

RSM

Quality at RSM

Strengthening quality, inspiring confidence

The last year has seen continued efforts to refine and enhance our ongoing commitments to quality to better serve a diverse and dynamic client base. Guided by the broader objectives of our strategic vision for 2030, we have focused on ensuring that our priorities remain robust, relevant, and effectively address the evolving risk landscape faced by our Member Firms and their clients.

Heightened regulatory expectations and a shifting geopolitical backdrop continue to shape the complexity of our global business environment. The increased trend of private equity investment in our profession presents unique challenges to our business. As a relatively new sector for PE investment, this trend adds another factor of complexity to regulatory compliance and operations. It underscores the need to remain vigilant and proactive, striving to adapt swiftly to market dynamics that are in constant change.

Amid these complexities, our commitment to upholding the highest standards of compliance and ethical responsibility remains unwavering. Through the implementation of initiatives like the Global Independence Assessment (GIA), which will facilitate the authorisation of services across the Network we are committed to strengthening our methods and execution for independence compliance and ethical responsibilities. The GIA serves as a critical tool in streamlining processes, facilitating consistent adherence to global standards, and enhancing our ability to deliver services with integrity and accuracy. By addressing ever-changing trends and regulatory demands, as well as fostering reliable oversight, the GIA helps reinforce the confidence of our clients and broader stakeholders.

In addition to driving an increased commitment to compliance and ethical responsibility, the current global environment has led to a deepening of our focus on risk management. As a global organisation serving clients ranging from individuals to multinational corporations, across multiple regulatory environments, coordinated and connected risk management is key. We are focussed on developing our risk management framework to adapt with us as we change and grow, and as the markets in which we operate change. Our risk management approach looks to balance the traditional risks faced by a business such as ours – regulation, independence and quality, with emerging risks facing our organisation, such as cyber security.

While technological innovation is essential, investing in our people and human-centred processes is equally critical to fostering agility and consistency across the network. Our ongoing investments in training are designed to empower Member Firms. As part of this, we updated and enhanced both our RSM Orb and IFRS training programmes to ensure our People keep up to date with technical requirements in these areas.

We are equally committed to addressing the evolving needs and demands of sustainability reporting. Our efforts have aligned with key global standards, including, but not limited to IFRS S1 and S2 and the Corporate Sustainability Reporting Directive (CSRD), showcasing our dedication to supporting clients with the solutions they need to meet the sustainability regulations they must comply with and tailoring our approach and solutions to respond to the European Commission's Omnibus package.

As we move forward, we are unwavering in our commitment to integrity and quality. We strive to meet the challenges of today to ensure we are well-positioned to navigate the complexities of tomorrow.



We remain committed to our unwavering pursuit of the highest standards in quality through our continued vision of instilling confidence in a world defined by constant change."



Marion Hannon

Global Leader, Quality & Risk,
RSM International

Quality, Ethics and Independence

RSM's Global Leader for Quality & Risk has oversight of policies, procedures and inspections related to services provided by Member Firms.

The responsibilities of the global quality and risk team include:



Meeting membership obligations of the Forum of Firms.



RSM quality assurance and risk containment policies, procedures, and inspections.



RSM Orb, our global audit methodology and documentation solution.



Global Ethics and Independence.



Risk management, including Network wide and Global Executive Office (GEO) operational risk registers.

Global Quality Committee (GQC)

To equip Member Firms to deliver uniform high-quality professional services at acceptable risk, and to achieve full alignment with RSM Network policies and procedures, the Board has established the Global Quality Committee. The GQC, as a sub-committee of the Board, oversees quality and risk and makes recommendations to the Board for consideration and final approval. The remit of the GQC includes consideration of:

- All aspects of the system of quality management in Member Firms.
- The associated risk in delivering services such as, emerging risk, new services or new products, client, service and engagement acceptance and delivery, skills

and capabilities in Member Firms relative to its current or planned client portfolio.

- Related technologies, methodologies and tools.

The Committee does not assume the functions of management, which remain the responsibility of the CEO and other appropriate leaders globally.

