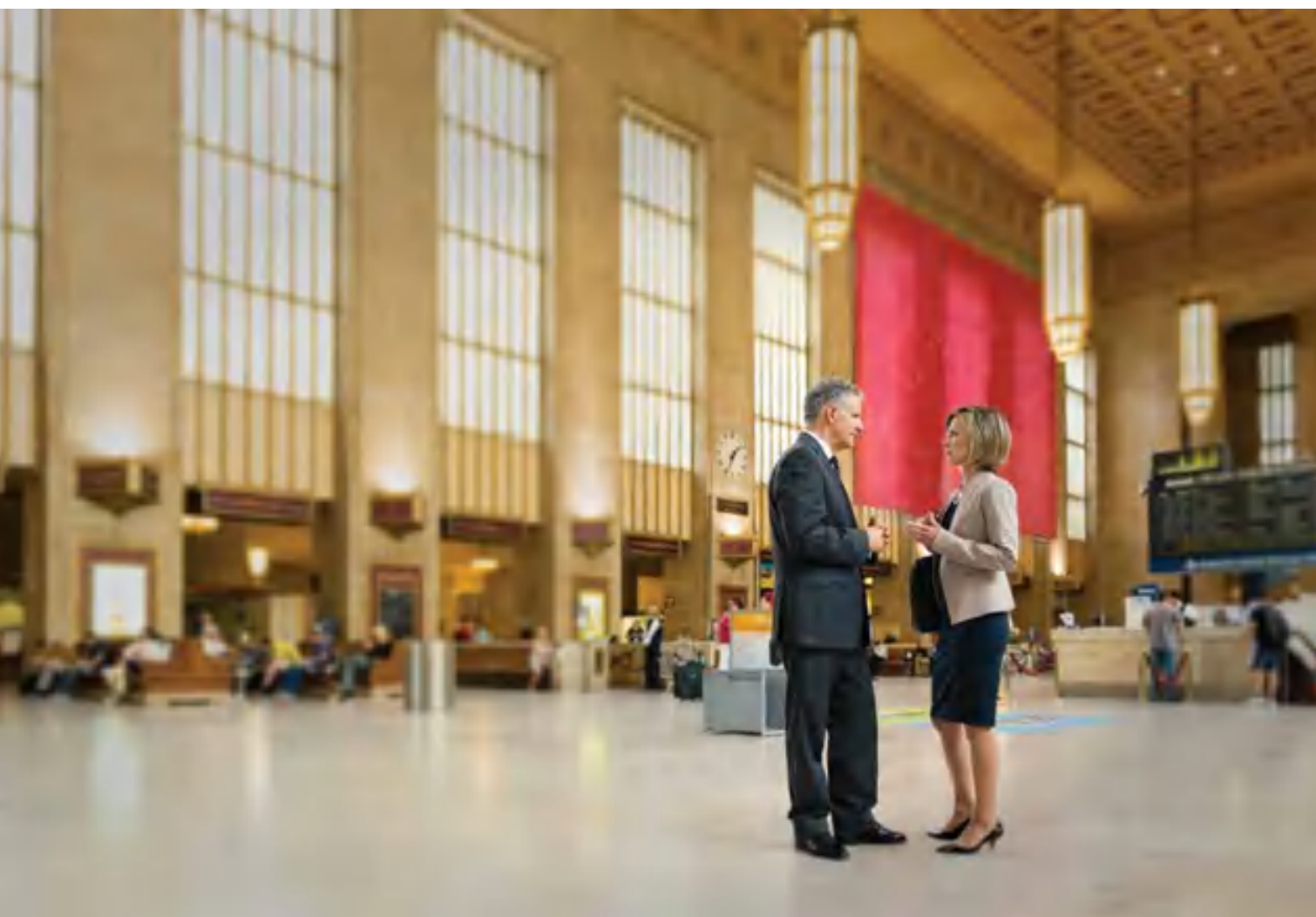




BDO ANNUAL STATEMENT 2014

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▶ LETTER FROM THE CHAIR OF THE GLOBAL BOARD

In reviewing the year just passed – my first as Chair of the Global Board – I think it is fair to say that 2014 was both eventful and challenging. Economic conditions remained unpredictable and sizeable geopolitical upheaval was a recurring concern in many regions. Sliding commodity prices, events in Ukraine and the ongoing upheaval in the Middle East are just some examples of factors that contributed to a challenging working environment for many of our member firms. Nevertheless, the outlook for the major markets remains positive, with general global growth predicted by the World Bank, and I maintain a little more than the “...degree of optimism” I shared a year ago.

Against this economic background, I'm particularly pleased that BDO's global performance continues to surpass that of the world economy generally: in 2014 we achieved an 8.81% increase in combined worldwide revenues, reaching US\$7.02 billion and crossing the US\$7 billion mark for the first time.

Our Americas region remains the biggest contributor, accounting for 44% of total revenues and posting a growth rate of 11%. Significant contributions to that total came from the US and Brazil, delivering growth rates of 22% and 17% respectively. Our EMEA region achieved an impressive 12% increase, with our UK member firm notably showing a 27% increase in turnover and the acquisition of seven firms in Norway adding €10 million to annual turnover. In the Asia Pacific region we built further upon recent growth, with BDO China reporting a 16% rise in revenues. This has given the firm a CICPA ranking of 4, higher than EY and KPMG. BDO remains one of only a handful of top tier networks with a presence across all 10 ASEAN countries.

An impressive organic growth across the board for BDO in 2014. I believe the trend for market consolidation is on the rise and that M&A will continue to be a key factor in our network's inevitable expansion. Mergers were an active factor in boosting growth in 2014, with 28 completed. We saw significant merger activity in every region: Norway, South Africa, Jordan and Turkey in EMEA, China in Asia Pacific, and I'm proud to say that my own firm contributed to the Americas merger tally, along with Brazil and Canada.

Our network's development in terms of new firms joining also continues apace. These new admissions increased BDO representation to 151 countries and territories worldwide last year, when we welcomed Afghanistan, Bangladesh, Fiji, Laos, the Maldives, Papua New Guinea, Réunion Island and Sierra Leone to the network.

