in financial information for a sustainable growth
- ⦿ Promote transparency within the business community

REGULATORY

- ⦿ Promote ethical behaviour
- ⦿ Push norms to evolve

PROFESSIONALS

- ⦿ Share our expertise
- ⦿ Promote open innovation

⦿ Outputs = what we do ▣ Outcomes = what difference does it make? (impacts)

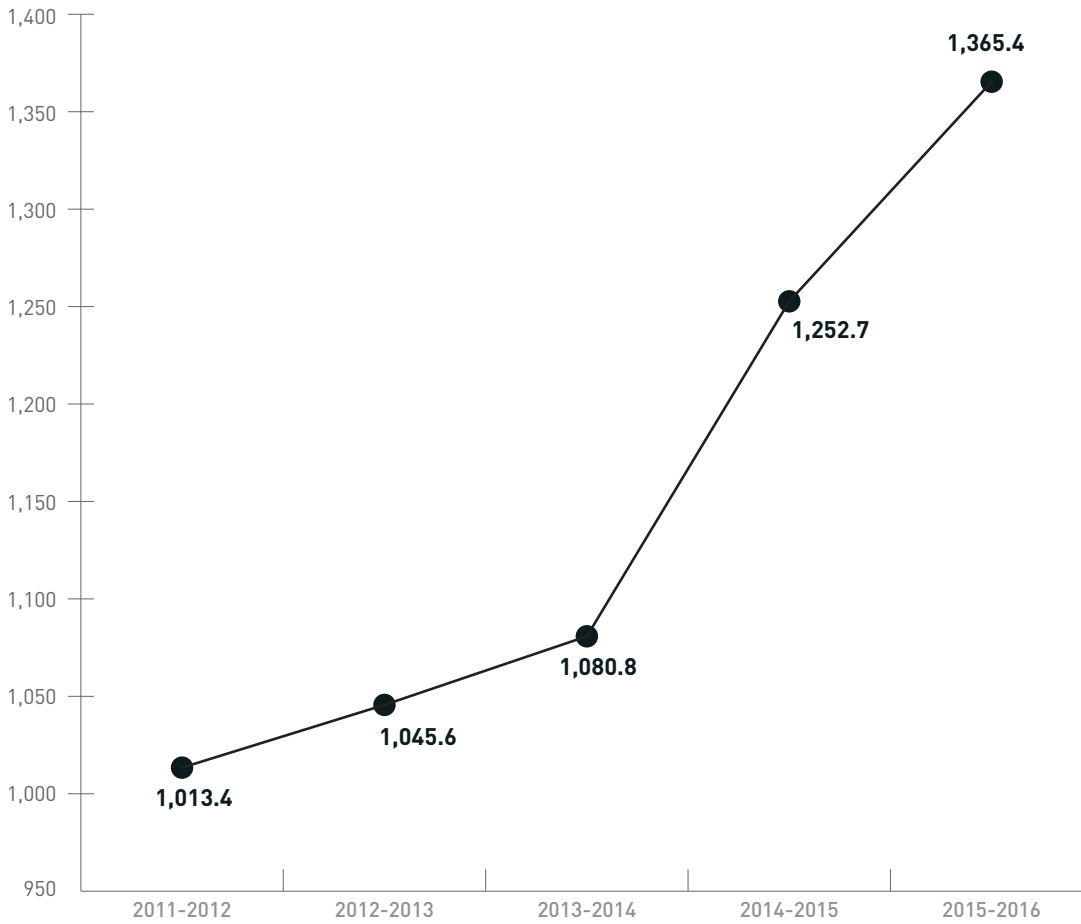
Key Performance Indicators

Consolidated Income statement

In Euro million	2014-2015	2015-2016*
Fee income	1,252.7	1,322.1
Cost of technical staff	-632.2	-672.4
GROSS MARGIN	620.5	649.7
Cost of administrative staff	-96.7	-103.4
Other costs	-258.0	-255.3
Depreciation and provisions	-23.8	-25.9
SURPLUS OF OPERATIONS	241.9	265.1
Amortisation of client relationships and impairment of goodwill	-5.4	-5.5
Financing costs	-4.2	-2.8
TOTAL SURPLUS	232.4	256.8
Surplus allocated to partners	-232.2	-256.6
PRE-TAX RESULT	0.2	0.2
Corporate income tax	-0.1	0.0
POST-TAX RESULT	0.1	0.1

*Does not include figures for the ZhongZhen ZhongHuan practice, integrated on January 1st, 2016.