The GQC Terms of Reference require its committee members to be appointed by the Board. The Committee consists of five to nine members that shall be senior and highly experienced Principals in their respective Service Lines, also ensuring that there is adequate representation from across the RSM Regions. The committee includes members with a diversity

of experience including Non-Assurance Services, Heads of Audit from Member Firms with significant Assurance Service Lines and from Member Firms who operate in jurisdictions that have a highly sophisticated regulatory environment, or individuals with a specific focus on delivery of quality or management of risk at a Service Line or Firm Wide level.

The Chair of the GQC is selected by the Board from the Committee members, serves for a term of three years and is eligible for re-election at the end of the three-year period. There are eight current members of the GQC who are from Member Firms in Australia, Eastern Africa, Germany, Puerto Rico, Singapore, the UK and the US. The Chair of the GQC is from the UK Member Firm.

The GQC's responsibilities are to:

- Consider and recommend RSM policies in relation to:
 - Quality management systems and/or frameworks in compliance with Standards issued by the International Auditing and Assurance Standards Board (IAASB).
 - Ethics and Independence compliant with the requirements of the International Ethics and Standards Board for Accountants (IESBA).
 - Quality Assurance and Risk Containment.
 - Anti-Bribery and Corruption and any related or associated requirements.
 - Learning and education in relation to quality, including professional development policies.
 - The Member Firm Inspection Programme and Global Inspection Programme, which are designed to identify non-compliance with the policy requirements.
 - Confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation.
 - Compliance with relevant data protection legislation to safeguard client and personal information and data.
 - Non-audit services quality requirements (to the extent necessary) complying with relevant international professional standards.
 - Any other matters required to facilitate Network compliance with regulatory requirements.
 - Consider and approve procedures, guidance, minimum processes and controls to facilitate compliance with the RSM policies referred to above.
 - Review and approve the development and maintenance of audit methodology, together with manuals and relevant guidance to ensure compliance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.
 - Review and approve the development and maintenance of other Assurance methodologies or non-assurance methodologies compliant with relevant international standards.
 - Oversee the suitability of software tools and/or systems which:
 - Comprise our digital audit ecosystem, including RSM Orb, our global audit methodology and documentation solution.
 - House audit and assurance methodologies to support delivery of audits and other assurance engagements.
 - Ensure compliance with RSM Ethics and Independence policies.
 - Support the delivery of quality services or aid efficiency across the Network, including engagement risk and compliance systems or other systems used by all service lines.
 - Monitor compliance with policy, procedures, guidance, processes, and controls related to RSM professional services, and prepare the relevant reports, including:
 - Globally coordinated annual independence system monitoring.
 - The annual Quality & Alignment Report to the Board which summarises the results of the Member Firm and Global Inspection Programmes and the recommendations to address findings contained therein.
 - Other monitoring activities, as necessary.
 - Monitor due diligence activities and approve due diligence reports for recommendation to the Board for the admission of new Member Firms.
 - Review and comment on learning and development activities, considering whether these are consistent with key quality priorities.
 - Undertake any other activities pursuant to the fundamental objective of the Committee to equip Member Firms to deliver uniform high-quality professional services with acceptable risk and to achieve full alignment with RSM network policies and procedures.
 - Report to the Board on whether Member Firms have appropriate sanctions policies in place.
 - Recommend sanctions on Member Firms in the event of non-compliance with the Network's policy directives.
- A range of steps and actions may be taken when it is determined that a Member Firm is not complying with its Membership obligations including RSM's quality standards, risk containment and ethics and independence policies and processes. The proposed actions are presented by the GEO to the GQC for review, and recommendations are then made to the CEO for approval.

Ethics and Independence policies

Ethics

At RSM, we pride ourselves on our reputation for acting fairly and ethically wherever we do business. Ethical practices and independence are core to our behaviours, aligning with our values of uncompromising integrity, excellence in all we do and acting responsibly. To support this, through RSM's Quality Risk and Containment Policies, each Member Firm is responsible for:

- Establishing an environment which recognises the importance of professional ethics, values and attitudes.
- Only entering client relationships based on consideration of the integrity and ethical values of the client.
- Providing training that encompasses the development of professional values, ethics, and the essential attitudes necessary to enable its Partners and staff to conduct themselves ethically, in a manner that serves the public interest.