Persistence in developing our network is a defining and vital element of our strategy as the continued expansion of our global footprint means that we can continue to deliver the exceptional service levels our clients expect. Our profession is evolving rapidly, and BDO is well placed to take a leadership role in this process; we are committed to ensuring that all the firms in our growing network remain the most competitive in our market. This means establishing a presence wherever our clients see economic opportunities.

It is my firm belief that BDO can deliver on such opportunities. Our profession has experienced significant changes and must expect further challenges. A more demanding regulatory environment in all jurisdictions, together with the continuing consequences of globalisation, are all factors that require us to look ahead with a proactive mindset.

Finally, I would like to note the welcome news that Martin van Roekel has agreed to remain on as global CEO until the end of October 2017. Let me pay tribute to the inspirational leadership he has delivered to date and I look forward to collaborating with him and my other Global Board colleagues in driving our Strategic Plan and achieving further growth.



Wayne Berson
Chair of the Global Board,
BDO International Limited
June 2015

► REPORT FROM THE CEO

I remarked last year that the conditions in which all businesses operate present us with both obstacles and opportunities. Having witnessed the continued growth of BDO worldwide in 2014, I echo the optimism of the Chairman of the Global Board and share in his outlook that, overall, trends remain positive. The economic downturn continued to challenge us throughout the past year but, in my role as CEO, I am encouraged by the opportunities these challenges present and am determined that BDO makes the most of them, through continuing investment in the territories, services and sectors that deliver the greatest long term economic benefits.

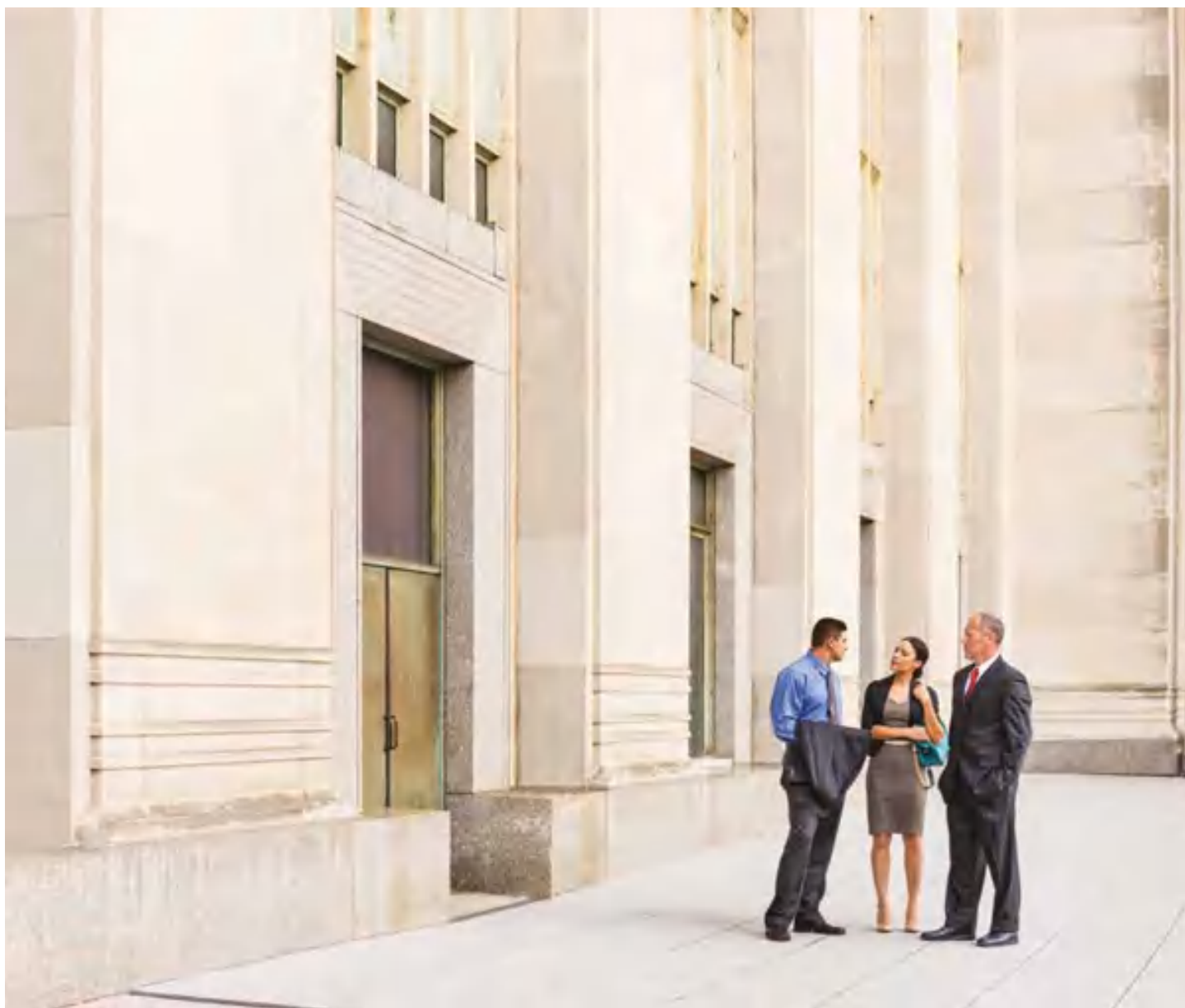
Market evolution is a constant. The consistent development of BDO in all our regions is not only down to organic growth, but also strategic merger activity, and we are proud that BDO has grown into a successful business by adapting to change for more than 50 years. Accountancy's mid-tier remains on a consolidation course. The large firm accounting market has been consolidating for some years, driven by the requirements of midsize and large global clients – and the mid-tier of our profession is evidently now on a similar path. Mid-market and SME companies pursuing expansion are not always best served by the biggest professional advisory networks, which focus on the very largest companies. It's becoming increasingly clear that the best fit for such entities are mid-tier advisers with a truly global footprint, an efficient infrastructure and proven capabilities.