Fee income growth 2012-2016 (in Euro million)



Turnover growth

€1,365M **+10%**

Breakdown of growth composition 2015-2016

Organic growth

+6.3%

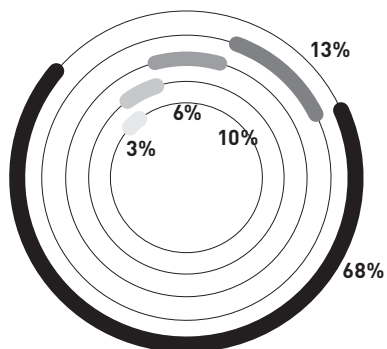
External growth

+3.8%

Exchange rate impact

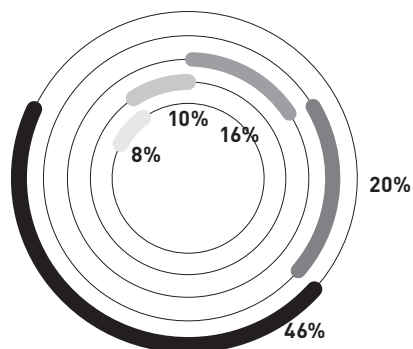
-1.0%

Turnover per region (in Euro million)



■ Europe	934.0
■ North America	182.1
■ Asia Pacific	130.8
■ Africa & Middle East	79.9
■ Latin America & the Caribbean	38.6

Turnover per service line (in Euro million)*



■ Audit	613.4
■ Tax & Legal	264.0
■ Accounting & Outsourcing	208.5
■ Consulting	132.8
■ Financial Advisory	103.5

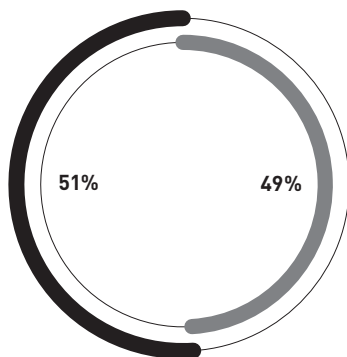
* Does not include data for the ZhongZhen ZhongHuan practice, integrated on January 1st, 2016.

Extra-financial indicators

Mazars Group started collecting extra-financial indicators in its 2014-2015 Annual Report, the first step in our journey towards presenting an Integrated Report in accordance with the framework set out by the International Integrated Reporting Council.

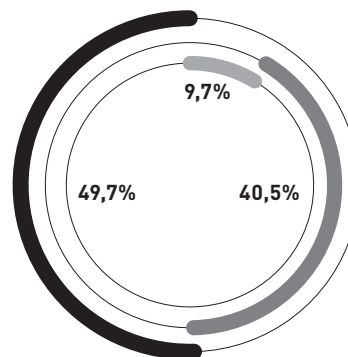
As stated in our previous Annual Report, we have over 2015-2016 developed and deployed new extra-financial Key Performance Indicators, which cover 97% of our global integrated partnership. Here we publish a selection of these KPIs.

Breakdown of workforce by gender



■ Women
■ Men

Breakdown of workforce by age



■ < 30 years old
■ 31-50 years old
■ > 50 years old

Charity/corporate social responsibility actions



Percentage of Mazars offices donating to charitable causes, CSR initiatives and other projects

Staff per partner/staff per manager ratio

Inspired from the Accounting & Corporate Regulatory Authority of Singapore
ACRA – <https://acra.gov.sg>

One year in a review

15.6

Staff per partner ratio

8.9

Staff per senior manager ratio

5.6

Staff per manager ratio

Technical resources

13,888

Headcount of technical resources (FTE)*

85.9%

Percentage of technical resources

*Does not include figures for the ZhongZhen ZhongHuan practice, integrated on January 1st, 2016.

Credits

Project team

Hubert Callay d'Amato
Othman Abdelmoumene, Marie Coudié,
Jean-Philippe Daniel, Grégoire Morlaës-Dusautoir,
Thomas Rouchon, Warren Veljanovski,
Jessica Wheaton

Johanna Abettan, Estelle André-Clabaut, Heather
Apostolidis, Renata Ardous, Sibylle Barbier,
Thibaut Bataille, Mathilde Bouvelot, Ronnie Buch,
Sophie Buquoy, Chantal Coupri, Cédric Haaser,
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Nicolas Quairel, Edwige Rey, Cristina Sarcinella,
Fabien Seraidarian, Nicolas Vincent,
Jolanda Voolstra, Joanna Zhang

Special thanks to

Eric Albrand, Jean-Luc Barlet,
Alain Chavance, Laurent Choain,
Tim Davies, Pascal Jauffret, Julie Laulusa,
Pia Lillebaek, Jean-François Salzmann,
Marianne Sandén-Ljungberg, Ton Tuinier,
Caroline Van Troeyen, Loïc Wallaert, Liwen Zhang

Photo credits

Baudouin Charles, Frank Juery, Marcel Krijger,
Olivier Metzger, Linxiang Wei, Kelei Zhang

Art credits

Dominique Emard

Design and production

Designed and produced by Aristophane
www.aristophane.com

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AVENUE MARCEL THIRY, 77
B-1200 BRUXELLES - BELGIUM

WWW.MAZARS.COM

Printed by Opero Italia