Anti-bribery and corruption

RSM has a zero-tolerance approach to bribery and other forms of corruption. RSM condemns corruption in all its forms and will not tolerate it in the businesses of our Member Firms or others with whom we do business. The RSM Anti-Bribery and Corruption Policy and Procedures seek to assist Member Firms in limiting their exposure to bribery and other forms of corruption.

Independence policies and procedures

Independence is essential to safeguarding the public interest and delivering on our responsibility to clients and communities. To achieve this, RSM has established ethics and independence policies that are mandated for adoption across all Member Firms. These policies are designed to help ensure compliance with the independence and ethical requirements of the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards).

Each Member Firm has a Head of Ethics and Independence – a senior partner (or equivalent level in the Firm) who has responsibility to implement RSM's Ethics and Independence policies and augment it with any additional local regulatory requirements, as necessary. This includes ensuring that their Member Firm adheres to any additional local ethical codes or regulatory requirements that are more onerous or restrictive than those outlined in the RSM Ethics and Independence policies.

Any amendments made to the baseline RSM policies (to include additional local requirements) must be submitted to the GEO for review. Partners or professional staff who have any questions regarding the RSM Ethics and Independence policies are required to consult promptly with their Member Firm's Head of Ethics and Independence. In instances where the Head of Ethics and Independence seeks clarification regarding these policies, they consult with the Global Ethics and Independence Lead.

Each Member Firm also has one or more Ethics and Independence Champions who provide support to Partners and staff within their Member Firm.

The GEO develops, supports and provides Ethics and Independence training to Member Firms including:

- Updates to RSM Ethics and Independence policies including changes to independence rules.
- RSM Global systems to assist with independence compliance.
- RSM InTrust Completeness and Accuracy annual confirmation training.
- Monitoring compliance with RSM InTrust.
- Other regular Ethics and Independence updates.

RSM Ethics and Independence Policies requires all Member Firm Partners and staff to confirm to their Head of Ethics and Independence (in an annual independence compliance confirmation) that they:

- Have read their Member Firm's Ethics and Independence policies.
- Understand how these Member Firm's Ethics and Independence policies are applicable to their activities.
- Have been, and continue to be, in compliance with these policies for the past year.

Any exceptions to the annual confirmation must be documented for review by the Head of Ethics and Independence, with appropriate corrective actions taken by the Member Firm.

Annually, the Managing Partner and Head of Ethics and Independence for each Member Firm is required to report and confirm in writing to the GEO that their Member Firm has completed the RSM minimum testing procedures for the RSM InTrust system. The confirmations are subject to review by the GEO and the procedures performed are subject to review through the Global Inspection Programme.

Global Independence Committee

Our Global Independence Committee is comprised of representatives from Member Firms, and representatives from the GEO. The Committee provides input to the GEO on independence matters, including the development of Ethics and Independence policies, minimum processes and controls, systems, guidance and training.

RSM InTrust

RSM InTrust is our global entity management system that safeguards the independence and collective objectivity of Member Firms and professionals, helping to avoid conflicts of interest in client engagements, and empowering our teams around the world to move forward with confidence. Member Firms are required by policy to ensure that RSM InTrust searches have been performed, before providing any service to any corporate client (or prospective client) or before taking on any 'Other Relationship of Interest'. This is to help RSM Partners and staff identify if a prospective service or relationship impacts an assurance client or assurance client affiliate of an RSM Firm. When the RSM InTrust search procedure identifies that an entity is an Assurance Client or Assurance Client Affiliate of another Member Firm, the Member Firm that is proposing the service or relationship is required to consult with such other Member Firms to determine whether any threat to independence has been created.

Identifying and resolving potential conflicts of interest

Member Firm partners and professional employees are required to consult RSM InTrust and take precautions that are considered necessary in the circumstances to ensure compliance with the RSM Ethics and Independence policies with respect to financial, business, family, or employment interests. They are also required to ensure compliance with respect to identifying potential conflicts of interest in the services that Member Firms provide to clients or prospective clients – particularly international groups. Annually, Member Firms are required to perform procedures to assess the completeness and accuracy of their client information required to be included on RSM InTrust, and report accordingly to the GEO.

