



**BDO
ANNUAL STATEMENT
2016**

BDO



DISCOVER THE BDO NETWORK

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LETTER

FROM THE CHAIR OF THE GLOBAL BOARD

2016 was unusual in ways that might seem to have nothing to do with our business. I refer, of course, to the decision last June by United Kingdom citizens to exit the European Union, and by American voters five months later to elect Donald Trump President of the United States.

This publication is not a forum for politics. I have no intention of commenting on these events - except to say that they dramatise the incredible speed with which the world is changing. Change presents challenges. But it also offers opportunities. For BDO, our willingness to embrace change and achieve growth has created opportunities around the globe. While those global events certainly tempered growth rates throughout our profession, the BDO network announced an 8% growth in revenues by the end of 2016. That produced a US\$ 7.6 billion global combined fee income.

Our firms in the USA (+12%) and in China (+13%) spearheaded that achievement. Next to our organic growth, our network's successful mergers and acquisitions strategy, as well as the continuing consolidation of the accountancy profession, were important factors as well.

At BDO, we know that further mid-tier consolidation is inevitable. We have planned for it. Our long-term investment strategy in global infrastructure, technology and talent will allow us to provide exceptional service to our clients. Despite the unpredictable economic and geopolitical environment, 2016 saw us cement our leadership position in the mid-tier of our profession. BDO realised once more an impressive number of strategic mergers: we completed more than 30 of them with mergers in every region. In EMEA, Norway led the field with 9. In West Africa, we expanded into 3 new territories - Ivory Coast, Niger and Togo – that were previously part of the PKF network, creating BDO Francophone West Africa. Meanwhile, BDO USA conducted a number of significant mergers. Elsewhere in the Americas, mergers and acquisitions took place in Canada, Brazil and Mexico.

In 2016, our global footprint expanded from 154 to 158 countries and territories. Our global headcount increased by 5.33%: the BDO network around the world now counts 67,731 people working out of 1,401 offices. Each day sees us bring new people and expertise to our network.

But we do not sit on our laurels. We will not stop our strategic efforts to attract global clients and the very best talent. We will continue to invest in technology, enter new markets, improve performance, and manage risk. All of these activities help us achieve our vision: to lead in delivering the exceptional client service for which we are known. I believe every firm in our growing network will both deliver on this promise and remain the most competitive in our market. I saw us take giant steps forward in 2016. I look forward to seeing our progress in the year ahead.

And as I look ahead, I look behind to those who have driven that progress. As always, I thank our CEO Martin van Roekel for his inspirational leadership. I am grateful to my Global Board colleagues for their insight and support.

Our global reach and our enthusiasm for working as partners drives our strategic plan. It makes possible our pursuit of further growth, not just in our network but in the profession as a whole. In a world alive with unexpected change on so many levels, I am confident that our changes will produce another successful year – on all.

Wayne Berson
Chair of the Global Board, BDO International Limited
March 2017



“ Despite the unpredictable economic and geopolitical environment, 2016 saw us cement our leadership position in the mid-tier of our profession. BDO set a record for strategic mergers: we completed more than 30 of them with mergers in every region. ”



“ BDO is focusing on being an efficiency enabler: supporting our clients through transformational change. ”



REPORT OF THE CEO

Despite an increasingly competitive marketplace, BDO has demonstrated its capacity to continue growth and expansion in 2016, and we have seen more and more global and domestic clients choose the breadth and quality of our service offerings and industry expertise. Our strategy for consolidation continue to reap rewards and we are rapidly gaining a reputation as one of the most innovative networks in our profession. A solid financial performance, together with outstanding client satisfaction and employee engagement, all testify to a very satisfactory year for the BDO network in 2016.