In order to properly leverage these capabilities, we must ensure that our services stay relevant and responsive to our clients' needs. At BDO we support the ongoing review of international tax principles and whether they are still fit for purpose in today's economy. Last year the Organisation for Economic Co-operation and Development (OECD) released its first recommendations for combating international tax avoidance. The announcements marked a major change to the global tax environment and will have an impact on multinational enterprises worldwide. The current regulatory environment is probably the most challenging I've witnessed, and underlines the fact that companies need advisers who are able to help them comply with the laws in all jurisdictions to which they are expanding. It is important that they are able to optimise the global tax burden on their business activities, build practical solutions that respect the manner in which their businesses operate and ensure that any organisation's planning will withstand challenges by the authorities.

Such market reform also creates opportunities for professional services providers, as clients will increasingly need advisers with the expertise to navigate the changing services landscape. We are responding to these changing client demands by expanding our provision of non-audit services, placing renewed focus on growing our business services and outsourcing practices and continually developing our core tax and advisory service offerings, alongside audit. This refocus aims to ensure the continuing capabilities of our firms overall, resulting in an increased international client portfolio.

Technological advancement is another crucial driver – trends in technology are having an ever-growing impact in the workplace and our service offerings need to adapt accordingly. Automation, data analytics, cyber security and the digitisation of our services are just some of the new areas that offer scope for improvement. It is the companies that address these technologies head-on and successfully incorporate them into their operations that will stand the best chance of pursuing the opportunities they present. Another key trend is the ongoing economic shift – from west to east and from north to south – and in BDO, we have witnessed a number of really strong performances in developing markets. This trend is not new but it continues to surprise and require forethought. Who would have foreseen a decade ago the reversals that have taken place even in emerging economies, where the ease of doing business and the best cost of manufacturing switches from one territory to another? To help our clients be really successful in a shifting marketplace we will continue to innovate and continue to offer the right products, services and skills that our clients require, and in this way we can ensure an exceptional delivery of service, everywhere in the world.

In closing, I would like to pay tribute to the Global Board for their continuous support and commitment during 2014. However, it is our member firms that ensure our continuous growth and that demonstrate on a daily basis the talent and professionalism embedded within the BDO network. It is this that provides the foundation for BDO to deal with the challenges and opportunities we face. And it is this foundation which gives me confidence that in the years to come we will be not just the leader, but the one true powerhouse in the mid-tier of our profession.



Martin van Roekel
CEO, BDO International Limited
June 2015

► GLOBAL PERFORMANCE

Core statistics for the BDO network

Our revenues

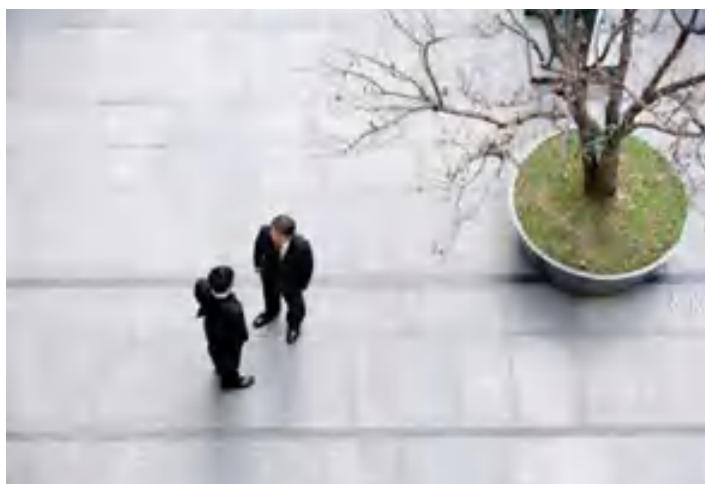
Year to 30 September	2014	2013	2012	2011	2010
Combined fee income	€5,172 million \$7,021 million	€4,918 million \$6,453 million	€4,630 million \$6,015 million	€4,068 million \$5,677 million	€3,893 million \$5,284 million
Number of countries	151	144	138	135	119
Number of offices	1,328	1,264	1,204	1,118	1,082

Our people

At 30 September	2014	2013	2012	2011	2010
Partners	5,037	4,908	4,778	4,723	4,111
Professional staff	45,940	43,461	41,979	36,022	34,811
Administrative staff	8,451	8,020	8,176	8,109	8,008
Total staff	59,428	56,389	54,933	48,890	46,930

Our geography

Year to 30 Sept	2014		2013		2012		2011		2010	
	Revenue %	Countries	Revenue %	Countries	Revenue %	Countries	Revenue %	Countries	Revenue %	Countries
Americas	44	35	43	30	43	28	43	28	44	26
Asia Pacific	15	24	17	22	17	20	13	18	11	16
EMEA	41	92	40	92	40	90	44	89	45	77
Total		151		144		138		135		119



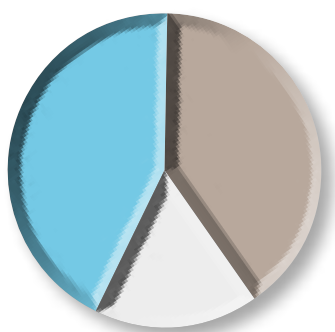
The total combined fee income for all
BDO Member Firms now stands at

**US\$ 7.02
billion**

Our services

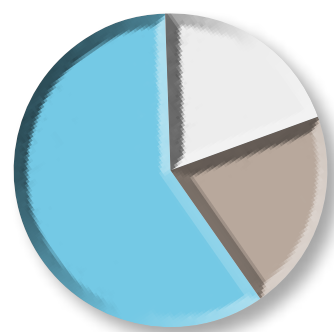
Service line	2014 %	2013 %	2012 %	2011 %	2010 %
Audit & accounting	57	59	60	61	61
Tax services	21	20	19	19	19
Advisory services	22	21	21	20	20
Total	100	100	100	100	100

REVENUE BY REGION



44%	Americas
15%	Asia Pacific
41%	EMEA

REVENUE BY SERVICE LINE



57%	Audit & accounting
21%	Tax services
22%	Advisory services

► SERVICE LINES

Audit & assurance

The expansion and improvement of BDO's audit service offering is a continual process. Audit quality is a core element in the delivery of exceptional client service and remains at the heart of the A&A agenda.

