



# GLOBAL REVIEW 2017

YOUR BDO

**BDO**

# Contents

How we helped our clients **succeed in 2017**



# **AN INTERVIEW WITH OUR LEADERS**

**Keith Farlinger** took on the role of global CEO of BDO in November 2017. His previous global roles include CEO Americas and being a member of the Global Board, the latter when he was managing partner of BDO in Canada. **Wayne Berson**, CEO of BDO USA, is the Chair of the Global Board, and has been a member since 2012. They were speaking to Allan Evans, Global Head of Business Development & Marketing.



Keith Farlinger



Wayne Berson

**AE:** Keith, how would you describe 2017, not just for you personally, but for BDO as a whole?

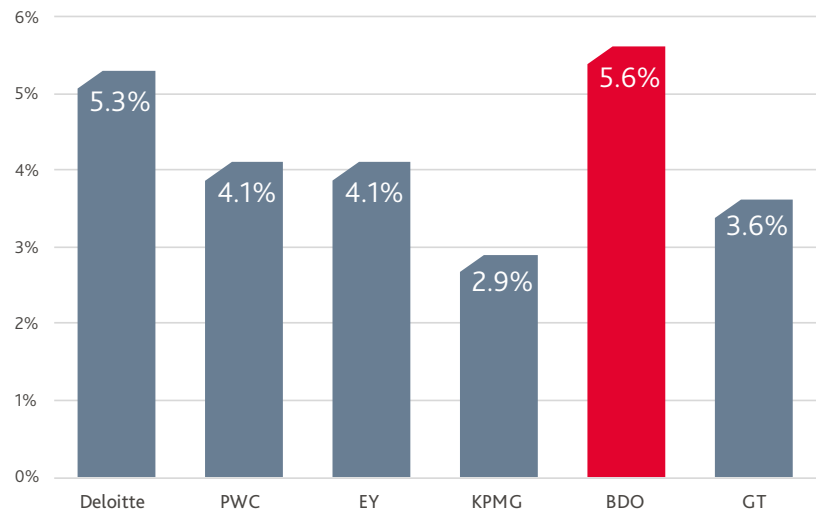
**KF:** 2017 has been a year of change across our organisation – but also one of growth. Our results for this year show a year on year upturn in revenues of 8%, one of the highest percentage increases in our profession: it is worth noting that BDO is the fastest-growing global organisation in the

accounting and auditing profession for the last 10 years.

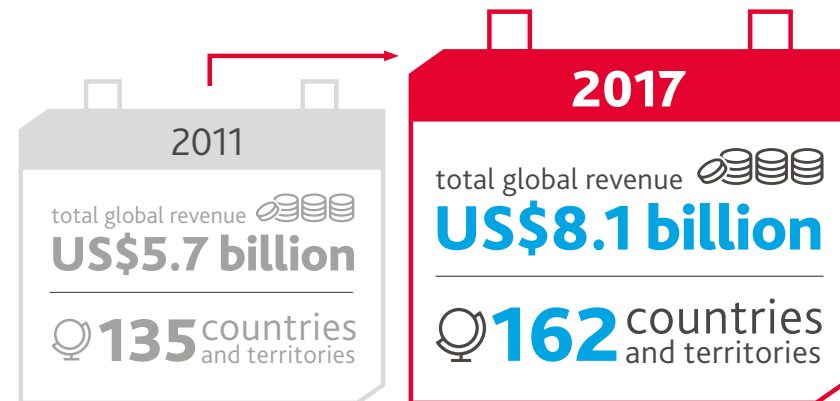
One of the most significant changes for BDO, and for me, was that Martin van Roekel stepped down as global CEO at the end of October, after six years in which BDO grew globally from revenues of US\$5.7 billion and

135 countries and territories in 2011, to US\$8.1 billion and 162 countries and territories in 2017. I must reiterate my thanks to Martin for his commitment and for the excellent part he has played in ensuring that BDO is ready to meet the challenges of the future.

Compound annual growth rate of our profession's leading global organisations (2007-2017)



Source: IAB



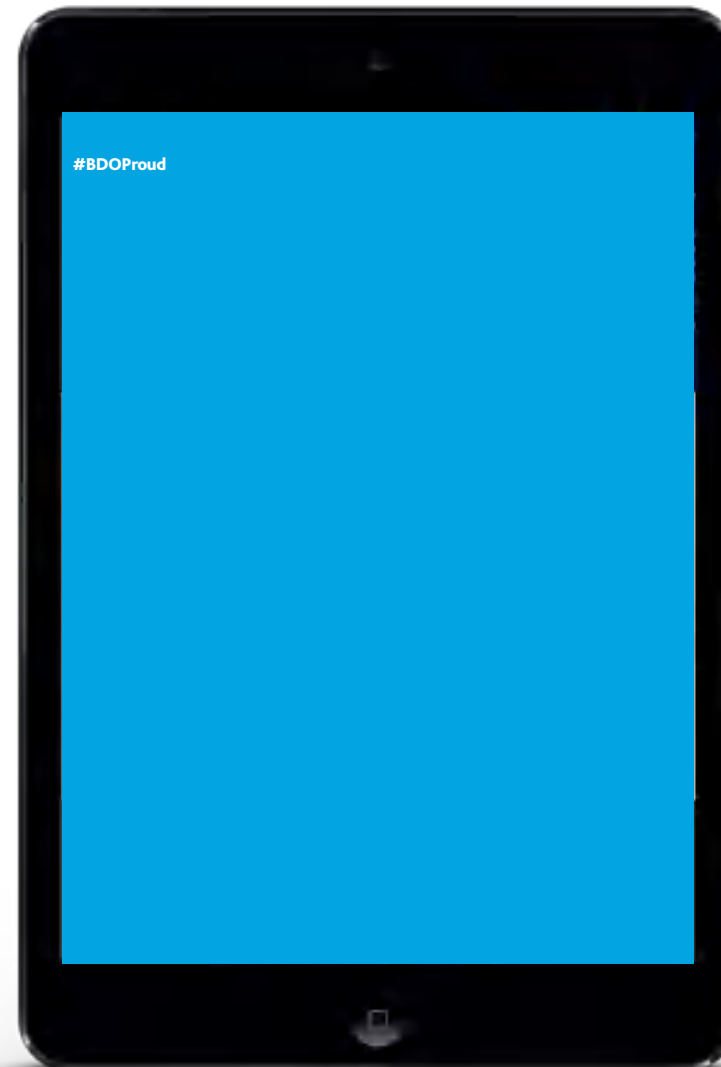
**AE:** Wayne, as the momentum for growth is plainly continuing across all BDO firms, can you tell us a little about where in the world we're seeing noteworthy development?

**WB:** In 2017, M&A activity was led primarily by our firms in Canada and Norway – as well as, I'm proud to say, BDO in the USA – but it's been supported by numerous firms in each region and across all our service lines. In fact, it was a record year of M&A deals and BDO has been named one of the top M&A advisers worldwide in global league tables. Our corporate finance teams completed a staggering 1,200 transactions worldwide in 2017, with a combined value of more than US\$54.5 billion. We're now a Top 4# worldwide M&A financial provider in the *Thomson Reuters 2017* rankings and a Top 4# Due Diligence provider in the *Mergermarket 2017* rankings.

**AE:** Keith, can you expand upon what effect the current changes impacting our profession might have on BDO?

**KF:** As I take on the CEO role, I expect renewed challenges because the pace of change is accelerating – and our challenges are not only at individual country level, they are global. Regulators consider BDO to be a global organisation and expect all our firms to have the same consistently high standards – so quality is becoming ever more important. We're #BDOProud of what we do for our clients, who themselves are becoming increasingly global: they expect a consistently seamless service wherever they operate, and BDO delivers this.

*BDO partners and staff form a tight-knit community across borders. Inspired by #AuditorProud – an annual campaign – #BDOProud is used in social media to tag achievements, events and awards we're proud of. Search for #BDOProud to read more about our successes at global and local level.*







*To safeguard client data, BDO operates a data privacy programme coupled with a dedicated internal communications campaign. We are committed to continuously raise the awareness and engagement of our teams so that they know what is expected from them in terms of data privacy.*

**AE:** Some of our competitors have suffered very publicly from cyberattacks in recent months – are you worried for BDO?

**KF:** Threats are also global and we face the very real possibility of a cyberattack in one firm risking the reputation of all. For the sake of all of our firms, and in particular their clients, we are actively managing that risk. Cyberattacks ring alarm bells with BDO clients because threats to data security are complex and constantly increasing – and we are, of course, not only entrusted with a large amount of our clients' often confidential data, we also offer digital and cybersecurity advice.

So it's critical that we focus on security, at global and local level: for instance, our ongoing Global IT Security Programme is coordinating efforts to ensure that our data is consistently monitored and protected. We're also mindful that raising awareness and providing relevant training is a vital first step.

**AE:** Wayne, as a leader within a BDO firm, how do these globally-initiated security efforts affect your firm?

**WB:** I believe that taking such steps at local level is vital and the IT Directors in every BDO firm are strongly encouraged to ensure these practices are prioritised and applied locally. Our IT managers know to check and fix any vulnerabilities as a matter of urgency, and they are assisted in this by security checks being offered by Global IT's Information Security Officer.

Relatively simple steps such as creating strong passwords, reviewing or changing all passwords regularly and multi-factor authentication for all high privileged administrator accounts are all quick wins: I, along with all our firms' leadership, strongly promote such measures, as this can no longer be viewed as only an issue for the IT community.

### BDO Ireland's Brexit task force



*BDO's Brexit task force is well positioned to assist organisations with Brexit challenges and to take advantage of opportunities.*

**AE:** Some of our firms are investing in particular capacities to facilitate their progression, I believe?

**WB:** Indeed, and across every region: in the Americas, when BDO Puerto Rico brought on board an outstanding government consulting and auditing practice last year, it took the firm to number 1 in the island. In Europe, our Finnish firm completed mergers in the areas of corporate finance and technology services, and BDO in Ireland is well positioned to take advantage of Brexit, with their global trade team advising on international and European customs and

trade. And in Asia Pacific, our firm in India is transforming and growing as, thanks to renewed leadership and capital policy initiatives, it's able to take advantage of local regulatory changes.

**AE:** Keith, in our profession, rapid advances in technology and automation are enabling new competitors to enter the market easily – but what about our clients?

**KF:** We understand that disruption is affecting our clients equally and BDO can provide the advice and understanding of the market forces affecting their industries. Our current transformation strategy is also addressing this: our firms are investing in technology together to deliver even better insight and value to our clients.

**AE:** Our brand promise is to be the leaders in exceptional client service: do you see this, as you visit BDO firms around the world?

**KF:** Yes I do. I'm #BDOProud that we have the right size and the right people to continue to deliver on our promise of exceptional client service. Our firms are

agile and responsive: many are taking the lead in digital transformation and building solutions that other firms can adopt. This facilitates their becoming efficiency enablers and helps to accelerate the digital transformation of our clients.

**WB:** I agree. The uniqueness of BDO is in building together globally for the benefit of our clients, while still recognising that certain situations are specific to a local market. That's why you'll find one BDO firm developing an advisory offering to address changes in local regulation while another creates service centres to automate and improve efficiency.

**KF:** Above all, we care about our clients and about helping them succeed – so we recruit and train great people who build relationships that are based on trust. I would like to thank all of our 74,000 people across the world for their dedication to delivering exceptional service to our clients and for their willingness to converge their skills and work together. I would also like to thank the Global Leadership Team and the Global Office for their commitment and support.