Our active role in driving consolidation continues. The concurrent challenges of increasing costs, a shrinking talent pool, the need to invest and to manage regulatory demands mean that most of the firms and the networks outside the six or seven largest are limited by their very small market shares and will need to access the sustainability of their margins. Having to consider a merger or acquisition in order to survive is a very real possibility. BDO is well-placed to continue building on our success as we have a powerful and efficient infrastructure, proven global capabilities and the momentum and power to continue at the forefront of the ongoing consolidation in the mid-tier of our profession.

It's worth noting not just how many BDO mergers 2016 saw but what areas attracted us - especially IT advisory and cybersecurity. Our firms in Germany, Czech Republic, Jersey and Georgia have all brought in IT advisory firms in recent months. In Israel, BDO acquired a leading cybersecurity advisory firm. BDO Netherlands' merger with a similarly high profile firm markedly strengthened both firms' position in their respective cybersecurity markets.

Another area of rapid change is being seen in the current levels of digital transformation throughout professional services firms. We know that further growth requires both innovation and adaptation, so in defining the future digital landscape for both our network and our clients, BDO needs to be able to lead, adapt and transform: the global strategic alliance we formed with Microsoft in 2016 is a huge step towards this vision.

We have designed a range of leading edge digitally focused services through that partnership. It's meant new and exciting opportunities for our firms. We can now provide clients with powerful financial and operational insights. That allows our partners to accelerate the digital transformation of their clients.

Looking ahead, we see an increasingly disrupted world where the professional services market is in a constant state of change. To survive and thrive in this environment, BDO is focusing on being an efficiency enabler: supporting our clients through transformational change, helping all our stakeholders to achieve their objectives and providing new ideas and innovative thinking that drive commercial success.

As I travelled around the world in 2016, and especially last November, talking with and listening to the 1,400 leaders gathered in Nashville from BDO USA, I realised anew the wealth of talent, insight, and enthusiasm we are blessed with at BDO. I would like to take this opportunity to express my gratitude to the 68,000 people across 158 countries and territories that make up BDO for their dedication to delivering exceptional client service and to making a difference for their clients and for their communities each and every day. My appreciation also goes to the Global Board and our Global Office in Brussels for their enduring support. And of course, my congratulations to all our firms on their continuing outstanding performance in 2016.

Martin van Roekel
CEO, BDO International Limited
March 2017

GLOBAL PERFORMANCE

Core statistics for the BDO network at 30 September 2016



158
COUNTRIES &
TERRITORIES



GLOBAL REVENUES
INCREASED BY
8%



TOTAL REVENUES
US\$7.6
BILLION



NUMBER OF
OFFICES
1,401



OVER
30
MERGERS
NETWORK-WIDE



GLOBAL
HEADCOUNT
67,731

OVER
5%
INCREASE
YEAR ON YEAR



GLOBAL AVERAGE
PROFESSIONAL STAFF TO
PARTNER RATIO OF
9 TO 1

OUR REVENUES

Year to 30 September	2016	2015	2014
Combined fee income	€ 6,843 million \$ 7,600 million	€ 6,374 million \$ 7,303 million	€ 5,172 million \$ 7,021 million
Number of countries	158	154	151
Number of offices	1,401	1,408	1,328

OUR PEOPLE

Year to 30 September	2016	2015	2014
Partners	5,736	5,413	5,037
Professional staff	52,486	49,952	45,940
Administrative staff	9,509	8,938	8,451
TOTAL STAFF	67,731	64,303	59,428

OUR GEOGRAPHY

Year to 30 September	2016		2015		2014	
REGION	REVENUE %	COUNTRIES & TERRITORIES	REVENUE %	COUNTRIES & TERRITORIES	REVENUE %	COUNTRIES & TERRITORIES
AMERICAS	51.5	37	50	37	44	35
ASIA PACIFIC	14.5	24	15	24	15	24
EMEA	34	97	35	93	41	92
TOTAL COUNTRIES		158		154		151

OUR SERVICES

Year to 30 September	2016	2015	2014
SERVICE LINE	%	%	%
Audit & Assurance	57.2	59.0	57.5
Tax services	21.9	20.4	20.6
Advisory services	20.9	20.6	21.9