When a Member Firm partner or employee identifies a potential impairment of independence or conflict of interest with respect to a client or prospective client of another Member Firm either through RSM InTrust or otherwise, the Head of Ethics and Independence of that Member Firm is required to be informed. The Head of Ethics and Independence communicates the relevant details of the client (or prospective client) and the engagement to the Head of Ethics and Independence of the other relevant Member Firm(s). The (se) relevant Heads of Ethics and

Independence then assess the facts and circumstances relating to the potential impairment of independence or conflict of interest and apply the appropriate safeguards, which may include withdrawal from an engagement or opportunity. In the case of violations of RSM Ethics and Independence policies that impact another Member Firm, the Head of Ethics and Independence is also required to notify the Global Ethics and Independence Lead.

If Member Firms are unable to apply appropriate safeguards to reduce threats to an acceptable level, the potential impairment of independence or conflict of interest is addressed by withdrawing from, or declining, a particular relationship. If Member Firms, in consultation with Regional Leaders and others from the GEO, are unable to agree appropriate actions to address the potential conflict of interest, either or both Member Firm(s) shall request that the GEO convene a Conflicts Resolution Panel to recommend an approach to resolve the matter. The Panel is comprised

of the CEO and two Regional Council Leaders that are not directly involved in the matter. If the Conflicts Resolution Panel is unable to reach an agreement on how the best interests of the Network would be served in the matter under consideration, they shall refer the matter to the Governance Committee of the Board. The Member Firms shall abide by the recommendation of the Governance Committee of the Board.

Quality Management

RSM Policies require all Member Firms to design, implement and operate a system of quality management in accordance with the International Standard on Quality Management (ISQM) 1, issued by the International Auditing and Assurance Standards Board (IAASB). A system of quality management operates in a continual and iterative manner and is responsive to changes in the nature and circumstances of the Member firm and its engagements.

A system of quality management includes the following eight components:

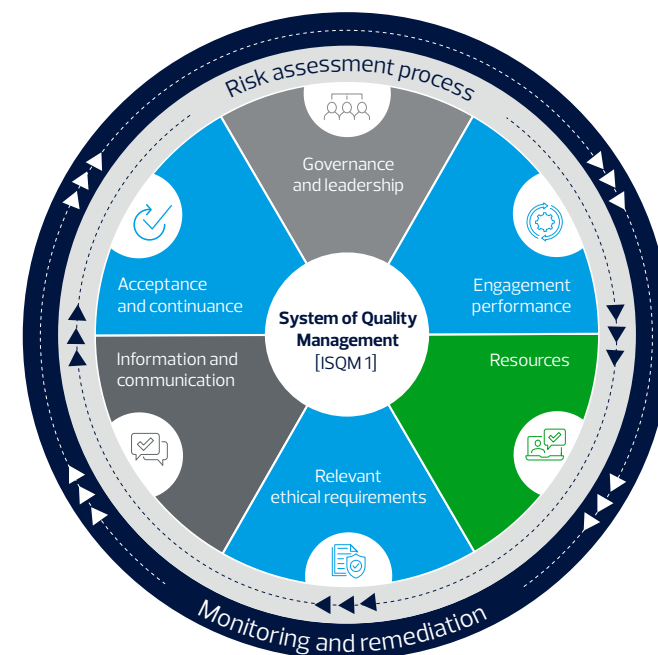
- The Member Firm Risk Assessment Process;
- Governance and Leadership;
- Relevant Ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Engagement Performance;
- Resources;
- Information and communication; and
- The monitoring and remediation process.

Member Firms are responsible for their own system of quality management, with support, guidance and assistance provided by the GEO. To assist Member Firms that provided audit or other assurance services throughout 2024, the following materials were provided:

- An update to the proforma tool for documenting objectives, quality risks and responses in the system of quality management.

- A proforma tool for documenting the annual point-in-time evaluation and the assessment of deficiencies.
- Network results from the prior year inspection cycle to consider the effect on their system of quality management.
- Four comprehensive online courses on the practical application of ISQM 1, which are available to all Member Firms on RSM Campus, our global learning management system. These courses cover:
 - Design and execution of monitoring activities.
 - Evaluation of the findings from monitoring activities, in line with ISQM 1 and RSM policies requirements, to identify deficiencies in the system of quality management.
 - Completion of an effective root cause analysis.
 - Design of a comprehensive remediation plan.
 - Point-in-time evaluation of a Member Firm's system of quality management.
 - Considerations for Member Firms in relation to the RSM Global Inspection Programme.