**AE:** Wayne – any closing words?

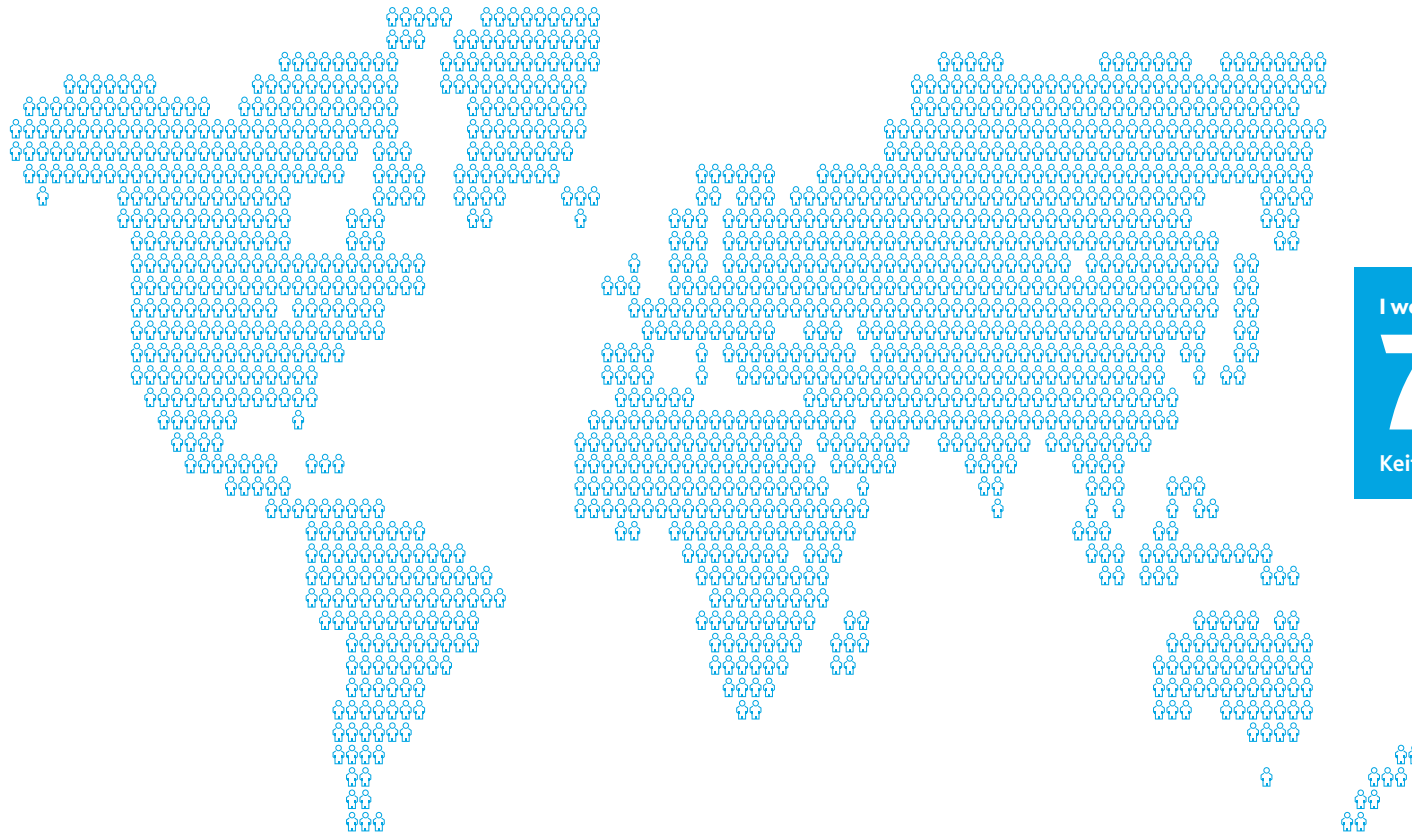
**WB:** For my part, as I look ahead, I also look behind to those who have driven our progress. I'd like to thank previous CEO Martin van Roekel for his inspirational leadership over the last six

years – and to thank Keith for taking on this role at such an interesting and challenging time. As always, I am grateful to my Global Board colleagues for their insight and support and I look forward to seeing our continuing advancement in the year ahead.

**AE:** Keith – the last word goes to you.

**KF:** Thank you, Allan. In summary, it has indeed been a year of change and we will continue to embrace change and to stay abreast of advances in technology so that we

can offer new services in new ways to our clients across the world. I'm looking forward to a strong and profitable year in 2018: it's time for BDO.



I would like to thank all of our  
**74 000**  
people  
Keith Farlinger, Global CEO



# **OUR COMMITMENT TO YOUR BDO**

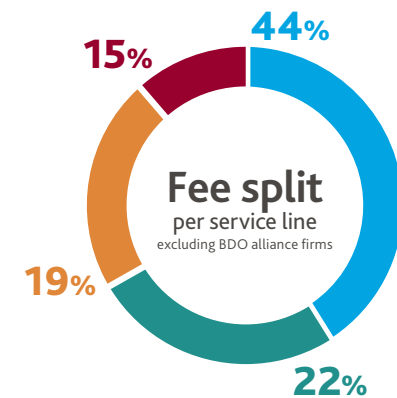
## HELPING OUR CLIENTS TO SUCCEED

BDO offers four primary service lines across our global organisation:

Our client-centric focus means that our principal objective – whatever the detail, and wherever the engagements are taking place – is to provide exceptional service.

As such, although our service offerings appear distinct, in 2017 we have seen the operating models for audit, tax, advisory and BSO become more aligned: increasingly, all of our service lines are leveraging available data and emerging technologies to create insights for services provided to our clients and, going forward, we expect all our services to have an increased advisory element, where acceptable under professional ethics and regulations.

In this section we demonstrate how, through our various service-driven initiatives at global and firm level, we have helped our clients succeed in 2017.



## A&A REPORT

Quality is the immutable principle underlying our largest service line, A&A, which accounted for 44% of BDO's global revenues in 2017 and is vital in maintaining our brand's strong reputation across the world.

This year, we also took steps to ensure an enhanced digital experience for both our firms and their clients. The innovative programmes expanded upon below showcase our understanding that, as auditors, we need to challenge ourselves to leverage emerging technology in order to maximise efficiency and effectiveness whilst performing the high quality engagements for which our brand is known.

It is our firms that have the frontline responsibility for ensuring audit quality for every engagement they undertake, and BDO's global resources assist our firms in delivering on

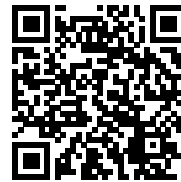
this obligation. The major A&A accomplishments across the BDO world in 2017 are detailed below.

### APT Next Gen

APT Next Gen is the newest iteration of our state of the art assurance software.

Re-envisioning our audit tool has been a truly global effort, with many groups of people collaborating to design how our methodology manifests itself in its ground-breaking second generation. As a result, development is progressing well and our testers are feeling positive: an incredible number of

individuals drawn from a variety of firms – over 60 – worked together to refine the vision for our tool and bring it to life.



To watch the APT testers video click or scan this code

A number of our firms, including BDO in Australia, Canada, Malaysia, Norway, UK and USA will be piloting the first release of APT Next Gen in early 2018, with the availability of the tool to all our firms scheduled to occur in Q3 2018.



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Technology is moving us forward at a tremendous pace and the audit of tomorrow will look nothing like the audit of yesterday. In this increasingly complex environment audit quality will play an even greater role than ever before as the market looks to auditors, as experts, to provide the assurance they need.”

Chris Smith  
Global Head of Audit & Assurance

The new features in APT Next Gen include:

- A dynamic layered library that starts with the minimum requirements for simple audit engagements and then adds content, as necessary, to deal with the unique complexities of each individual engagement, including industry content. APT Next Gen will be scalable from the very smallest of engagements to large complicated ones
- A more modern and user-friendly interface that will improve the user experience
- The ability to obtain better business intelligence across our engagements to provide improved insights for our firms
- Built-in trial balance, journal entry and lead schedule functionality, removing the need for external software and further streamlining the audit process.



APT Next Gen

## Conflict of interest & independence tools

Three new tools have been launched for use by our firms. Their objective is to simplify how we manage our responsibilities related to independence and conflicts of interest (COI), providing our firms with quicker access to the information they need from around the world, streamlining our client acceptance process:



**Restricted entity database**, including assurance and non-assurance clients and prospects.



**Corporate tree database**, which provides more complete information on related entities.



Relaunched **COI tool**, to improve our ability to identify potential independence and conflict matters in a timely manner.

## Audit data analytics

Technology is changing how we audit, so it's logical that we incorporate audit data analytics into our audit methodology and tools. Grouped under the banner BDO Advantage, we have issued methodology guidance, training

and templates, along with other resources in order to give all BDO firms the ability to more readily integrate audit data analytics into their engagements and continue to deliver the high level of audit quality that our profession demands.



BDO Advantage financial analyser



## Counting Made Simple app

A number of cutting-edge products are in development in order to enable our professionals to take advantage of new technologies when performing high quality and efficient engagements.

The first of several tools in our digital transformation journey released in 2017 was the Counting Made Simple (CMS) app which allows BDO staff to complete an

inventory count using a mobile phone or tablet. This provides a more streamlined approach at the count itself, allowing our teams to document their work in an APT compatible format, in real time. This means less disruption for our clients, and a more efficient experience for our teams, eliminating the need for paper and hard copy notes.





## IFRS impact assessment tools

2018 will mark the beginning of a period in which many new accounting standards start to become effective for our clients.

Our IFR Advisory group (IFRA) has issued impact assessment tools for accounting for revenue from contracts with customers, which our firms can use to efficiently identify how the new rules will impact their clients' financial statements and therefore enable them to provide more timely and targeted guidance and audit procedures. Comparable assessment tools for leases and financial instruments are also in the pipeline and are nearing completion.

In the meantime, IFRA have released a number of **IFRS in Practice publications** that are aimed at helping our clients understand and apply the new IFRSs in their businesses. With a wealth of straightforward information and varied examples, these publications are a great way to start working through the impact of the new standards – or, for those already working through implementation, find guidance on more complex aspects.

## Integrated reporting (IR)

BDO has been an active supporter of IR for many years and our IR services cover a range of activities. Integrated thinking challenges organisations to actively consider key relationships between the various operating and functional units, as well as tracking what types of organisational capital (i.e. human, financial and intellectual)

are used or affected. Mindful integrated thinking leads to integrated decision making, and actions that consider financial, social and environmental value creation or depreciation over the short, medium and long term. The future of good decision making is integrated.

### BDO in Germany organises the IFRS 16 implementation at Deutsche Telekom

This new standard affects all asset intensive enterprises and is particularly important for Telecom companies as it impacts on lease arrangements and the way in which they are presented on balance sheets.

Deutsche Telekom (DT) invited BDO to pitch for the accounting consulting project, along with two larger firms. BDO was proactive in its approach and discussed the impact of the adoption of both IFRS 15 and 16 with DT and the expected impact on their results.



DT engaged BDO because they were looking for a cost-effective solution from a firm which could service them across the world, had a good understanding of their complex organisation and with which they could work in close cooperation. BDO demonstrated this by calling on its industry expertise and its understanding of DT.



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I am really pleased at the positive attitude all of our teams have shown in embracing change as the tax environment continues to develop and evolve at a rapid rate. On a daily basis, we are collaborating with clients right across the globe to introduce ideas and solutions – whether it is a new service or an innovative way to deliver an existing service.”

Robert Aziz  
Global Head of Tax

## TAX UPDATE

In the world of international corporations, **BEPS** continues to play a major part as 72 countries signed the **multilateral instrument** and more and more countries introduce legislation to give effect to various BEPS recommendations.

### A question of transparency

In 2017, the requirement to compile country by country reports became a reality for the first time. But if this progress was expected to quieten the political and public debate on tax, it did not do so. Whether the country by country reports should be made public or remain confidential to tax authorities is a debate which is contested fiercely.

Another transparency debate rages around the issue of leaks – and last year the ‘paradise papers’ gave us an additional example of an important public interest disclosure or a significant breach of client confidentiality, depending on which side of the debate one stands. And if that was not enough excitement for one year, the last two months of 2017 saw the US Congress move with remarkable speed to enact the most extensive rewrite of the **US tax code** in over 30 years. It is quite conceivable that this US Tax Reform will alter the global tax landscape even more radically than all of the changes of the past few years.

### Good advice, every day

With these issues dominating the headlines it is easy to overlook the fact that the vast majority of taxpayers (both individuals and corporates) spend most of their energy and time trying to ensure they fulfil their tax obligations accurately and on a timely basis. This includes making sensible decisions about taking advantage of reliefs or incentives. There is no doubt that in doing so it is accepted that expectations have changed and that tax is a reputational matter. All BDO tax advisers strive to help our clients make informed decisions about all aspects of their tax affairs – this includes the reputational and governance aspects, not just the technical analysis or the financial impact.