APT is the BDO network's state of the art audit software and consistently benefits from successive releases, providing enhanced functionality and usability. More than 210,000 audits have been completed on APT globally since its launch in 2010. Centrally hosted on the APT Shared Facility, global usage of the tool continues to grow and the large majority of BDO firms are now receiving cost-effective support, across the world and around the clock.

APT remains the single largest BDO project of its kind and owes both its success at the outset and its continuing evolution to the cooperation and strength that exists within our network, as well as a dedication to our vision to deliver exceptional service to our clients through high quality and integration. In this way APT, in conjunction with the BDO Audit Approach, delivers significant benefits to our network's audit practices. These advantages include an intuitive audit methodology that complies with the clarified International Standards on Auditing (ISAs), timely and efficient cross-border audits and a consistent and scalable worldwide audit performance.

With APT being a well-established BDO tool, a permanent governance structure has now been developed around it, which includes full-time personnel and an APT Director. Work to develop a new architecture that will replace the APT's IT components in well-controlled phases has already begun – actions that both reflect the latest technology and will ensure the structural integrity of the tool in the future.

In our profession, the role of the auditor and the auditor's report receive a great deal of attention. Successive proposals continue to be considered, with final standards drafted by international and national standards setters and audit regulators. BDO plays a significant role in the many public meetings and professional groups that debate these issues, frequently providing formal comments. In recognition of the significant demand for change from users of financial statements, as well as the need for greater clarity as to what an audit represents, we remain supportive of responsible efforts to improve the communicative value of the auditor's report.



We have an active global IFRS Advisory team at BDO and they focus on making a wide range of IFRS resources and knowledge available to both our member firms and their clients. These publications and reference materials are available internally on the BDO global intranet and can be publicly accessed on bdointernational.com. Advanced level training courses that focus on practical application issues are available to all in BDO, with a range of training materials also accessible via the global intranet.

Externally, BDO enjoyed significant success during 2014 in terms of IFRS Foundation appointments. Our team members have been appointed to the joint *IASB/FASB Transition Resource Group* for revenue recognition and the *IFRS Transition Resource Group* for impairment of financial instruments, as well as to the *IFRS for Small and Medium Sized Enterprises Implementation Group*. Global coverage is ensured by locating the IFRS team in a number of jurisdictions, including secondees who take this expertise to their firms when they return home, and the team as a whole actively participates in high-level professional meetings with other audit networks and with regulators. As usual, IFRS comment letters have been submitted throughout 2014 in response to the significant number of consultation documents issued by the International Accounting Standards Board (IASB).

In addition to the IFRS training noted above, BDO Member Firms also benefit from technical training at a global level. The significant demand for technical audit training throughout the network resulted in a series of eLearning courses related to APT and the BDO Audit Approach. Overseen by the global audit training group, our methods of training delivery have been expanded beyond eLearning courses to include podcasts and live courses, to better reflect both the changing technologies available and the way individuals learn. This centrally-developed training is supplemented by an online community site that facilitates the sharing of the domestic training that our firms develop locally. Our global audit curriculum will continue to be enhanced through the addition of further training resources.

The BDO International Audit Steering Committee and its subgroups are committed to maintaining quality standards and our Regional Audit Advisers are active in visiting member firms and providing assistance in technical matters. This focus on quality is underpinned by our Audit Quality Framework, which provides a mechanism for our member firms to take the necessary actions to drive audit quality.



Tax

Tax is an important part of BDO's global service offering and currently contributes 20.6% to our global revenues. Our strategic ambition includes plans to increase this to 25% by 2019, making tax one of the key growth pillars in BDO's growth strategy worldwide. In addition to growth, we are also committed to aligning and investing in specialised tax services in all the major economies, improving our ability to provide proactive, quality tax services to international businesses, and as a result increasing the share of tax revenue we earn from these businesses.

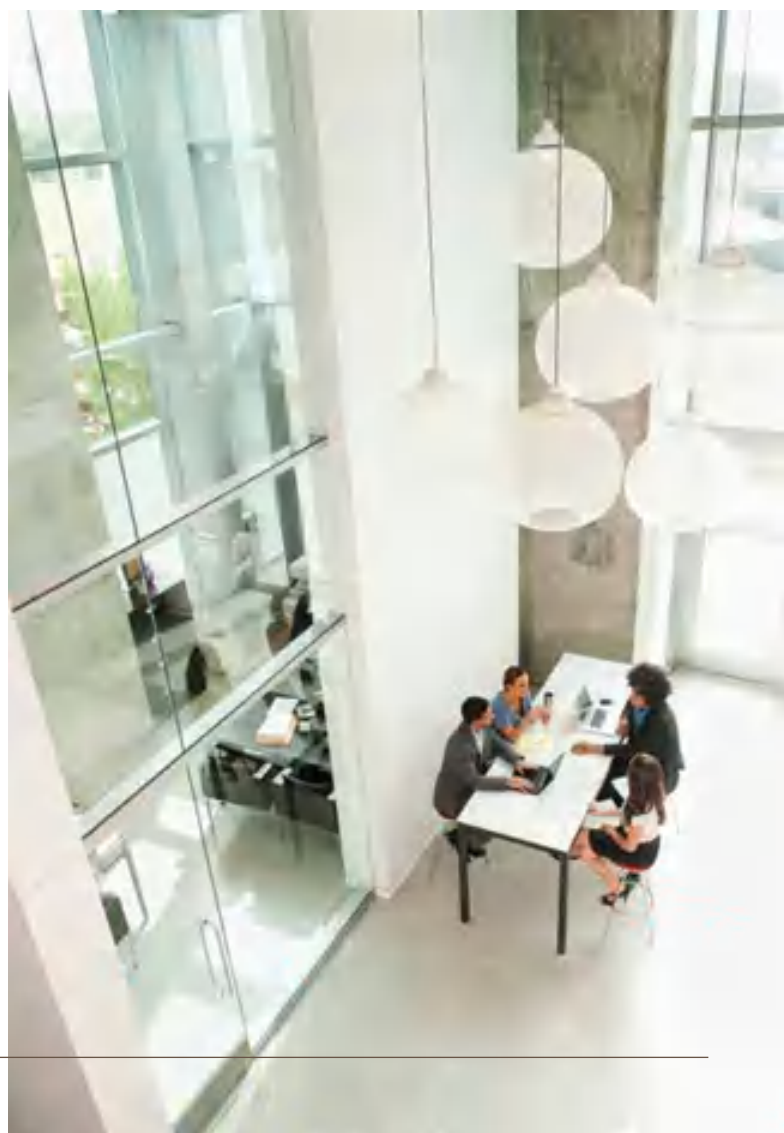
As a network, we are continuing to monitor the work of both the OECD and EU Commission as they review international tax principles and make recommendations on how these need to be changed: this will impact the taxation of businesses that operate internationally. The services we offer for these clients are being tailored so that our bespoke advice can help these businesses to ensure that they are managing their tax costs effectively – all the time ensuring that our clients' tax positions respect the commercial realities of their business. We continue to provide input to the OECD's *Base erosion and profit shifting* project, which is helping to shape the future direction of taxation globally. We are also closely watching the implementation of European audit reforms to ensure that our tax practices are positioned to take advantage of growth opportunities and provide tax services to public interest entities across Europe.