Where a Member Firm receives a component assurance reporting engagement request from another Member Firm, the Member Firm performing the group assurance work may request a Quality Dashboard of Member Firm performing the component assurance engagement, facilitated by the GEO. The Quality Dashboard includes the results of previous inspections and other monitoring activities of the Member Firm providing the component assurance reporting.





Client acceptance

Providing high-quality services begins with ensuring Member Firms only accept clients who share RSM's core values and beliefs. Member Firms are required to only enter into relationships with clients who fit key RSM acceptance criteria and who are prepared to pay a fair fee for the work they receive.

Maintaining a cohesive approach across the Network is key to protecting our brand and reputation. RSM policies facilitate this by requiring Member Firms to consider the following acceptance criteria:

- The Member Firm has considered information obtained about the nature and circumstances of the engagement and the integrity and ethical values of the prospective client, including their adherence to compliance with all local laws and regulations and any local anti-money laundering requirements.
- The Member Firm complies with RSM Ethics and Independence policies and is not entering into any client relationship or engagement which would be prohibited under those policies.
- The Member Firm understands the client's needs and service requirements.
- The Member Firm has the necessary capabilities available, including sufficient time, resources and expertise, to perform the work required by the client and to render the necessary reports and other deliverables within the reporting time frames.
- The Member Firm is able to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.
- The financial, commercial and operational priorities of the Member Firm do not lead to inappropriate judgments about whether to accept a client relationship or specific engagement.
- The (prospective) engagement partner, or lead assignment partner, also assesses the level of risk attached to the engagement and determines whether specific staffing, supervision and review requirements apply. A second partner is designated to agree on whether to accept or continue any engagement or client relationship that meets certain risk profiles.

RSM Orb

RSM Orb, RSM's risk-based audit solution, ensures Member Firms perform quality audits. It is comprised of four elements:

- Proprietary Global Audit Methodology
- Global Audit Manual
- Bespoke RSM digital documentation templates
- Implementation guidance

In accordance with RSM's focus on achieving common methods and processes across the Network, RSM Orb must be used by all Member Firms for all audits. To assist local implementation, RSM Orb is available in several languages for example Chinese, English, French, German, Russian and Spanish.

RSM Orb enables our auditors to focus on risks and design procedures tailored to each unique circumstance and environment. This ensures RSM audits that deliver consistency, innovation, critical insights and confidence.

As part of our commitment to quality, RSM has developed a four-year audit training programme with modules that cover the various aspects of our audit methodology. The RSM Orb course curriculum consists of 75 modules and is available to all Member Firms on RSM Campus in both English and Spanish. Furthermore, our Member Firms can develop additional training that supplements the RSM Orb course curriculum to meet local needs.

During 2024, we piloted an internal AI-powered chatbot, which marks another milestone in embedding a culture of quality. The chatbot is designed to assist our auditors in readily accessing and understanding our Global Audit Manual, thereby further enhancing the consistency and reliability of our worldwide audit services. RSM Orb includes requirements for engagement quality reviews and mandatory consultations with a Member Firm's Head of



Audit, Head of Ethics and Independence (or their designees) or another suitably qualified individual, as appropriate. RSM Orb complies with the requirements of the following:

- International Standards on Quality Management issued by the International Auditing and Assurance Standards Board (IAASB).
- International Standards on Auditing issued by the IAASB.
- International Auditing Practice Statements issued by the IAASB.
- RSM Quality Assurance and Risk Containment Policies.

Member Firms can tailor RSM Orb to include additional requirements arising from local laws and regulations in each jurisdiction.

RSM Orb

- RSM's optimal risk-based audit methodology.
- Designed with a focus on the middle market.
- Scales with client complexity.
- Focuses on client risks and is able to adapt to differing circumstances.
- Enables the provision of robust quality audits.

RSM Orb enables Member Firms to develop a deeper understanding, providing clients with critical insights now and for the future.