## One BDO worldwide

Wellness innovator, **1Above**, is a client of **BDO in New Zealand** and they are living proof of how BDO's global footprint has delivered concrete benefits in meeting their specific tax challenges in 2017.

**Carl Kroger**, 1Above COO:

"When we were first expanding into Europe we did not have any idea about what the regulatory pitfalls were for setting up our business online or for wholesale trading with our major customers. Our team in BDO New Zealand connected us with their counterparts in London and they provided us with invaluable advice:

- For our Amazon business, they advised us to set up a UK entity and bank account in order to enable us to take advantage of VAT registration and filing thresholds. This saved us filing and administrative costs, as well as not having to collect and pay VAT to the British taxation authorities
- For our wholesale business, they advised us as to which European country would be the best for us to import our products into. Then with the participation of the local BDO team, they helped to set up our VAT number in Belgium and also assisted us with the regular required local filings."

The company's CEO, **Stephen Smith**, adds:

"Another current project is closer to home, in Australia. We have recently switched from a local accounting firm which was providing us with, frankly, a pretty mediocre service, and we're now very pleased to have switched to obtaining advice in tax matters from BDO in Melbourne. They are helping us look at our Australian company structure, with an end goal to reduce our Australian entities down from three to one, consolidate our tax return filings to one and remove the requirement to have an Australian audit performed. This will save us significant administrative time and costs. And our Australian BDO partner Rod Naismith went the extra mile for us when we found ourselves in a bind because we needed an Australian-based director to join our Australian company boards. He offered to fill this role and this has really helped us out".

## Transformational technology

A significant area of change in the tax world is the all-pervasive influence of technology and BDO recognises that technology is transforming every aspect of interactions with our clients. In 2017 we have seen some excellent examples of the way in which BDO professionals have embraced fully the need to work with technology to help our clients meet their challenges.

### One nation, one tax

To enable the introduction of GST in India, the country's Government mandated that the entire GST compliance framework should be data-driven on a technology platform. The Government of India ultimately approved 75 licences for service providers to operate the GST network and only seven of these

approvals were given to tax/accounting organisations (the rest were predominantly technology companies). BDO in India was one of the seven approved service providers. **BDO in India's technology platform** is up and running in 2017 and is helping clients to accurately compile GST returns and to file these returns on a timely and secure basis with the Indian tax authorities.

A compelling example of how the use of technology helps our clients is the work being carried out by our BDO USA data analytics team. Making extensive use of software robotics, our team in the US were able to **automate** and **optimise** a significant number of repetitive processes that a client

tax department was undertaking each month. Not only did this relieve the tax department members from undertaking a lot of routine matters, it allowed those members to focus on value-added tasks at a time when it was not possible to increase headcount in order to complete workloads.



BDO in India's Amit Kumar Sarkar, Partner & Head of Indirect Tax speaks on GST in an interview with Bloomberg TV India.



## **ADVISORY GOES FROM STRENGTH TO STRENGTH**

BDO's Advisory services continued to grow in 2017 and have come to represent 19% of our global revenues. Our global organisation's advisory practice is focused on 3 service lines:



## Corporate Finance, Transactions & Restructuring

Corporate Finance, Transactions & Restructuring Advisory services have achieved very solid growth in the past year, led mainly by M&A and Valuations service areas.

BDO's global M&A deal volumes experienced a significant growth of nearly 45% in 2017, increasing from 840 deals in 2016 to 1,200, while deal value amounted to US\$54.5 billion in

2017 with a 50% increase on last year's total of US\$35.6 billion. This impressive increase in deal volume and value has had a direct impact on BDO's improved position in industry league tables,

establishing our solid position as the 4th most active financial adviser in the *Thomson Reuters 2017* rankings and the 4th leading Due Diligence provider in the *Mergermarket 2017* rankings.

1,200

completed  
deals in 2017

US\$54.5  
billion

deal  
value

30%

private  
equity deal  
involvement

30%

of our  
deals are  
cross-border

TOP 4

adviser in  
the global  
league tables\*

2,000

corporate  
finance  
professionals

\*4<sup>th</sup> most active financial adviser – Thomson Reuters 2017, 4<sup>th</sup> leading DD provider – Mergermarket 2017



## Forensics & Risk Management Advisory

2017 has also been a year of progress for our Risk Advisory practice, following an increased global focus on improved organisational governance, as businesses recognise the need for better risk management in an increasingly uncertain world.

In the current climate of change, regulatory standards are raising because of the growing need for transparency: this changes the way we see transparency and technology, and also calls for more collaboration and innovation. At BDO, we continue to demonstrate a strong balance between the need for transparency and privacy, enabled by innovative approaches.

Our Forensics practice continued its global expansion in 2017 with 100 cross-border wins valued at US\$27.8 million. These wins – which exclude purely domestic forensic engagements – measure and demonstrate

the collaboration and trust that has been built through the global forensics initiative, both within our firms and with their respective clients. Last year, for example, BDO partners and their clients benefited from increased collaboration with our firms in India, Mexico, Russia, Canada and the UAE. We witnessed the Shanghai forensics lab evolve into an Asia Pacific regional resource, while the practice in Brazil is growing exponentially – thanks to the continuous investment of our firm in one of the fastest-growing forensic markets in the world.

Meanwhile, our firms in the UK, USA, Germany, France and Switzerland continue to operate in the upper tier with their fully developed forensics service offerings: they have managed engagements such as FIFA, Deutsche Bank, HP/Autonomy, Kingdom of Spain, Total, Toshiba and Hitachi. Leadership contributions from BDO firms in Ecuador, Hong Kong, Malaysia, Singapore, Australia, Norway and the Netherlands continue to help drive our success. We will be focusing on the Middle East in the coming year, as we seek to build a forensic lab in the region and recruit additional forensic leadership and participation.



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**As the global business environment gets smaller there is an increased focus on anti-corruption and cross-border disputes. BDO's Global Forensics practice helps identify and mitigate risks through services customised to meet clients' specific needs.”**

**Glenn Pomerantz**  
Partner at BDO USA,  
Global Forensics practice leader

## Client success stories

### How the Risk Advisory team in our US firm helped their clients to succeed

#### SOX compliance for a manufacturing client in record time

A multi-billion dollar global public manufacturing and distribution company of metal and aluminium products had completed several large acquisitions throughout the world. The corporate office in France needed several of the acquired manufacturing locations to become SOX compliant in a short period of time.

BDO in the USA was engaged to assist with the design, implementation and alignment of controls for one of the manufacturing plants to meet corporate objectives.



BDO completed the SOX compliance project within 12 months of acquisition, including the consolidation of Assurance/SOX activities for company management. A centralised documentation depository and consolidated scheduling solution was included.

#### Local BDO teams collaborate with internal audit

A leading drilling company, and BDO client, serving global oil and gas providers needed to assess whether their network of governance, risk management and control process – as designed and represented by management – was adequate and functioning effectively. Working with the organisation's internal audit function, BDO developed a proposal which included co-sourcing functions responsible for Sarbanes-Oxley and internal audit services after IPO. Through seamless and consistent service by local BDO teams across multiple locations, the client's COSO 2013 compliance was attained and disruption to management's schedules was reduced to the very minimum.

#### Internal audit and transformation results in US\$1 million of additional value

A multi-billion dollar global public energy company had completed a large acquisition and relocation of their headquarters. Management wanted to maintain the pre-acquisition organisational structures but were keen to identify efficiency opportunities.

A team of BDO professionals in the United States developed a solution proposal for SOX, internal audit and special projects. The integrated team assessed transaction processing controls and appointed a centrally located manager to oversee functions from planning to reporting for each in-scope country audit, providing the vice president of audit the ability to manage the overall plan strategically.

BDO's enhancement of the overall internal audit function delivered the client a proactive fraud control environment in which investigation costs were effectively reduced, resulting in approximately US\$1 million of additional value. Efficiency improvements also moved the implementation schedule up several months.



“

I am proud to see that our Advisory service line has reached top rankings thanks to remarkable deal counts in the past year and I am convinced that it is our global coverage and capacity to meet our clients' demands all around the world that have allowed us to achieve this and are setting us apart from our competitors.”

Anders Heede  
COO, Global Head of Advisory & BSO

## Technology Advisory

Technology Advisory services are an area with substantial growth potential and demonstrated a healthy increase in revenues last year. We are moving forward by leveraging and developing common services, enhancing our service offerings and increasing cross-border collaboration. In key markets, we are also looking to invest in this area to accelerate the further growth of this practice.

### Did you know?

In 2017, BDO's global cybersecurity services accomplished an impressive 30% growth in revenue over the prior year. Various organisations, including the American Hospital Association, Israel's national cyber security authority, the Central Bank of Norway and the Australian Department of Health, have engaged with BDO cybersecurity experts to address their demand for increased cybersecurity

risk and compliance assessments, new cybersecurity policies and procedures development, penetration testing and managed security services. BDO has responded to these clients' demands with the exceptional client service delivery that we are known for – and are proud of.

Our firms across all regions recognise that advisory services have been and will be one of the key growth drivers in the future of our global organisation. We are committed to ensuring further development within this area with a focus on increasing the size

and strength of our firms' advisory practices as well as developing our service offerings. We will continue to support joint developments across markets as this is key to globally seamless solutions which benefit our domestic and international clients alike.

## THE RISING IMPACT OF BUSINESS SERVICES & OUTSOURCING

Business Services and Outsourcing (BSO) has witnessed a significant year of growth and this service line now represents 15% of our global revenues.

Our BSO delivering is broadly organised into three categories: transactional, financial and strategic services, and focused on the following service offerings:

- Accounting and compliance
- Global compliance
- Business process outsourcing
- Payroll
- Business Advisory.

BDO's global BSO teams assist our clients by helping to meet current needs and by working

towards long-term goals. Our professionals evaluate and benchmark key functions in our clients' organisations, drawing on deep experience in developing accounting, finance, and HR objectives and integrating them with corporate and human capital strategy. What differentiates us from the majority of the competition is our unique go-to-market strategy. Instead of approaching the market with a product-led service, our firms focus on a client-led service. By

identifying pain points that clients encounter and working to find solutions to address those needs, BDO's BSO offerings focus more on client journeys, decision points and training for teams to find solutions – rather than just selling products.

In a highly competitive marketplace, realising long-term goals comes not only from capitalising on opportunities and mitigating risks, but from doing it all as efficiently and

effectively as possible. That is why technology plays a crucial role in how we deliver an enhanced experience to our clients. BDO firms are gradually embracing automation and machine learning, either directly or indirectly, by adopting cloud-based delivery solutions offering such inbuilt functionalities. In this regard, BDO's partnerships with Xero and Quickbooks help to bring market-leading solutions, along with distributed working to our clients. As our technology partners continue to develop new functionality into their tools and systems and subsequently share them with BDO, we ensure that we are equipped with the latest technology to benefit our clients.



## Partnering for growth

2017 has been another year of strong growth for multi-country compliance contracts across the BDO global organisation.

Our firms in Belgium, Colombia, Finland, Germany, Hong Kong, Ireland, the Netherlands and UK have had considerable success offering and coordinating multi-country payroll, compliance and accounting services. As a result, the volume of referrals of outsourcing work from multi-country operations continued to rise, approaching an impressive US\$30 million in 2017.

As a truly global organisation, we understand the importance of investing in common processes and contracts so that our clients can

enjoy a seamless and consistent client experience across the world. With the inter-firm framework agreement in place and paying dividends, we aim to further facilitate both giving and receiving firms to subcontract in a more efficient manner. During the past year, we also invested heavily in systems to underpin complex operations. These include Thomson Reuters ONESOURCE Workflow Manager, which now underpins 12 global compliance operations led by BDO firms in the Netherlands, Belgium and UK; and BDO Evolve, which has underpinned the rollout of 50 Boeing payrolls across 30 countries during 2017, with 10 more global payroll clients due to migrate.