BDO's tax practices in developing countries continue to grow both in size and capabilities. In Asia Pac, we have made major investments in both our China and ASEAN tax practices, thus improving our ability to help businesses operating in these important markets. In 2014, we held our global tax meetings in Malaysia for the first time, allowing our tax professionals worldwide to network and share knowledge with more of our Asia Pac colleagues. We expect this to result in improving our ability to service our clients operating in this region.

We continue a global focus on our corporate international tax, transfer pricing, expatriate tax and indirect tax practices, as these are the key services that our international clients require. We continue to work on growing the tax revenue we earn from these streams. We're also aligning our growth strategies in major economies, and are seeing growth in these revenues that will help to transform the BDO tax service line and the types of clients we serve.

Growth in tax will not come at the expense of quality and this remains a top priority. BDO's accreditation criteria and international quality assurance reviews play a significant role in ensuring that we have qualified tax professionals servicing our clients' tax needs. We continue to invest in our tax training and knowledge sharing processes, to ensure that our tax professionals are equipped with the collective knowledge of the global tax practice when advising our clients.

Above all, we are always concentrated on our ability to work effectively as teams in the tax practice across all territories. We are constantly striving to improve our clients' experience of BDO, and as such we ensure that we are the leaders for exceptional client service.



► SERVICE LINES

Advisory

In 2014, BDO grew its advisory services by 12% overall.¹ The global network's advisory practice is focused on 3 service lines:

- Corporate Finance, Transactions & Restructuring
- Forensics & Risk Management Advisory
- Technology Advisory

At a regional or local level these are supplemented by advisory services that sit within management consulting or process advisory services, for example.

For the second year running, Forensics & Risk Management Advisory has proven to be the fastest growing service line, with a 35% year on year growth. We intend to further develop the BDO Forensics practice by continuing to invest in our global capabilities within this specialist field and in this way strengthen our position as the premier provider of global forensic services in our market.

Corporate Finance, Transactions & Restructuring also saw a sharp increase in activity, achieving growth of 32%. This as a result of our ongoing commitment to expand and further develop BDO's transaction and valuation services, together with increased transaction volumes.

Technology Advisory services is an area with substantial growth potential, borne out by an increase of 7% last year. We anticipate an exponential rise in income for this service line, as our clients look for support in exploiting the potential of technology.

BDO Member Firms around the world, from Asia Pacific, through EMEA to the Americas, all recognise that advisory services present tremendous opportunities and will play an important role in the future of the global network. Our firms are committed to ensuring development within this area and, in order to demonstrate that our advisory services are more than just an interesting market opportunity, we are focusing on increasing the size and strength of our firms' advisory practices and assisting them in developing their advisory offerings. We have been successful so far in supporting joint developments across markets, because this enables globally seamless solutions that can better support our domestic and international clients, and will continue to do so.

BDO has verifiable global reach and deep capabilities across all advisory disciplines and it is important that we maintain an efficient sharing of best practice network-wide in order to provide our international clients with the best possible levels of service. The structure, tools and processes we have in place facilitates this activity and effective networking is ensured through a range of regional and global conferences, as well as our regional centres of excellence. This level of cooperation feeds into the high standards that we set, which in turn means that we can give our people responsibility for delivering a tailored service that works for their clients. This is how BDO ensures a global commitment to our vision, to be the leader for exceptional client service.

¹Measured in EUR



Business Services & Outsourcing

Our global strategy has identified BSO as BDO's fourth primary global service line. BSO engagements already contribute substantially to our global revenues, and we expect this area to be an important growth driver for many of our firms. The establishment of BSO as a global service line underpins our commitment to remaining agile and responsive to market requirements at all times, while ensuring that the services we offer remain relevant to our clients' needs.

We continually see the broad appeal of BSO services, as both our smaller clients and the larger corporations are increasingly seeking the external provision of accounting and business compliance activities. Within BDO, our firms in the established and or emerging markets have built solid BSO practices that are thriving.

The three main categories of services included in BSO are:

- Accounting and compliance services
- Coordination of global compliance engagements
- Business Process Outsourcing

BDO firms worldwide have achieved significant growth in these areas, and the majority are finding that the needs of their clients are growing and changing on a continual basis. Right across the world, our local experts are capable of performing the complex compliance work required to deliver an exceptional level of client service. Our ability to combine local expertise and novel solutions with the global processes that can deliver central control makes us a preferred partner for many multinationals with complex requirements.

Technology advancements and globalisation are affecting our profession – these pose challenges, but also offer multiple opportunities to enhance our service offering. Mobile technology is an everyday example of this, as we know that clients expect real-time information about their accounts – anytime, anywhere and on any device. The strong relationships that we build with our clients are what sets BDO apart from our competitors, and it is common sense to understand that technology enables enhanced connection and collaboration services, which can only strengthen these relationships further.