SERVICE LINES

AUDIT & ASSURANCE

Within our Audit & Assurance (A & A) service line, 2016 proved to be both a continuation of the years leading up to it and a precursor for 2017 and beyond, in that our focus remained on improving audit quality across the BDO network and on integrating new and emerging tools and technologies into our audit methodologies and performance. Audit quality remains in the forefront of our attention and energies across all initiatives within our Global Audit & Assurance department, as audit quality is of the utmost importance to maintaining the solid reputation of the BDO brand across the global market. Integration of new tools and technologies into how we do what we do has taken on an elevated importance, given the confluence of the demands of operating within an increasingly digital environment with the possibilities and potential of new technologies.

Our firms have front-line responsibilities for ensuring audit quality on each and every one of their engagements. Globally, BDO has put in place a system of resources to

assist all our firms in delivering on this obligation. The principal resources which drive audit quality across the BDO network consist of:

- Our Global A & A department, through which communications, publications, and trainings on audit-related topics are continually provided to our firms
- Our Audit Steering Committee, comprised of technical experts from several of our firms, establishes our global audit methodology and policies
- Our network of Regional Audit Advisers, who provide a critical bridge in communications and oversight between firms and the Global A & A department
- Our Global IFRS resources, who are available to assist our firms with complex accounting situations, including the coming implementation challenges of several new significant accounting standards
- Our Quality Control monitoring function, through which the periodic quality assurance reviews of our firms are conducted.



These groups of dedicated professionals work together to foster a culture and environment which promotes audit quality.

The pace of innovation has accelerated throughout the last several years. Our Global A & A department continues to work closely with Global IT to ensure that our tools reflect leading edge technologies. Further, we are working with several of our firms to harness their innovative advancements and create a platform for sharing their successes across the BDO network. Notable activities in 2016 included:

- Continuing development of the next generation of our audit tool, APT, with Microsoft
- Release of the first components of our audit data analytics tool, BDO Advantage
- Initial development and piloting of mobile apps to be used on audits
- Introduction of the global BDO Portal to streamline the interface with our clients.

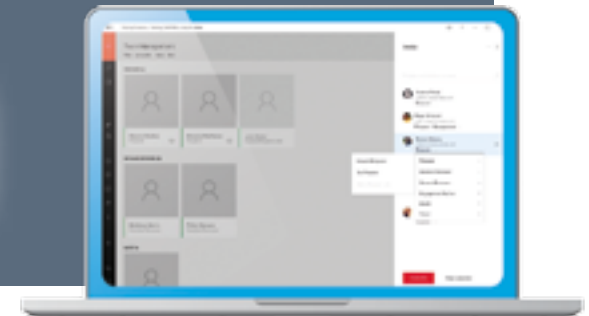
We continue to explore and imagine how technology should be used to enhance audit performance and expect to have several new stories to share in this space in 2017.

CASE STUDY: AUDIT PROCESS TOOL (APT)

With both audit and technology advancing rapidly, it is important that we embrace change to keep our state of the art **Audit Process Tool (APT)** up to date for our teams.

We constantly update APT software and its content to reflect changes in regulations and standards, as well as evolutions in best practice.

To address the challenges of fast-moving advancements in technology, we are working with teams from Microsoft to ensure that the second generation of APT is a tool constantly evolving to be fit for purpose now and in the future.





TAX

The world is changing quickly. Developments in 2016 have created an uncertain business outlook globally, including a tax environment that is developing rapidly. Staying on top of global tax trends will be key for any business to manage their global tax cost effectively and for any tax business to be successful.