## BDODrive

At BDO, we are committed to providing our clients with a clear market proposition, putting at their disposal not only our market-leading solutions but also direct benefits from our extensive outreach and expertise from 74,000 staff in 162 countries and territories across the globe.

One of the technology drivers for BDO's BSO practice is BDODrive, which as part of the approach embraces cloud accounting solutions adopted by a number of BDO firms to provide real-time data analytics for our clients in order to identify their unique business needs – and pinpoint a service plan to help meet them. These include, but are not limited to:



**Compliance**, helping clients in navigating the many requirements they face.



**Outsourcing**, taking the strain using the latest technology so that our clients can focus on their many other challenges.



**Advisory**, helping avoid the obstacles and navigate to success, whether the client is an ambitious start up or a dynamic family business.

With BDODrive, our BSO services are aiming to deliver tailored information, intelligence and insight to help our clients realise their business goals. To learn more about BDODrive, please visit the web sites of our firms in [Australia](#), [New Zealand](#), [South Africa](#), [United Kingdom](#) and [United States](#).





## TECHNOLOGY & DIGITAL BUSINESS

Digital transformation is redefining our profession. During the past year, professional services firms, including BDO, have been faced with a rapidly changing environment that is reshaping how businesses operate. BDO remains agile through this transformation, cementing our global commitment to becoming digital first. Information technology is crucial in ensuring the delivery of exceptional service to our clients, as each firm contributes to a global organisation that is realising its strategic and operational goals.

## Unwavering focus

At the core of all our IT developments over the past 12 months has been a continual focus on enabling efficiency, quality and growth across our services and markets. BDO's digital transformation is revolutionising the services we offer our clients, how we deliver them and the value they add. This dedication to leveraging IT for improved client service ensures BDO is navigating this era of digital transformation with agility and responsiveness to our clients' needs.

At a global level we work continuously to strengthen our clients' experience with us, via a robust and fully scalable IT infrastructure that includes cloud, security and platforms. Central to our programme of work in 2017 was creating a single BDO experience through seamless access for all our firms, together with the adoption of a uniform cloud strategy.

## Security is paramount

Information security will always be an ongoing focus for all BDO firms. New threats force us to invest on a regular basis and we pay the utmost attention to security in order to protect both client data and our strong brand.

**Read more:**  
**An interview with  
our leaders (p 7)**

During 2017 we further strengthened our information security and privacy practices and controls, ensuring that our high standards are maintained in every firm. This includes the implementation of an information security governance structure that is based on international standards. These activities give our firms and their clients confidence in the security and privacy of their information, a vital element in the strong relationships we maintain with them.



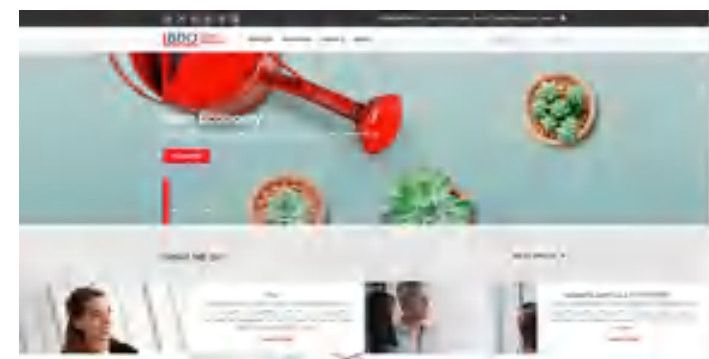
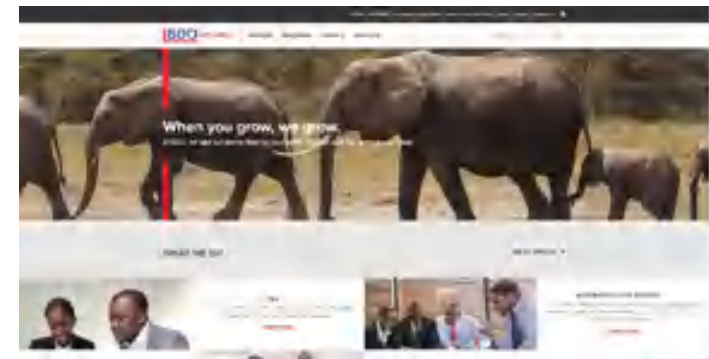
## Exceeding clients' digital needs

The drive towards understanding and enabling our clients' digital needs is fuelling the convergence of our technology and business models across all our firms.

We see genuine value in transforming our services into digitally-oriented offerings, ensuring that doing business with BDO in this digital age is easy and accessible, regardless of a client's location. Key 2017 initiatives in this area were the further development of our global web template and global Portal.

At the end of 2017, the vast majority of **BDO web sites** are live on our centrally-hosted web template, which provides a consistent

technical quality and uniform look and feel for users. It also enables one-touch development rollout to all BDO firms' web sites, including new joiners. Our unique next generation web environment automates the process of creating and sharing content across the BDO world, improving the user experience for site visitors by providing relevant insights with a simple click. In this way our clients can remain up to date with the latest industry news and legislative developments in real time.



BDO's global Portal is now being piloted by a number of BDO firms. This facility is the catalyst to digitise our business, providing our clients and advisers with an online collaboration space that gives 24/7 access to BDO services and insights. Our global Portal is a priority project where IT and business leaders work together to enhance our excellent client service principles in the digital world and it will continue to evolve, according to the needs of our clients.

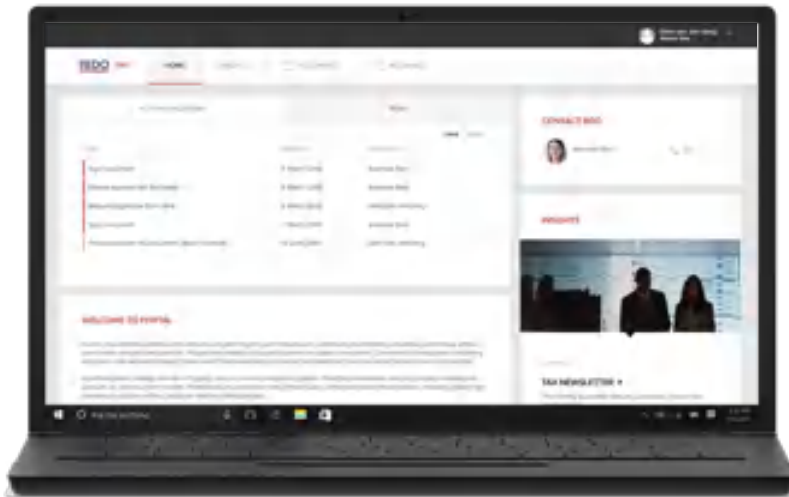
BDO is also looking for ways to harness the unmatched automation and efficiency benefits of chatbots and robotic process automation to further improve quality and meet client expectations.

BDO in Switzerland is working with Global IT to design and deploy a Q&A-styled chatbot that can support a limited review audit engagement. The client-facing bot asks general questions about the prior year's developments

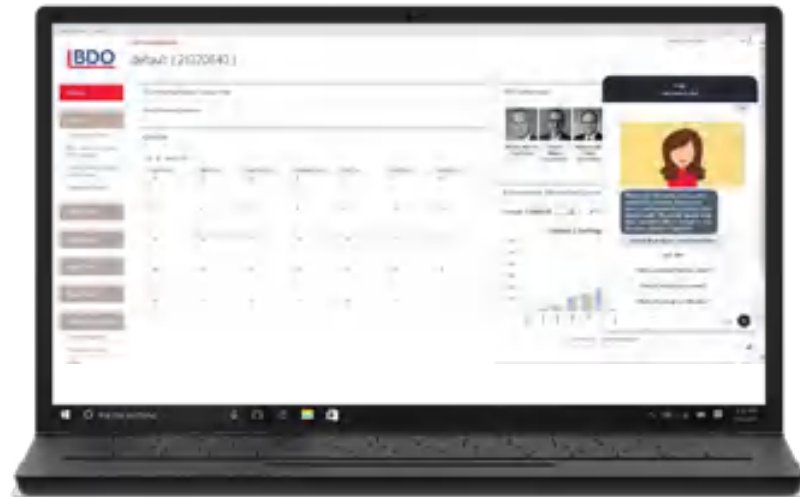
and evolves to answer questions regarding the limited review, handle document uploads and learn client intentions.

This chatbot approach has revolutionised the audit process for selected BDO clients by supporting them in transferring required information and documentation to their BDO advisers via a conversational user interface, rather than through completing complex forms or continuous emails.

Bots also support our experienced auditors, giving them access to this information during analysis and allowing them to decide if any material modifications need to be made to the financial statements.

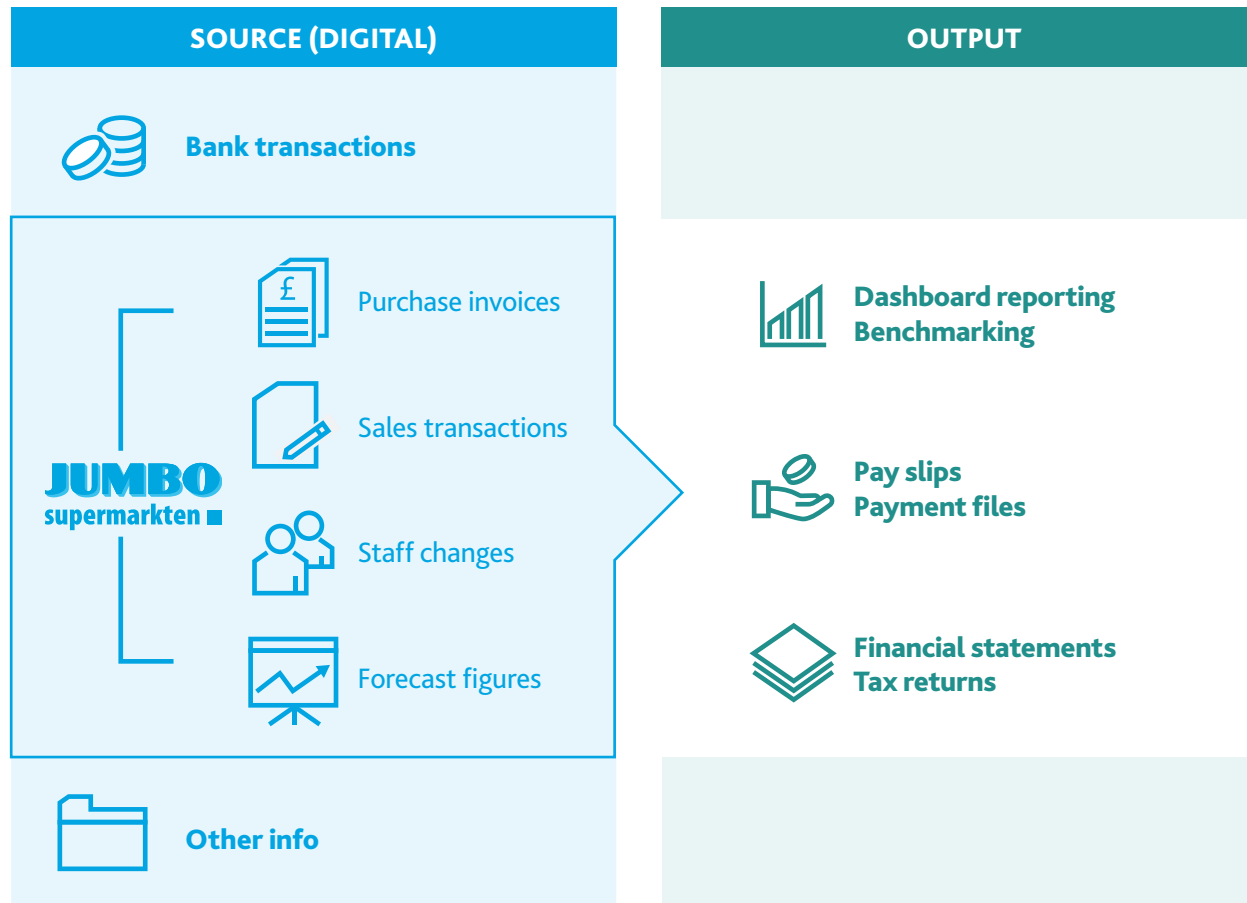


BDO's global Portal



Limited statutory audit chatbot 'Lisa'

BDO in the Netherlands has taken a particularly proactive approach by creating a digital process for its client Jumbo, a supermarket chain. The firm has digitised all of Jumbo's sales, operational and administrative data, allowing it to be quality checked and run through a custom-built data analytics platform. This allows Jumbo to work hand-in-hand with BDO to make well-informed business advisory decisions, based on detailed and up-to-date dashboard reporting, benchmarking and financial statements.