Our ambition is to lead and shape the BSO market within our profession, using analytics, technology and innovation to generate powerful business outcomes for our clients.



► BUSINESS DEVELOPMENT & MARKETING

The economies in which our clients do business are in a constant state of flux and it is frequently the case that, while the economic conditions in one country might be favourable to a client, in another part of the world that same client might be faced with an economy that is at best benign, but frequently hostile. At BDO, our international reach means that we are able to support and advise our clients wherever they are doing business. We believe that our promise to deliver exceptional client service – wherever in the world a client finds themselves – is essential and we work closely with our clients to help them steer a successful course through the economic peaks and troughs.

So we work hard – very hard – to ensure that all of our member firms share the same goal – to be the leader for exceptional client service. Our promise of exceptional client service applies equally to all of our clients, be they truly global or simply successful in their own domestic market. This year, therefore, we have continued to invest in initiatives that we think – and that our clients tell us – will improve our service delivery still further. We have expanded our global industry programmes, our client satisfaction processes and most recently our digital platforms. All with one aim: to provide our clients with an exceptional client service that is timely, bespoke and adds value to all our interactions with them.

Many of our firms are already the leader for exceptional client service within their markets and they all have action plans focused on achieving or maintaining that position. As a result, we felt – and many of our existing clients told us – that it was about time that more businesses, big and small, got to hear about BDO, our exceptional client service promise and the value we can bring to their operations. So in January 2015, we launched our first global advertising initiative, *Conversations*.

Through *Conversations*, we have started sharing with the world the fact BDO is one of the foremost leaders in the accounting profession, whose partners possess the highest level of technical expertise and industry knowledge. Always depicting believable people in real situations, *Conversations* listens in on a serious professional discussion between two or more high-level business people and captures a pivotal moment in that conversation: one of insight, perspective, or recommendation, thereby demonstrating that BDO possesses a deep understanding of our clients' business issues. We believe that our clients and future clients don't want to hear and read meaningless slogans: they want to see and hear about our technical skills, our business acumen and our industry expertise. We set out to develop a campaign that is authentic in its content, and the feedback that we receive indicates that we are being successful.

Above all, the *Conversations* initiative underlines the fact that BDO is a global organisation with specific insight at national levels – our advertising now has global reach, by means of local implementation.

Another important project that ensures that our clients have a consistent global experience with us, while maintaining a local culture, is the creation of a global web site for use by all our firms. Originally launched by our firm in the USA, this will come to fruition in 2015 and will result in a market-leading global web site that operates on the same technology, is backed by consistent functionality and gives our clients information, insight, contacts and news in a similar format, regardless of where in the world they access BDO online. And regardless of which PC, tablet or smartphone they choose to use.



BDO's global industry sector groups are gathering momentum and ensuring that BDO's industry expertise is promoted at global and national level. In the technology and telecommunications spheres, BDO's weekly *Tech and Mediawatch* blog has gathered a good following since its launch in 2014, while the *BDO TECHtalk* report, published three times a year, has firmly established BDO as an expert in this field. *The Telco Risk Factor* report will launch in 2015.

The global natural resources group is planning an annual study of KPIs among the world's leading middle market oil & gas and mining companies, the *Global NR Middle Market Monitor*, which will clearly demonstrate BDO's global capabilities in both the mining and oil & gas sectors.



Global initiatives such as these are part of the suite of tools and methodology that enable our firms to demonstrate BDO's commitment to service quality and to adapt to individual clients' needs by providing them with the right service mix. As mentioned earlier, we have proof that this approach works as many of our firms have achieved high recognition in nationally-run independent client satisfaction studies. Our Swedish firm, for example, placed first in a client satisfaction survey run by the independent Swedish research institute *Svenskt Kvalitetsindex* for the second consecutive year. BDO Switzerland's dedication to exceptional service was also recognised in an externally-run client survey in 2014, where the firm was lauded for its "...Professional expertise and personal commitment".

At global level, the effective evaluation of our service performance is provided through our global Net Promoter Score (NPS) programme. NPS is a truly independent and well-regarded client satisfaction framework and in BDO we're using it to complement our existing client satisfaction programmes and to achieve our objective to deliver service that truly stands out. In 2014, 19 firms had signed up to it and our aggregate global NPS score currently stands at an excellent 50 – which is excellent, when benchmarked against our peers.

Throughout our network the exceptional performance of our firms in a number of disciplines has been recognised through numerous external awards and accolades. Our UK member firm, for example, was awarded the *2014 Audit Team of the Year* at the *British Accountancy Awards*, in which they were judged to have "...Put an emphasis on quality and reputation in an industry that's difficult to demonstrate value and differentiation from competitors". BDO Australia's retail team was named *Best provider to the manufacturing, wholesaling & retail sector* at the *2015 Financial Review Client Choice Awards*. The award recognised the firm's pioneering work for this industry sector, including its establishment of the *Australian Retail Index*, the first online platform of its kind in the country. No stranger to accolades, the firm was previously named *Advisory firm of the year* at the *Thomson Reuters Tax & Accounting Excellence 2014 Awards*. In the annual *Great Place to Work* survey, meanwhile, BDO Norway placed in the top 10 once again, the only entity in our profession to do so.

Our commitment to exceptional client service is both resolute and recognised. BDO partners and staff are proud to be part of a successful, client-oriented international organisation whose collaborative and responsive approach allows us to mobilise the right resources on the ground and to address the specific needs of our clients, wherever they operate. Our people are both the face and the driving force of our business achievement, and we look forward to building on this success throughout 2015 and beyond.

► HUMAN RESOURCES & DEVELOPMENT

BDO's Human Resources and Development (HRD) personnel across the world are focused on our core objective, to ensure that we achieve our vision to be the leader for exceptional client service. Furthermore, empowering and motivating our partners and staff is a key driver in guaranteeing that we remain an employer of choice. We achieve our objectives by providing an engaging working environment and we support our people in their pursuit of the highest ethical and technical standards that our dedication to client service requires.