2016 saw the start of the implementation by countries of the OECD's Base Erosion and Profit Shifting (BEPS) project recommendations. This is creating a chaotic tax environment as countries pick and choose which recommendations they wish to implement, while some countries have gone beyond what the OECD has recommended and instead introduced their own initiatives to combat tax avoidance by international businesses. While it appears that the OECD has not been successful in creating a more coherent international tax environment, they have succeeded with their recommendations to increase the amount of information that has to be disclosed to tax authorities, particularly with respect to an international business's transfer pricing policies, and by increasing the importance of ensuring that tax planning is consistent with the commercial realities of how a business is conducted. Businesses will spend considerable time and effort in the foreseeable future reviewing both their transfer pricing policies and how they are structured, to ensure that these can be defended to tax authorities across the world.

The changing political environment will also have a large impact on tax policies around the globe. The decision of the citizens of the UK to leave the European Union will significantly impact the tax structuring of businesses investing into and out of the UK in the future. The UK government has already introduced tax measures designed to ensure that the UK remains an attractive place to do business - in spite of Brexit. And the recent US presidential election has substantially increased the likelihood of a major US tax reform in the very near future – a reform that will potentially have an even greater impact on international businesses than the OECD's BEPS project.

The rapidly changing digital world is of course greatly impacting the tax profession. Tax administrations around the world are very focused on developing and implementing digital solutions for a better tax administration. These developments which will dramatically change tax compliance as we know it, and the way in which taxpayers interact with governments. Governments are looking at how they use data analytics for the better enforcement of tax law, and reducing the amount of tax revenue lost to tax evasion. Artificial intelligence will have an impact both on tax advisory services and on governments' ability to resolve tax disputes more effectively. The next few years will most likely see a dramatic change in both tax compliance and tax advisory because of digital transformation. BDO is working hard to be on top of these trends and ensure that our tax business remains one that is relevant for the future.

Tax remains a very important part of BDO's global service offering, contributing 21.8% to our global revenues in 2016, up from 20.4% in 2015. Our goal remains to continue increasing this in the coming years, by focusing on growth and on the transformation of our tax practice to ensure we have all the specialised tax services globally that an international business requires – all while delivering these services in an effective way by integrated international teams. We continue to see investment in tax services by our firms network-wide, led by our US firm.

Quality continues to be a top priority, with our accreditation criteria and international quality assurance reviews playing a key role in ensuring that we are providing quality services to our clients. We invest heavily in the training of our professionals to ensure they are equipped with the knowledge they need to advise their clients. And we invest just as heavily in strengthening the teamwork in our tax practices, as we strongly believe that only through strong teams we can consistently work effectively to help our clients succeed and be the leader in the market for exceptional client service.

“ BDO firms in all our regions recognise that advisory services have been and will be one of the key growth drivers in the future of our global network. ”

ADVISORY

In 2016, BDO's Advisory service line continued to grow and has come to represent 19.1% of our global revenues. The global network's advisory practice is focused on 3 service lines:

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

2016 was another year of good progress for our risk advisory practice, with our key growth drivers being an increased global focus on better governance and businesses recognising the need for better risk management in an increasingly uncertain world. The year was marked by several significant large cross-border opportunities and wins, evidencing the market's view of BDO as a top player in the mid-tier of our profession, able to perform in the most significant arenas. Cooperation, collaboration and trust drive our ability to win and execute engagements that require skills and experience across continents and regions. We look forward to 2017 as a year to break new barriers, capture additional market share and encourage more leadership initiatives.

Corporate Finance, Transactions & Restructuring showed steady performance. In the mid-market where our firms operate, deal numbers have decreased by 2-3 % on a global scale due to the uncertainties caused by Brexit and the US election. Nevertheless, heavy investments in some of our firms paid off, achieving further growth in the past year. This growth was led in particular by Transaction Advisory Services in the US and Restructuring. Our objective is to continue to strengthen our global transaction and valuation services across the world.

Technology Advisory services remains an area with substantial growth potential and demonstrated a healthy increase last year. We are looking at investing in key markets to accelerate this practice further. For example, the global Cybersecurity practice is moving forward by leveraging and developing common services and enhancing our service offerings to increase our cross-border collaboration. We are working with clients on many aspects of cybersecurity, emphasising our expertise in GDPR compliance, cyber insurance and security as a service offering.