“

The pace of change throughout the business environment is accelerating, and nowhere is that rapid evolution more evident than in digital business. In every BDO firm, our focus is on a digital-first approach, so that we can transform our service offering and continue to deliver exceptional client service in the digital world, and to evolve with our clients' needs.”

Belinda Thompson  
Global Head of IT

## Industry relationships deliver client value

BDO's growing global footprint facilitates our relationships with leading IT partners around the globe, and these in turn help to accelerate our ability to deliver successful IT-focused solutions for our clients. Our global strategic alliance with Microsoft continued to deliver benefits throughout 2017, with a dedicated team of Microsoft developers working within BDO's IT teams. This team brings expert skills and knowledge to our internal practices, ensuring we have the business partners we need to deliver high quality digital tools and platforms efficiently for our clients and people. Strong working relationships – and in some cases formal partnerships

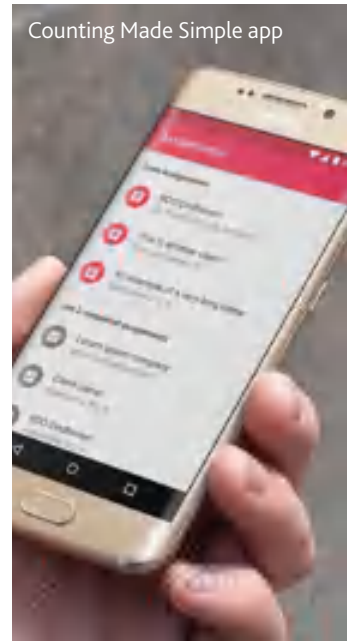
– with Adobe, Qlik, Oracle, SAP, Lenovo, HP, Targus, DocuSign, Xero, QuickBooks, Receipt Bank and other local cloud accounting providers are delivering tangible value for our firms and their clients. Partnerships support BDO in our digital journey, driving efficiency and digital value in our operations and services.

Enriching our client's audit experience by harnessing the power of data analytics is an important focus for BDO. BDO Advantage is our global data analytics initiative and provides a combination of increased audit quality, enhanced client insight and greater efficiency of service – all crucial on our journey to becoming digital first.

Enhancements to our audit process tool are continual with the implementation of APT Next Gen. Launching in 2018, this new tool will provide significant benefits to our audit practices and our clients worldwide by enabling high quality audits to be conducted quickly and efficiently, using a globally consistent approach.

This year saw the introduction of a Counting Made Simple app, which is simplifying and bringing greater efficiency to our clients' inventory count process.

**Read more:**  
A&A report (p 14)



### Our partnerships







## IT innovation in action

BDO's strength is our local talent, connected and shared globally. The ingenuity of our firms was on full display in 2017, with some delivering incredibly robust and client-focused IT solutions. BDO in Russia, for example, is developing digital solutions that they test with their strategic clients. These include blockchain-based corporate transaction systems, predictive analytical tools to support management decisions and a full circle paperless electronic procurement system for one of the country's largest banks.

In the UK our teams have applied Robotic Process Automation to ensure high levels of data quality and completeness, by using tailored software to replicate repeatable tasks being done by people, in a much more cost and time efficient way. The solution ensures all companies in our UK firm's corporate tax application have the correct Standard Industry code assigned.

We are harnessing and leveraging these solutions globally to ensure their value is amplified as much as possible across our firms' entire client base.

The fast pace of digital change will not cease in 2018 and BDO's rollout plan for IT solutions that will allow our firms to deliver excellent client service digitally continues to gather pace. We will focus on the development and implementation of industry-leading collaboration and communications platforms, connecting locally, regionally and globally to drive client-centric solutions. Our goal is to be an industry leader in everything we do: in a digitally-focused market, IT underpins that now more than ever. For our people this means more efficient ways of engaging with their clients to provide deeper insights when and where they are needed. For our clients this means continually high quality advice that is always one step ahead.





**2017, A YEAR  
OF EXCEPTIONAL  
CLIENT SERVICE**

## YOUR EXPERIENCE WITH BDO

You want advisers who understand your business and your marketplace. You require **people** who can deliver proactive advice which will help you to grow that business to the next level. With **73,854 people** working out of **1,500 offices** in **162 countries**, there will always be someone in BDO who has an answer to your question, or a suggestion you hadn't thought of. Connecting both in person and online, we work with each other and with you, **our clients**, to develop experience and share our knowledge and expertise across borders for the benefit of all.

## OUR PEOPLE

BDO's solid reputation in the talent market helped to increase our global headcount by 9.04% at the close of 2017 and BDO now has 73,854 people working out of 1,500 offices in 162 countries and territories worldwide. Our sustainable, people-driven strategy aims to both attract and retain the best talent in the market and makes use of the newest online tools.

In every BDO firm, there are Human Resources & Development (HR&D) departments dedicated to attracting, developing and growing an engaged workforce. As an organisation focused on a digital first approach, we are relying more and more on data to create insight and value for our clients – but we also know that it is our exceptional people and BDO's culture of accessibility, close relationships and excellence in delivering our services that makes the true BDO difference.



Headcount increased

# 9.04%

## Attracting talent

Working together digitally requires a different approach to leadership, culture and roles. BDO embraces transformation by equipping its advisers with the best tools and our HR&D teams are prepared to set the constructive tone for change to an engaged workforce in a digital workplace – and this is no truer than when attracting talent.

A number of BDO firms, including BDO in Denmark, use Facebook and LinkedIn, among other platforms, to communicate professional news and information about their courses and events. The firm also attracts trainees

by using **Facebook** as an active recruitment platform: as a result they have increased the number of their Facebook followers and unique LinkedIn visitors. The firm's innovative web-based deduction tool – **Fragtest** – where any Danish worker can calculate whether they qualify for certain tax deductions – really took off in 2017. This free, web-based tool for Danish wage earners was also the firm's best Facebook post of 2017, reaching more than half a million people.





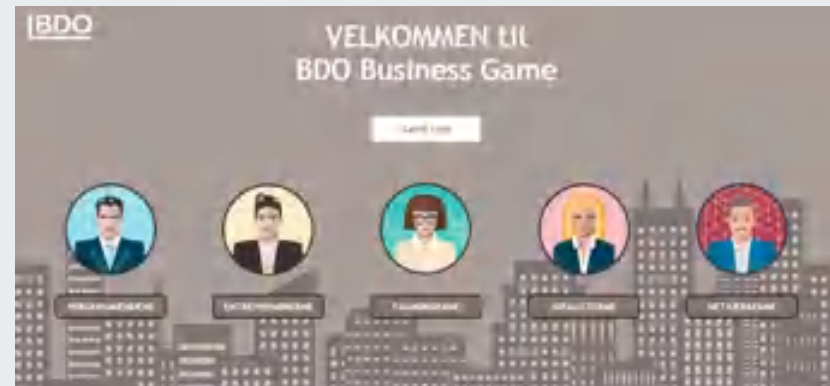
*BDO's secondment programme broadens horizons, helps career paths & provides support in peak periods, meaning cost savings.*

## Retaining talent

BDO firms think globally and subscribe to the concept of global mobility. Mobility teams within every firm are dedicated to empowering their colleagues to explore new professional cultures around the world. We believe it's vital to invest in sharing experiences and converging our people's expertise towards excellence.

A recent study by the IESE business school in Spain warns that up to 60% of secondees quit the company within a couple of years after returning

home. Repats' attrition rate is notably higher than for those not sent abroad and that is no surprise, as a quarter of employers provide little help to repatriates. BDO aims to increase the retention rate of returning secondees by maintaining a close relationship with the secondee while on assignment. Managing returning secondment retention involves outreach from the home firm to keep secondees enfranchised and involved so that they elect to remain employed and return to their home firm.



## Gamification to attract the best

BDO in Denmark have created an interactive **BDO Business Game**. The online game gives students insights into the work of an accountant and has received a great response from teachers, students and professors – and even the Danish minister of Industry. The Danish firm is confident that the game will attract the best trainees in the future – and at the same time strengthen the BDO brand.

## Comprehensive global training

We are fully committed to the continuous growth of our people: in 2017, BDO organised more than 40 global conferences and training events worldwide. In addition, all BDO partners and staff have access to virtual, face-to-face and on-the-job learning opportunities for language,

technical, personal and leadership skills. Our English language courses consist of virtual sessions and onsite intensive executive immersion programmes and have proven vital in building BDO's exceptional client service reputation – across all our firms, in every region.

## Developing our partners' leadership qualities

How leaders behave is an important driver in BDO and we are investing in our newly-appointed partners to make them even better BDO leaders – and because we know that strong leadership competencies drive organisational growth and profit.

BDO's **New Partners** event is held every other year and in 2017 85 new partners from 33 firms attended. With the

objective to contribute to the personal development of these new leaders and so strengthen our global organisation, event programmes include sessions on business strategy as well as on doing business across cultures.

In 2017, BDO's exclusive **Global Partner Leadership Programme** celebrated five years of continuous success with its curriculum, which is based on four

core leadership competencies. Over an 18-month period, a selected group of senior partners meets in four different locations worldwide to explore how to drive their firm and BDO as a whole into the future and to the next level.

## HR professional promoted to partner

Partner appointments are usually awarded to client-facing executives. At BDO, however, individuals with an exceptional track record can 'make partner' in their firm. In 2017, BDO in the USA appointed Bernadette Pieters-Harilal, a human resources professional, to the firm's partnership. In her new role, Bernadette is responsible for leveraging the firm's culture and values to enhance the employee and partner experience.



“

Organisational transformation in a digital world requires leaders with a digital mindset and a personal touch. Our leadership programmes have that balance. IQ and EQ, technical skills with a human approach: a better balance between the left and right side of the brain.”

Alette Ducro  
Global Head of HR & Development



“

As a firm, we are committed to building and retaining a diverse workforce through our inclusion initiatives and championing career growth through various programmes. Diversity is good for our people and it is good for business.”

Wayne Berson  
CEO, BDO USA

## Diversity & inclusion – Spotlight on BDO in the USA

BDO in the USA has 9 different inclusion groups



Generations



Flexibility



Race and ethnicity



Global mobility



Veterans



Sexual orientation & gender identity



Parents



Unconscious bias



**Women**

## Focus on **women** ♀

The top impacts reported by local office **women's inclusion attendees**:

**96%**

strengthened relationships  
with BDO colleagues

**91%**

gained **confidence** to seek  
out **career support**

**95%**

feel **more connected**  
to women across the firm

**6 years**

consecutively on the  
**Working Mother 100  
Best Companies List**

**Doubled**

the percent of **women  
partners** since women's  
inclusion first launched



**WHEN WORK  
WORKS AWARD**

**35+**  
**BDO OFFICES  
RECOGNISED**

**9 CONSECUTIVE  
YEARS**  
winning by **when work works  
award** for creating effective  
and flexible workplaces

## DELIVERING WHAT OUR CLIENTS WANT

When we talk to our clients and targets around the world, we hear some remarkably consistent messages about your expectations of your professional advisers and of BDO:



**You want a globally consistent approach** – you tell us that we need to support you wherever in the world you want to do business, and with the same level of quality and service in all locations.



**You want us to understand your business** and the circumstances in which you operate. And you want us to deliver proactive insights which will help you to grow that business to the next level.



**It's a digital world** and our clients want to be able to engage with us on the platforms convenient to you, at a time which suits you, and with content tailored to you – so you don't have to spend hours trawling for what you need.