Ours is a people business and personal relationships are core to what makes BDO distinct. Being part of our network means creating and maintaining strong relationships with our clients, our colleagues and our communities. Personality matters: our client relationships are underpinned by the reliability and integrity of our people, who live by the highest business ethics.

Continuous learning and cooperation lead to growth

Learning and development is integral to our network and ensures that our people are given opportunities to grow, and subsequently contribute to the growth of their firms. We continue to invest in professional development and strive to keep our people informed, engaged and motivated. In 2014 we launched a new online training facility which not only helps our people identify the best training needs for them but assists cross-firm collaboration. A record 47 international events in 18 countries, hosting over 2,600 delegates, took place throughout last year. These included training and language courses, skills seminars and regional and sector conferences.

We also held three international HR conferences, in Mexico City, Hong Kong and Warsaw, that gathered participants from over 70 countries. These meetings enabled us to make substantial headway in respect of regional cooperation and collaboration on HRD matters. Another important launch was BDO's personal core competencies framework. This tool assists firms in identifying the key behaviours and skills that are necessary to ensure our people are trained to provide exceptional client service in every sense, and as such directly support the global strategic ambition.

Cross-firm secondments are another important factor in making sure that best practices and specific knowledge and skill sets are shared across the network: again, the BDO Strategy 2015 – 2019 includes a firm commitment to the network's secondment programme and in 2014 65 individuals took part in secondments in 9 countries. These exchanges provide our staff with the opportunity to build on their skill sets and develop relationships with colleagues and, when they return to their home firms, these experiences add value to the delivery of exceptional service at local level.

Developing our leaders

A key element of our network's continued success is developing talent and leadership. BDO's Global Partner Leadership Programme (GPLP) builds leadership accountability and responsibility and helps to ensure that future leaders can add value and contribute to our growth: in 2014 we were proud to see our first GPLP class graduate. Just one year old, this programme has already proved the benefits of giving our top talent and future leaders access to international resources and capabilities that are solely focused on developing their leadership skills. The programme draws on best-in-class experiences from around the world, both within and external to BDO, including academia. The class of 2015 is already underway, with 7 future leaders expected to graduate *summa cum laude* within the next 6 months.





► TRANSPARENCY REPORT

The regulatory environment

The ever-changing regulatory and compliance environment for business poses challenges due to its complexity, the costs of compliance and the consequences of failure to comply. As new regulations are introduced, boards of many companies are challenged to produce increasing levels of objectivity and transparency across a widening range of areas.

Increased accountability requires that robust compliance management systems be in place and constantly developed. New regulations are expensive in terms of compliance but, at the same time, these regulations can limit revenue growth and profitability if they are not complied with. As a result, the regulatory environment has an increasing impact on a company and is now firmly a priority issue for boards and CEOs across the globe.

The regulatory environment in which BDO Member Firms – and the audit profession generally – operates is also changing fast.

The expectations of regulators, oversight bodies and standard setters have developed rapidly since 2008 and regulators and policy makers all over the world now demand increased scrutiny of accounting firms and the networks to which they belong. Greater public 'transparency' about the ownership structure, professional education programmes, internal control and audit quality initiatives of audit firms is now expected in most jurisdictions and this trend will continue as policy makers attempt to coordinate and extend the definitions of 'the public interest', 'transparency' and 'trust' concepts to all professional services.

The European Union has long led the field in relation to formal 'Transparency Reporting' for audit firms and, by implication, the audit networks to which they belong. The latest EU audit reform proposals adopted in 2014 – but in the process of being implemented across its member states by 2016 – will raise the bar still further in relation to the expectations of auditors in explaining what they do and how they do it, both generally and on any given public interest entity audit. These measures will also enhance the transparency and disclosure requirements for firms who audit public interest entities and will increase the number of audit firms affected by such requirements. The EU proposals will expose auditors to additional surveillance from existing and newly formed regulatory bodies, some of them supranational in nature. It is clear that expectations of auditors elsewhere in the world will be raised by developments in Europe.

Independent oversight of the audit profession is now all but universally accepted as the way forward and groups which barely existed before the crisis are now major stakeholders on the regulatory landscape. These include the *Independent*

Forum of Audit Regulators (IFIAR) and regional equivalents, such as *EAIG* in Europe or *AARG* in the ASEAN region. The level of interest in the formerly mundane world of accounting firms from long-established multilateral bodies such as the *Financial Stability Board*, the *OECD*, *IOSCO*, the *Basel Committee* and even the *G20* and *G8* is both staggering and permanent. Responding positively to that interest has not come easily for the traditionally conservative accounting profession but BDO has consistently sought to engage positively and constructively with the full range of policy-makers, regulators and standard setters. This applies both nationally and on an international level.

BDO has always believed that greater transparency by individual audit firms and by the networks of which they are members serves to build confidence in the audit profession and enables firms to improve their credibility and reputation for integrity. We recognise the need to play our part in building and maintaining trust in the wider accounting profession. Our commitment to transparency is essential to earning that public trust and the scope of the information disclosed in this *Annual Statement* is motivated by that commitment and is part of the BDO network's contribution to that imperative.

Governance

BDO is an international network of public accounting, tax and advisory firms, the BDO Member Firms, which perform professional services under the name of BDO.

BDO is the brand name for the BDO network and all BDO Member Firms. BDO is a registered trademark of Stichting BDO, a Dutch foundation.

Legal and structural arrangements in the network

Each BDO Member Firm is a member of BDO International Limited, a UK company limited by guarantee, either as a voting member (one per country) or non-voting member.

The BDO network is governed by the Council, the Global Board and the Executive (or Global Leadership Team) of BDO International Limited.

The Council comprises one representative from each voting member and represents the members of BDO International Limited in general meeting. The Council approves budgets, appoints the Global Board and approves any changes in the Articles and Regulations of BDO International Limited.

The Global Board, which is the Board of Directors of BDO International Limited, currently comprises a representative of the network's seven largest member firms, whose appointment, each for a three year term, is approved by the Council.

The Global Board sets policies and priorities for the network and oversees the work of the Global Leadership Team. The Global Board meets at least four times a year and more if required.