RSM's approach to ESG and non-financial reporting

Our ESG journey started several years ago and during 2024 we continued to establish and embed our cross-service line Global ESG approach to provide our Member Firms with the right methodologies and tools to help businesses identify both their financial materiality and impact materiality, improve stakeholder and corporate risk management, and create lasting value and confidence through sustainability. Global initiatives for 2024 were collaboratively delivered by agile working groups, involving RSM experts from quality and risk, the Global ESG Leadership Group, and ESG and sustainability professionals, in addition to a diverse range of professionals including risk advisory, consulting, marketing and sector experts.

RSM initiatives supporting global standards:

- The International Financial Reporting Standards Scope 1 and Scope 2 (IFRS S1 and S2)
- The Corporate Sustainability Reporting Directive (CSRD)
- The EU Taxonomy
- The Carbon Border Adjustment Mechanism
- Task Force on Climate-Related Financial Disclosures
- The International Standard on Sustainability Assurance 5000 (ISSA 5000)

RSM initiatives to manage risk, independence and support RSM professionals in serving clients include:

- Global ESG Standards and Risk Evaluator Tool
- Global ESG and CSRD assurance methodologies
- Associated process and technical training and supporting guidance materials, tools and insight

IFRS

To promote global quality and consistency in IFRS services, RSM has established an IFRS Advisory Committee. This Committee comprises representatives from various Member Firms with deep expertise in IFRS, it currently includes representatives from Member Firms based in Australia, Chile, France, Germany, Hong Kong, Kuwait, UK, and US.

The Committee focuses on providing tools and resources to assist Member Firms in the performance of IFRS engagements, as well as publishing IFRS thought leadership and managing our interactions with the International Accounting Standards Board (IASB), as detailed below:

Development and maintenance of a full IFRS Training Program, accessible from RSM Campus for all Member Firms, including:

- IFRS Foundations On-Demand Training (RSM developed on demand training covering a full IFRS curriculum)
- Quarterly Webinars
- Annual IFRS Training Webinars (two weeks of training on new and proposed standards, as well as complex practical issues)

Tools and resources

- RSM Illustrative Financial Statements
- Consultation Service via an IFRS Global Helpdesk

Thought leadership

- Quarterly newsletters featuring critical updates and insights on IFRS issues
- Topical publications

Interaction with IASB

- Respond to comment letters, post-implementation reviews, fatal flaw review requests from the IASB.
- Manage nominations for representation on committees/boards/discussion groups

Activities to assess and monitor quality

Global inspection and Member Firm monitoring programmes

Each Member Firm is required to establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality management over its assurance and other professional services practices are relevant, adequate, and operating effectively. Member Firms are also required to align with RSM expectations and all applicable

requirements established by the International Federation of Accountants (IFAC) standard-setting boards, including:

- International Standard on Quality Management (ISQM)1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements and ISQM 2, Engagement Quality Reviews.

- International Standard on Auditing (ISA) 220 (Revised), Quality Management for an Audit of Financial Statements.
- IESBA International Code of Ethics for Professional Accountants (including International Independence Standards).



Each Member Firm's inspection process is an integral part of the continual and iterative monitoring and remediation process, as part of their system of quality management, providing the opportunity to identify areas for improvement as well as best practices.

Under RSM's Global Inspection Programme, every three years at a minimum, each Member Firm is inspected by a team that comprises professionals from other Member Firms.

RSM global inspections are conducted by independent qualified partners and senior personnel of other Member Firms under the direction of GEO personnel and the Global Leader for Quality & Risk. The RSM Global Inspection Programme is also designed to meet the membership obligations of the Forum of Firms. The Board has the authority to impose sanctions on a Member Firm to ensure compliance with professional requirements and RSM methodologies, policies, and procedures.

Membership of the Forum of Firms

RSM International is a member of the Forum of Firms, an independent association of international networks of firms that perform transnational audits. RSM is active in and fully supports the objective of the Forum of Firms, which is to promote consistent and high-quality standards of financial reporting and auditing practices worldwide and to support convergence of national audit and standards with the International Standards on Auditing issued by the IAASB. Marion Hannon, RSM's Global Leader for Quality & Risk, currently represents RSM as a member of the Forum of Firm's Transnational Auditors Committee. She is also a member of the Forum Audit Committee and a member of its Membership Committee.



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