At BDO our passion is to provide an exceptional client service experience for all our clients, irrespective of where you conduct your business. Being the best is what drives us and BDO's people worldwide are focused on embracing the opportunities new digital technologies give us to further enhance our service proposition and to better meet our clients' developing needs. This is why we make a point of listening to our clients: so that we really do deliver what you want.”

Allan Evans  
Global Head of Business Development  
& Marketing



## Delivering our brand promise – Spotlight on BDO in South Africa

BDO firms worldwide are committed to delivering our brand promise: to be the leader in exceptional client service, always and everywhere.



BDO in South Africa's internal CHAIN reaction programme, launched this year, aims to refocus the firm's entire workforce on delivering exceptional service to all its clients, with a specific objective of improving the firm's NPS score by 15 points: this ambition was exceeded by 5 points in the first year.

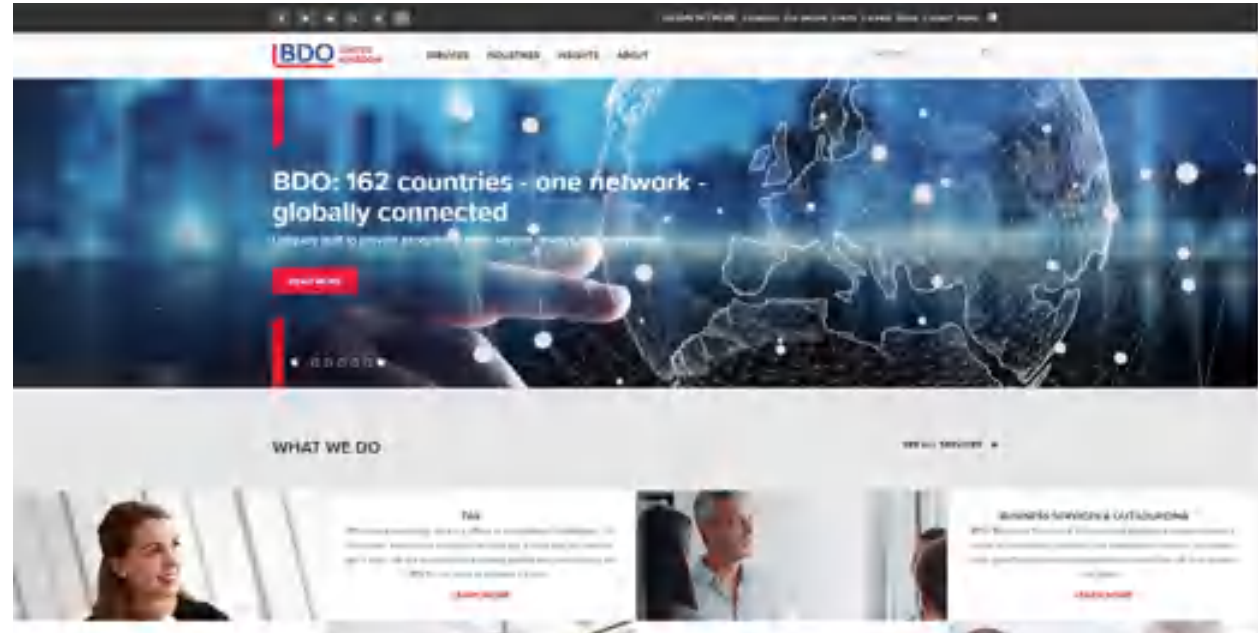
## Global consistency

In so many ways, the world is becoming a smaller place. Technology connects us in ways we could previously only have dreamt of and even the smallest retailer can have an international presence at the click of a button.

But when you actually set foot on the ground in that new location, doing business is somehow subtly different from how it feels at

home. Local customs and culture can have a huge impact on your operations – what seemed simple and straightforward is now anything but. And that's where the support we give our clients is invaluable. A global commitment to delivering exceptional client service across BDO means our clients feel supported in all their locations, not just the home territory.

Over the past year, we've increased our ability to service clients through 40+ mergers and through establishing new firms in existing territories such as Aruba, as well as new firms in new territories: in Samoa, Antigua & Barbuda, Dominica and Grenada. We now work with international clients in **162 countries and territories worldwide**.



Our International Liaison Partners (ILPs) help us stay connected internationally. They provide the gateway to help connect our clients with the right people in our firms across the globe and they meet

regularly to share experiences and develop new ways of working: all of which support our global commitment to exceptional service.

“

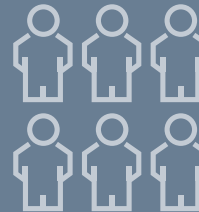
My role as an ILP provides me with the opportunity to be connected with the broader BDO team. Every day, I work with my fellow ILPs to identify the right teams to support our clients in every one of our firms. Sometimes it's about finding the right technical expertise, sometimes it's about the person with the deepest industry knowledge – and sometimes you're just looking for someone with the right personality for the client. It's like putting together an international jigsaw, but there's always a focus on client service at the heart of it.”

Helen Argiris  
BDO in Australia

We care about what our clients think and our global Net Promoter Score (NPS) programme has been taken up by a large number of firms throughout all our regions: Asia Pacific, EMEA and Americas. In 2017, BDO in the Philippines joined the ASEAN solution, together with BDO

in Singapore, Malaysia, Indonesia and Thailand. A truly independent and well-regarded client satisfaction framework, NPS provides an effective evaluation of our service performance at global level.

## Measuring client satisfaction – Global NPS programme



DETRACTORS



PASSIVES



PROMOTERS

$$\text{PROMOTERS} - \text{DETRACTORS} = \text{NET PROMOTER SCORE}$$

NPS: Universally recognised framework for client satisfaction

Network-wide programme implemented in over 30 firms across AsiaPac, EMEA and the Americas

Unified approach to enable a consistent and high quality service delivery

# 51

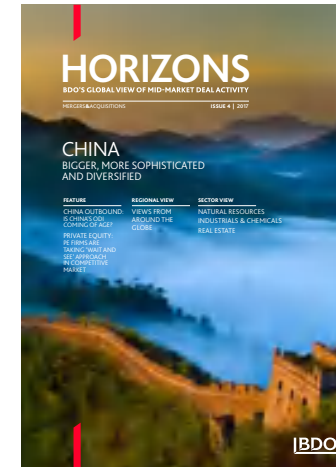
Client feedback across the world echoes this and we have achieved a global Net Promoter score (NPS) of 51\* which is considered excellent

\*as at March 2018.

## Proactive insights

When we create thought leadership, it's all about how it can help our clients – in other word, to help you to manage risk, identify potential pitfalls and helpful solutions, and help you expand and grow both domestically and internationally. We're not trying to suggest that we know your business better than you do, but we do know about a lot of similar businesses, which means we can share insights into how the best of the best are dealing with the challenges of doing business in the 21<sup>st</sup> century.

We also know that it's a world where the regulatory environment is constantly evolving – and what a business needs to do to comply seems to be changing on a daily basis. So in 2017, we shared over 7,000 insights with our clients and targets across the world to help them prepare to meet those challenges and to take advantages of the opportunities created by change.



*In 2017, BDO shared more than 7,000 Insights on our web sites across the world. Our thought leadership aims to assist our clients and prospective clients in meeting the challenges they face in today's business world and to take advantage of the opportunities created by change.*

View [BDO's insights](#)

## Industry expertise

To help us develop critical industry specialisations, we run local and global industry programmes which continue to expand and develop. Our global teams help in-country professionals connect and share information across geographic boundaries, collaborating on thought leadership and sponsoring conferences and events which bring us together with our clients and targets to share and develop new ideas.



The 2017 focus for our **Natural Resources** team was to develop business with some of the key global players in their industry, sharing our expertise across the different sub-sectors and sponsoring key international conferences, such as those organised by the Oil & Gas Council. Key partners in the group also worked together to deliver our Energy 2020 thought leadership reports, looking at the near future for both **Oil & Gas** and **Mining**.



In **Financial Services**, we updated the global web site with additional content to support our global client base and also launched our **FS blog**. Initial blog topics include the increasing impact of digitisation in this industry sector, alongside the changing regulatory world of IFRS 9. We've also been working closely with our global tech team to expand our understanding of converged areas of the market such as Fintech – new technology and innovation that aims to compete with traditional financial methods in the delivery of financial services.



### Technology, Life Sciences, Media & Entertainment and Telecommunications

Our Global Technology team works with many fast growing technology and digital media companies, with a particular focus on those which have investment from private equity. For the last two years, we have jointly hosted the Technovation conference in the tech hotspot of Tel Aviv – companies attending will include small start-ups hoping to be a future unicorn and companies looking to IPO or be acquired by an industry giant.



In **Real Estate and Construction**, recognising the need for a deep industry sector specialisation, we researched and published our **Global REIT Report** which has been positively received by clients and targets alike.



During 2017, our global **Public Sector** group focused on bilateral and multilateral cooperation – encouraging countries to work together to share expertise and collaborate on winning and delivering work. A great example of this was a collaboration between BDO firms in Denmark and Norway, using a Big Data analysis methodology initially developed by the former. The two firms are now working together to investigate whether Norwegian municipalities have collected all eligible revenues (grants given by the state) for services provided to disabled people and for the settlement of refugees in Norwegian municipalities.

## A digital world

To be recognised as service leaders on a truly global scale, our service proposition needs to evolve to meet the wants and needs of our stakeholders. Using digital channels is now the norm and you, our clients, expect the same simplicity of contact with your professional advisers that you get with your insurance companies, your banks and your favoured online shopping channels.

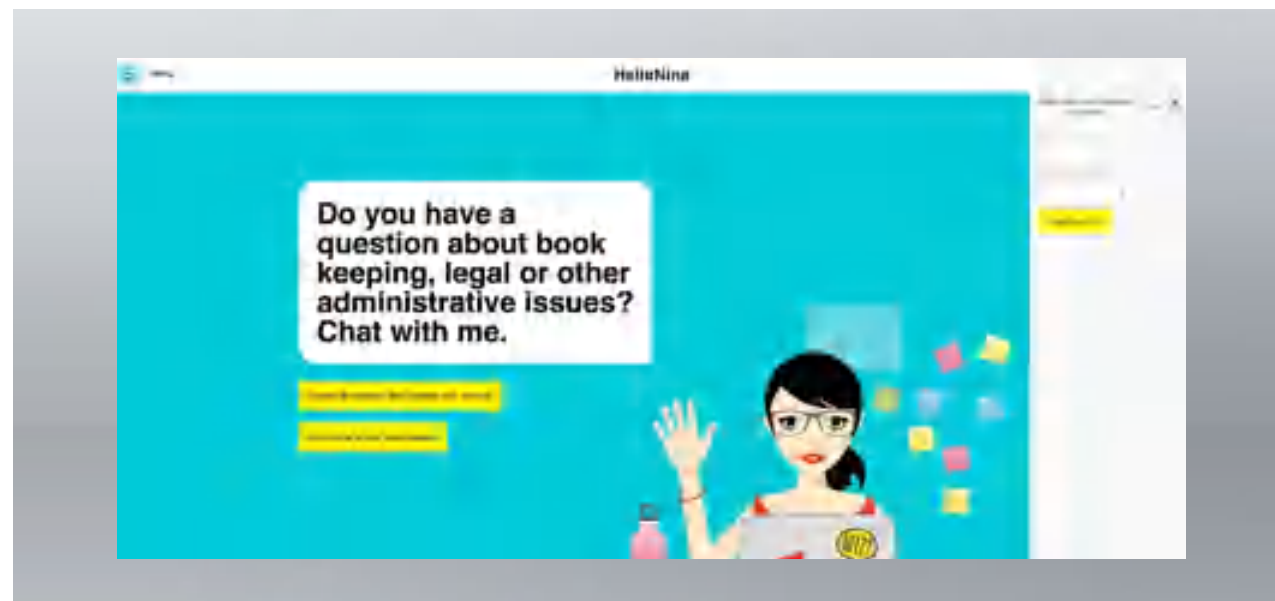
In 2017, we've continued to roll out our global web template to great success, providing our clients with seamless and consistent access to BDO people, services and information from anywhere in the world. But 'digital first' in today's world is about much more than that.