The Global Leadership Team is tasked with coordinating the activities of the network on a day-to-day basis. It is headed by the CEO and comprises the Global Heads of:

- Audit & Accounting
- Tax
- Advisory
- Human Resources & Development
- Business Development & Marketing
- IT
- Also: the CEOs of EMEA, Asia Pacific, and the Americas, and the Secretary of BDO International Limited.

Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium. BDO International Limited and Brussels Worldwide Services BVBA do not provide any professional services to clients. This is the sole preserve of the BDO Member Firms.

Each of BDO International Limited, Brussels Worldwide Services BVBA and the member firms of the BDO network is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of BDO shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA and/or the member firms of the BDO network.



Quality

Membership of the network enables BDO Member Firms to deliver quality services at the highest level. The Global Office of BWS in Belgium mandates the use of the *BDO International Risk Management Manual*, which provides guidance on the design and implementation of quality control systems to support our firms' compliance with both local and international standards. Additionally, and in accordance with the requirements of the International Standard on Quality Control (ISQC-1), all BDO Member Firms have their own systems of quality control.

The quality of local and referred professional work carried out by member firms is evaluated through an international Quality Assurance Review (QAR) process which supplements the domestic quality review processes executed by member firms themselves. The objective of these QARs is to provide assurance that BDO Member Firms adhere to and comply with applicable professional standards, as well as BDO's international standards. They are carried out by a team of dedicated reviewers, for whom there is an on-going training process in place. QARs cover the major services supplied by the member firm, as well as their overall quality and risk management framework. Member firms undergo these international reviews on a rotational basis. Many of the BDO Member Firms are also subject to external inspections by local professional institutes and local regulators, or undergo a peer review.

As part of the acceptance process for new member firms, prospective firms are subject to an extensive risk management and quality due diligence review before their admission to the BDO network is accepted.

The process and criteria of BDO's internal member firm accreditation is revised and strengthened on a continual basis. The primary purpose of the accreditation process is to enhance all member firms' focus on quality, in line with the key strategic aim of the network to deliver consistently high quality services. This accreditation process has resulted in improvement plans being implemented by a number of member firms, to further guarantee the delivery of exceptional client service.

Independence

BDO Member Firms' independence and objectivity on assurance clients is achieved through policies and procedures designed to ensure compliance with the independence standards of the International Federation of Accountants (IFAC) Code of Ethics and the respective national regulatory organisations. The relevant ethics and independence rules for each member firm are posted on BDO's global intranet, which is accessible by all BDO partners and professionals.

Our member firms have a designated Independence Champion, usually an experienced partner, who monitors compliance with the applicable independence policies and procedures, provides consultations regarding independence matters, and oversees independence training and maintenance of a restricted entity database.

BDO also maintains a worldwide database of all our major firms' restricted entities, including listed companies and public interest entities. This is situated on the global intranet and its objective is to prevent the performance of prohibited non-assurance services or investment in restricted entities. The worldwide database is updated monthly and the Independence Champions must positively affirm each month that their member firms' listing of restricted entities is accurate and complete. They also annually confirm that their domestic independence rules comply with the IFAC Code of Ethics and are included on the global intranet.

Prior to accepting any new client or assurance engagement, member firms must perform specific procedures to identify potential conflicts of interest and threats to their independence. Procedures include a custom-made web-based tool to facilitate international conflict of interest and independence checks throughout the BDO network.



The BDO network provides services in the following countries and territories*

AFGHANISTAN - ALBANIA - ALGERIA - ANGOLA - ANGUILLA - ARGENTINA - ARMENIA - ARUBA - AUSTRALIA
AUSTRIA - AZERBAIJAN - BAHAMAS - BAHRAIN - BANGLADESH - BARBADOS - BELARUS - BELGIUM - BOLIVIA
BOSNIA & HERZEGOVINA - BOTSWANA - BRAZIL - BRITISH VIRGIN ISLANDS - BRUNEI DARUSSALAM - BULGARIA
BURUNDI - CAMBODIA - CANADA - CAPE VERDE - CAYMAN ISLANDS - CHILE - CHINA (PRC) - COLOMBIA
COMOROS - COSTA RICA - CROATIA - CURAÇAO - CYPRUS - CZECH REPUBLIC - DENMARK & FAROE ISLANDS
DOMINICAN REPUBLIC - ECUADOR - EGYPT - EL SALVADOR - ESTONIA - ETHIOPIA - FIJI - FINLAND - FRANCE
FRENCH GUIANA - FRENCH POLYNESIA - GEORGIA - GERMANY - GIBRALTAR - GREECE - GREENLAND - GUATEMALA
GUERNSEY - HONDURAS - HONG KONG & MACAO - HUNGARY - ICELAND - INDIA - INDONESIA - IRELAND
ISLE OF MAN - ISRAEL - ITALY - 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 ZEALAND - NIGERIA - NORWAY
OMAN - PAKISTAN - PANAMA - PAPUA NEW GUINEA - PARAGUAY - PERU - PHILIPPINES - POLAND - PORTUGAL
PUERTO RICO - QATAR - RÉUNION ISLAND - ROMANIA - RUSSIA - RWANDA - SAN MARINO - SAUDI ARABIA - SERBIA
SEYCHELLES - SIERRA LEONE - SINGAPORE - SLOVAK REPUBLIC - SLOVENIA - SOUTH AFRICA - SPAIN - SRI LANKA &
MALDIVES - ST. KITTS & NEVIS - ST. LUCIA - ST. MAARTEN - ST. VINCENT & THE GRENADINES - SURINAME
SWEDEN - SWITZERLAND - TAIWAN - TAJIKISTAN - TANZANIA - THAILAND - TRINIDAD & TOBAGO - TUNISIA
TURKEY - TURKMENISTAN - UAE - UGANDA - UKRAINE - UNITED KINGDOM - UNITED STATES OF AMERICA
URUGUAY - US VIRGIN ISLANDS - VENEZUELA - VIETNAM - ZAMBIA - ZIMBABWE

* this list is current as of 1 June 2015

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