**Read more:**  
Technology & digital  
business (p 29)

BDO in Switzerland's HelloNina platform is directly targeted at the start up and young entrepreneurs community. Positioned as a 'start up buddy', it provides advice, tips and tools on how to found a company. Users can access the platform 24/7 and interact in real time chat with 'Nina' herself, whose objective is to support start ups and reduce the stress of running their businesses.

Our Dutch firm is pioneering our global web template's new online marketing management system which interprets the preferences logged by their contacts in order to be able to proactively deliver directly relevant information, blog posts, insights and event invitations around topics pertinent to their businesses and their roles. During 2018, we intend to roll out this marketing automation tool across more of

our firms' web sites, changing the way we interact with our clients online and treating each online relationship in the same individual way that we treat our face-to-face relationships.





**YOUR TRUST  
IN BDO**



## QUALITY

Membership of BDO enables our firms to deliver quality services at the highest level.

### Risk management

The use of the *BDO International Risk Management Manual* is mandated throughout BDO. It provides guidance on the design and implementation of quality control systems to support our firms' compliance with both domestic and international standards. Additionally, and in accordance with the requirements of the International Standard on Quality Control (ISQC-1), all BDO firms have their own internal systems of quality control.

### New firm admissions

BDO seeks to admit new firms that share the BDO vision and cultural approach. Each prospective new firm is subject to a due diligence process, the outcome of which forms the basis for the decision of whether

or not to admit that firm to BDO. These due diligence reviews are conducted by the Global Quality & Risk Management department, based in BDO's Global Office in Brussels, or under their direction. The global CEO then makes a recommendation to the Global Board, based on the due diligence report, which ultimately decides on the admission of the firm to BDO.

During the due diligence process, prospective firms are evaluated against BDO's membership criteria, which include:

- The prospective firm's reputation for quality and high ethical standards
- The prospective firm's compliance with domestic and international standards and requirements

- The commitment and capability of the prospective firm to adopting our global policies, procedures, methodologies and tools
- The maintenance of a system of quality control by the prospective firm that meets or exceeds the International Standard on Quality Control (ISQC-1).

All BDO firms are subject to the obligations set out in the BDO Regulations and are required to abide by our global policies, procedures, methodologies and tools.





## Quality Monitoring Programme

The Quality Monitoring Programme is designed to monitor firms' adherence and compliance with professional standards, as well as incremental BDO standards and requirements, including policies, procedures, methodologies and tools.

Our Quality Monitoring Programme consists of:

- An Internal Inspection Programme for firms with more than five audit partners
- Other Monitoring Procedures for firms with five audit partners or less
- The International Quality Assurance Review programme for all firms with an audit practice.

The Internal Inspection Programme for audit is performed at firm level on an annual basis by the firm's partners and directors. A set of global criteria for what constitutes a satisfactory Internal

Inspection Programme has been developed which covers an assessment and monitoring of our firms' compliance with professional standards, including leadership responsibility for quality, ethics and independence, client acceptance and continuance, human resources, engagement performance and monitoring. The evaluation of a firm's performance also involves the review of a sample of assurance engagements.

Other Monitoring Procedures are implemented and performed at firm level by the firm's partners and directors on a periodic or continuous basis, depending on the nature of the procedure. These other Monitoring Procedures are focused on compliance with professional standards and incremental BDO standards.

Quality monitoring on a global level within BDO originates from the BDO Regulations, which stipulate that each firm is subject to regular Quality Assurance Reviews. In

practice, this results in a process where each firm is reviewed at least once every three years.

The scope of a Quality Assurance Review covers an assessment of the design and effectiveness of the firm's Internal Inspection Programme or other Monitoring Procedures, an assessment of compliance with professional and incremental BDO standards and the review of a sample of assurance engagements.

The Quality Assurance Review programme is managed by the Global Quality & Risk Management department and is carried out by a team of independent and suitably qualified dedicated reviewers, for whom an ongoing training process is in place.

Many of our firms are also subject to external inspections by local professional institutes and local regulators, or undergo a peer review.

## Accreditation

The primary purpose of the accreditation process is to enhance all our firms' focus on quality, in line with the key global strategic aim to deliver consistently high quality services. Both the process of, and the criteria included in BDO's internal accreditation procedure were revised and strengthened during 2017.

Based on an assessment of compliance with 56 criteria, every firm receives an accreditation score for each of the following categories:

- Audit & Assurance
- Tax Advisory Services
- Tax Compliance Services
- Advisory Services
- Business Services & Outsourcing
- Risk Management
- Business Development & Marketing
- HR & Development
- Firm Development & Governance
- Information Technology.

## Independence

BDO is dedicated to upholding the highest ethical standards and maintaining compliance with the independence standards of the International Federation of Accountants and the respective local regulatory organisations. Independence is the cornerstone of our profession. It is the fundamental principle from which reliability of audit, review and other assurance reports to third parties is based.

BDO firms' independence and objectivity on assurance clients is achieved through the Global Independence Programme (the Programme), a framework comprising eight elements (including, not limited to Policies & procedures, Technology, Training & Communications, and Monitoring & Reporting).

Each firm appoints a designated Independence Champion, an experienced professional who is responsible for implementing and monitoring compliance with the Programme.

BDO maintains a worldwide database of all our firms' restricted entities, including listed companies and other public interest entities. This is available on the global intranet with the objective of preventing the performance of prohibited non-assurance services or investment in these entities. The worldwide database is continuously updated and the Independence Champions positively affirm both the accuracy of their firm's listing, as well as their firm's compliance with the Programme.

Prior to accepting any new client or assurance engagement, comprehensive due diligence is performed. BDO firms perform specific procedures to identify any potential conflicts of interest and threats to independence. These procedures include the use of a global technology solution that facilitates international conflict and independence requests across BDO.

## GOVERNANCE

The global BDO network is governed by the Council, the Global Board and the Executive of BDO International Limited.



### Council

**115 members**

Chair: Werner Schiesser  
Managing Partner BDO Switzerland

### Global Board

**7 members**

Chair: Wayne Berson  
Managing Partner BDO USA

### Executive/Global Leadership Team

**12 members**

Led by Keith Farlinger  
CEO of BDO International Limited

## BDO Council

The Council comprises one representative, from each voting BDO Member Firm – generally the managing partner – and represents the members of BDO International Limited in general meeting. In 2017 there were 115 Council members. The Council is chaired by the Council Chairman, elected among the existing Council members by the Council upon nomination by the Global Board. The current Council Chairman is Werner Schiesser, managing partner of BDO in Switzerland.

The Council approves BDO's global budget, appoints the Global Board and approves any changes to the Articles of Association and the Regulations of BDO International Limited. The Council meets at least once a year during BDO's leadership conference – and more if the Council Chairman and/or the Secretary of BDO International Limited consider this necessary or appropriate, or upon request of a certain number of Council members.

## Global Board

The Global Board is the Board of Directors of BDO International Limited. It comprises the managing partners of at least the three largest firms of the EMEA region, the two largest firms of the Americas region and the two largest firms of the Asia Pacific region. The (re)appointment of the Global Board members, each

for a three year term, is approved by the Council. The table on the right sets out the present composition of the Global Board, which is currently chaired by Wayne Berson, managing partner of BDO in the USA. The Global Board Chairman is elected by the Global Board members and serves for a period of three years.

The Global Board sets policies and priorities for the global organisation and oversees the work of the Executive. The Global Board meets at least four times a year, and more if required.

## Executive

The Executive comprises the CEO, who is appointed by the Global Board, and members of the Global Leadership Team (GLT) appointed by the CEO.

Keith Farlinger, was appointed as global CEO on 1 November 2017. Previously, Keith was CEO Americas, and prior to that he was managing partner of BDO in Canada. The CEO's powers and responsibilities are set out in the Regulations and as further determined by the Global Board. The CEO is tasked with the day-to-day management of the affairs of BDO globally, as well as the development and implementation of the global strategy for the organisation. He recommends quality standards,

policies and strategies to the Global Board. The CEO also acts as spokesperson for BDO at international forums and organisations and represents the global organisation in discussions with international regulatory bodies.

In October 2017, the new role of Chief Operating Officer (COO) was created, and Anders Heede was appointed to fulfil it. Working closely with the CEO, the overarching responsibilities of the COO are to ensure that

the global BDO organisation is equipped to meet the challenges of today and is prepared for the future. Having joined BDO in Denmark as CEO in 2008, Anders has held global roles since 2011, including that of CEO EMEA: he currently fulfils the role of Global Head of Advisory & BSO as well.

Effective 1 November 2017, Martin van Roekel, the previous CEO, was appointed as Vice-Chairman of BDO.

Global Board at 22 October 2017

**USA**

**Wayne Berson**  
Global Board Chairman

**AUSTRALIA**

**Tony Schiffmann**

**CANADA**

**Patrick Kramer**

**CHINA**

**Jiandi Zhu**

**GERMANY**

**Holger Otte**

**THE NETHERLANDS**

**Dick den Braber**

**UK**

**Paul Eagland**

The members of the Global Leadership Team (GLT) are appointed by the CEO, who allocates and delegates responsibilities to them as he deems appropriate. The GLT comprises the regional CEOs, the Global Heads of service



lines and of support services, as well as the Secretary of BDO International Limited. The majority of the members of the GLT are full time dedicated to their role within BDO International Limited.

The CEO and the GLT are supported by the Global Office of Brussels Worldwide

Services BVBA, a limited liability company incorporated in Belgium, which coordinates the service provision within BDO.

The Global Office includes the following departments: Global IT, Global Audit &

Assurance, Global Tax, Global Quality & Risk Management, Global Business Development & Marketing, Global HR & Development, Regulatory & Public Policy Affairs, Global Events, Global Knowledge Management, EU Key Account Procurement, Accounting, Administration and Legal.

#### GLOBAL CEO

**Keith Farlinger**

#### COO/GLOBAL HEAD OF ADVISORY & BSO

**Anders Heede**

#### CEO ASIA PACIFIC

**Stephen Darley**

#### CEO AMERICAS

**Albert Lopez**

#### CEO EMEA

**Trond-Morten Lindberg**

#### GLOBAL HEAD OF AUDIT & ASSURANCE

**Chris Smith**

#### GLOBAL HEAD OF TAX

**Robert Aziz**

#### GLOBAL HEAD OF BUSINESS DEVELOPMENT & MARKETING

**Allan Evans**

#### GLOBAL HEAD OF IT

**Belinda Thompson**

#### GLOBAL HEAD OF HR & DEVELOPMENT

**Alette Ducro**

#### GLOBAL HEAD OF TRANSFORMATION

**Markus Kammüller**

#### SECRETARY OF BDO INTERNATIONAL LIMITED & HEAD OF LEGAL

**Basile Dura**

Global Leadership Team at 1 January 2018

## Regional structure

To facilitate the communication and coordination of actions and the sharing of best practice, BDO is divided into three regions: EMEA (Europe, Middle East and Africa), Asia Pacific and Americas (Latin America, North America and Caribbean), each supported by a regional board.

Each region has its own Regional CEO, who chairs the respective Regional Board and provides support and guidance regarding the strategic initiatives of firms in the region.

In addition, regional audit advisers (RAAS) and regional heads of tax assist our firms in improving the quality of their A&A and Tax practices in order to enable the delivery of high quality services to BDO clients.

## Global committees

Within BDO there are a number of global committees, composed of professionals from our firms, who report to the respective member of the GLT and the CEO. These committees, which act in an advisory capacity for the benefit of BDO firms, are further supported by a number of sub-committees, task forces and working groups.

The primary global committees at 1 April 2018 are as follows:

<b>AUDIT STEERING COMMITTEE</b>	<b>AUDIT LEADERSHIP COMMITTEE</b>
<b>TAX ADVISORY COMMITTEE</b>	<b>INTERNATIONAL RISK MANAGEMENT COMMITTEE</b>
<b>GLOBAL PEOPLE COMMITTEE</b>	<b>INTERNATIONAL BRAND &amp; MARKETING COMMITTEE</b>
<b>GLOBAL OPERATIONS GROUP</b>	<b>INTERNATIONAL IT COMMITTEE</b>

## THE REGULATORY ENVIRONMENT

A series of high profile audit failures in the early 2000s triggered the eventual demise of self-regulation, as well as the rapid growth of independent oversight of the audit profession all over the world. This development was further accelerated by the global financial crisis that began in 2007, as policymakers and regulators moved to regulate every aspect of the economy deemed systemic.

The environment in which audit firms now operate is one of heightened regulation, constant external scrutiny, expanded transparency expectations and ever more detailed compliance obligations. The public expectations of many professionals, including auditors and tax advisers, remain at an all-time high. BDO firms are very conscious of the imperative to respond to this 'brave new world'. As a future-focused organisation with exceptional client service as a key differentiator, BDO was in the vanguard of large global professional services providers in adapting to this 'new normal'.

We confidently commit to perpetual investment in quality enhancement and to expansive transparency disclosure. Our firms and their clients have long realised that we have no option but to react, not only to fast-paced and incessant changes in the technologically-enabled environment that we now live in, but also to constant regulatory ones as the environment moves from legacy regulations and standards. In many cases these were written or conceived for a pre-digital age and now lag behind the sector or issues which they were meant to monitor.





This reality, added to the costs of compliance, the financial and reputational consequences of failure to comply and the sheer complexity and volume of regulation, continues to present us with a regulatory environment unlike anything previously experienced. The frequent misalignment and patchwork of regulations across the world continue to give rise to often conflicting and duplicative regulatory obligations. There is also little doubt that the regulatory environment faced by BDO firms and our clients is certainly the most complex ever and has a clear impact on day to day business. Not surprisingly, it is a priority issue for business leaders across the globe. Multiple studies have identified regulation and compliance obligations firmly at the top of risks and concerns faced by the leadership of all businesses, even ahead of such obvious risks as economic slowdown, catastrophic brand damage and cybersecurity

threats. The expectations of the policymakers, regulators, oversight bodies and standard setters have developed rapidly and exponentially over the last 10 years and more of our service offerings are regulated in some sense than ever before. As the world becomes more converged and globalised, so too do the regulators who share practices, philosophies and results of inspections with each other. As a result, poor appraisal of a BDO service line or firm in one jurisdiction, has the potential to be globally damaging. To remain a successful global professional services organisation, we recognise the importance of positive and proactive engagement with all forms of regulators, across all of our service lines and geographies. Doing so is essential to continued success and realisation of our strategic objectives.

Since 2016, a new EU Audit Regulation has been in place, requiring revamped and enhanced

transparency reports for audit firms with public interest entity audit clients. The new requirements are now impacting on BDO firms across the EU and beyond by subjecting auditors to additional surveillance and scrutiny from newly-formed and existing regulatory bodies who are coordinating activities and sharing information. At BDO, our firms have actively embraced the new requirements and frequently and proactively engage with global, regional and national regulators. As independent oversight of the audit profession is now universally accepted as the norm, we will continue to engage positively and constructively with the full range of historically relevant policymakers and regulators and are equally committed to doing so with the 'new' stakeholders in our evolving regulatory environment.

All of our firms strongly believe that greater transparency by individual audit firms and their

global entities serves to build confidence in the audit profession and will enable firms to improve their credibility and reputation for integrity. Our regulatory and public policy experts' frequent engagement with audit policymakers and regulators is evidence of our commitment to actively supporting efforts to develop focused, effective and added-value regulation. This in turn heightens trust in what we do and how we do it.






*Listen to the BDO Regulatory & Public Policy podcast hosted by BDO's Global Head of Regulatory And Public Policy, Noel Clehane.*

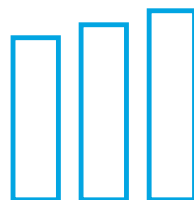


**OUR  
PERFORMANCE**

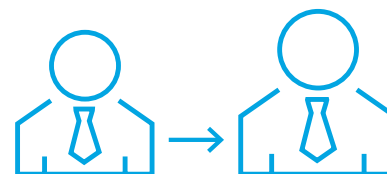
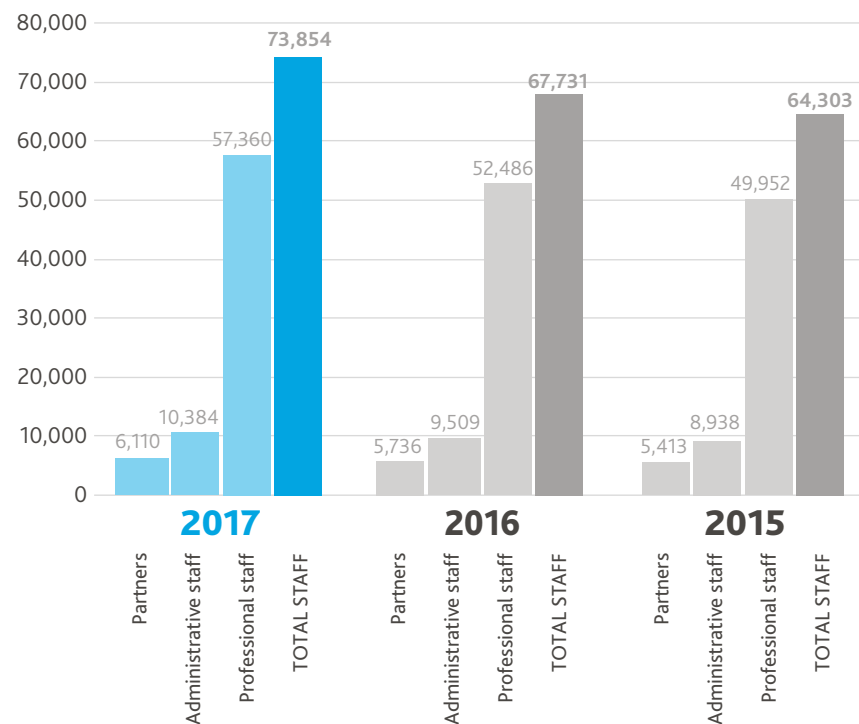
## OUR REVENUES

	2017	2016	2015
 Combined fee income	€7.3 billion	€6.8 billion	€6.4 billion
	\$8.1 billion	\$7.6 billion	\$7.3 billion
 Number of countries and territories	162	158	154
 Number of offices	1,500	1,401	1,408

**8%**  
increase  
year on year



## OUR PEOPLE

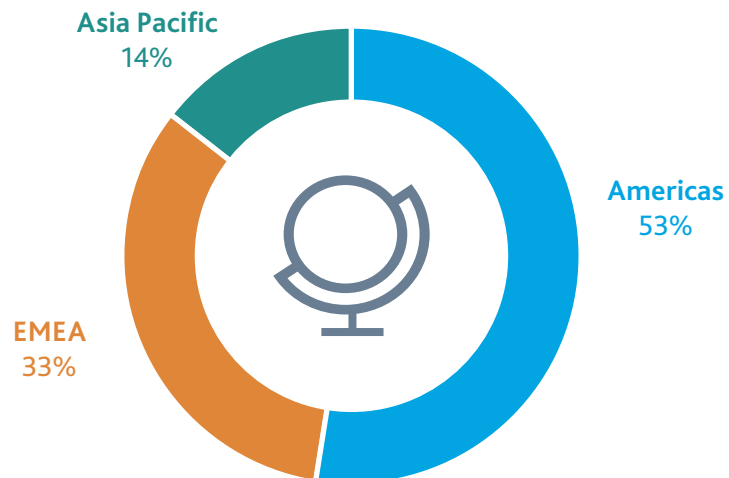


Between 2015 & 2017, our **total staff numbers** grew by **+14.85%**

## OUR GEOGRAPHY

Number of countries & territories	2017	2016	2015
Americas	40	37	37
Asia Pacific	25	24	24
EMEA	97	97	93
<b>Total</b>	<b>162</b>	<b>158</b>	<b>154</b>

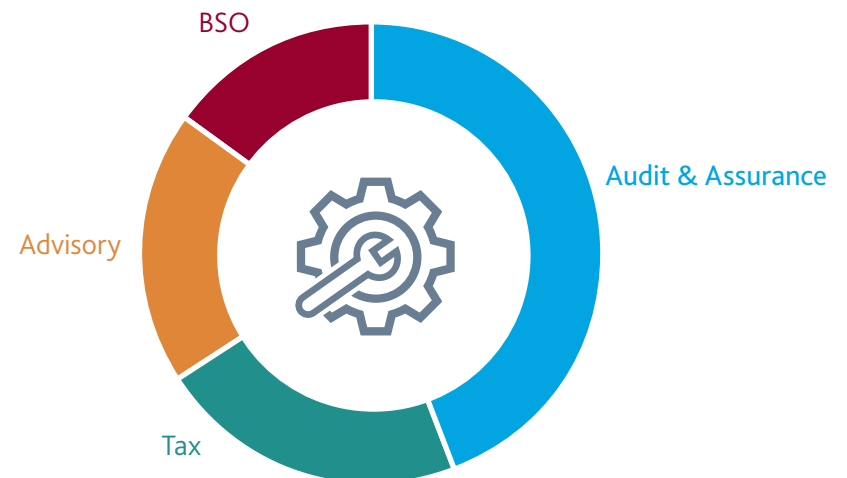
Revenue percentage per region



## OUR SERVICES

Fee split per service line*	2017	2016	2015
Audit & Assurance	44%	44%	46%
Tax	22%	22%	20%
Advisory	19%	19%	19%
BSO	15%	15%	15%

\*Excluding BDO alliance firms



## BDO COUNTRIES & TERRITORIES AT 1 JANUARY 2018

Afghanistan | Albania | Algeria | Angola | Anguilla | Antigua & Barbuda | Argentina | Armenia | Aruba | Australia | Austria | Azerbaijan | Bahamas | Bahrain | Bangladesh  
Barbados|Belarus|Belgium|Bolivia|Botswana|Brazil|BritishVirginIslands|BruneiDarussalam|Bulgaria|Burundi|Cambodia|Canada|CapeVerde|CaymanIslands|Chile  
China | Colombia | Comoros | Costa Rica | Croatia | Curacao | Cyprus | Czech Republic | Denmark & Faroe Islands | Dominica | Dominican Republic | Ecuador | Egypt  
El Salvador | Estonia | Ethiopia | Fiji | Finland | France (French Guiana) | French Polynesia | Georgia | Germany | Gibraltar | Greece | Greenland | Grenada | Guatemala  
Guernsey|Honduras|HongKong&Macao|Hungary|Iceland|India|Indonesia|Ireland|IsleofMan|Israel|Italy|IvoryCoast|Jamaica|Japan|Jersey|Jordan|Kazakhstan  
Kenya | Korea | Kosovo | Kuwait | Laos | Latvia | Lebanon | Liechtenstein | Lithuania | Luxembourg | Macedonia | Madagascar | Malawi | Malaysia | Malta | Mauritius | Mexico  
Moldova | Mongolia | Montenegro | Montserrat | Morocco | Mozambique | Myanmar | Namibia | Netherlands | New Caledonia, Wallis & Futuna | New Zealand  
Nicaragua | Niger | Nigeria | Norway | Oman | Pakistan | Panama | Papua New Guinea | Paraguay | Peru | Philippines | Poland | Portugal | Puerto Rico | Qatar  
Republic of Srpska (Bosnia and Herzegovina) | Réunion Island and Mayotte | Romania | Russia | Rwanda | Samoa | San Marino | Saudi Arabia | Serbia | Seychelles  
Sierra Leone | Singapore | Slovak Republic | Slovenia | South Africa | Spain | Sri Lanka & the Maldives | St Kitts & Nevis | St Lucia | St Maarten | St Vincent & The Grenadines  
Suriname | Sweden | Switzerland | Taiwan | Tajikistan | Tanzania | Thailand | Togo | Trinidad & Tobago | Tunisia | Turkey | Turkmenistan | United Arab Emirates | Uganda  
Ukraine | United Kingdom | United States of America | Uruguay | US Virgin Islands | Venezuela | Vietnam | West Bank & Gaza | Zambia | Zimbabwe



## FOR MORE INFORMATION:

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