BDO firms in all our regions recognise that advisory services have been and will be one of the key growth drivers in the future of our global network. Our firms are committed to ensuring development within this area and we are focusing on increasing the size and strength of our firms' advisory practices accordingly, assisting them in developing their advisory offerings. We will continue our support in joint developments across markets, since this enables seamless global solutions that can better support both our domestic and international clients.

BDO will maintain an efficient best practice sharing network-wide, boosted by our structure, tools and processes, which enable us to provide our international clients with the best possible level of service. 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 we set, allowing us to deliver a tailored service for every client. This is how BDO ensures a global commitment to our vision to be the leader for exceptional client service.

BSO

In 2016, BDO's Business Services and Outsourcing (BSO) service line grew once more and represents 14.7% of our global revenues. The global network's BSO practice is focused on 3 service lines:

- Accounting and compliance services
- Global compliance services
- Business process outsourcing.

We live in an era of digital transformation. Technology advancements and globalisation are affecting our profession by bringing new challenges and offering multiple opportunities to enhance our service offering at the same time. A multi-channel client collaboration approach is key to our BSO services going forward. The global BDO Portal, combined with personal business advisory services, will enable this.

New business models, such as highly automated outsourcing services, have been introduced and are growing rapidly in several BDO countries. Our core business has been and continues to be 'adding value to data': the importance of data is growing every day. Our ambition is to help our clients to get the most out of their data by using analytics and global solutions to generate powerful management information, ultimately enabling our clients to improve their business outcome.

In our efforts to bring exceptional client service into new business environments, we are aware of the importance of building strong partnerships. 2016 was an important year in this matter as we forged a strategic alliance with Microsoft that will accelerate the digital transformation of our network and help us deliver additional value-added services to our clients.

2016 was another year of strong growth for multi-country compliance contracts across BDO: for example, the acquisition of a large payroll contract - one of BDO's largest ever - with Boeing. This has triggered over US\$2 million investment in systems interfacing with both the client and in-country payroll teams and these will be vital to a successful delivery in 2017.

The BSO conference presented all attending with great opportunities to discuss how we can learn from the innovation and best practice already adopted in many BSO practices of BDO. We also learned more about the inter-firm framework agreement which should facilitate the coordination of future projects involving multiple countries so that we can focus on consistently delivering exceptional service to our many global clients.





BUSINESS DEVELOPMENT & MARKETING

A STORY OF GROWTH — FOR THE BENEFIT OF OUR CLIENTS

GROWING OUR NETWORK

It is BDO's unflagging pursuit of a long-term investment strategy, covering global infrastructure and technological innovation, as well as talent, that enables us to provide exceptional service to our clients. In this way, we ensure that we have planned and are prepared for the inevitable consolidation in the mid-tier of our profession - the 30+ mergers network-wide during the past year is positive proof of the success of our consolidation strategy.

Our expansion strategy is also careful to focus on incorporating strategically important markets: in 2016, new admissions increased BDO's global representation to 158 countries and territories worldwide, when we welcomed new firms to the network in the existing territories of Japan and Korea, as well as new firms in Myanmar and the Maldives.

MERGERS AND NEW TERRITORIES / MEMBER FIRMS IN THE BDO NETWORK 2016

Austria	Maldives
Brazil	Mexico
Canada	Morocco
Czech Republic	Myanmar
Georgia	Netherlands
Germany	Niger
Israel	Norway
Ivory Coast	Poland
Japan	Sweden
Jersey	Switzerland
Korea	Togo
Liechtenstein	USA



INTERESTED IN JOINING THE
BDO NETWORK? SCAN THIS CODE



GROWING OUR INFLUENCE

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 interfaces to engage with clients and potential clients across an ever-expanding array of channels and touchpoints is now the norm in our profession and we have continued to invest in the technology that helps meet the demanding needs of our clients.

2016 saw a number of major network-wide digital transformation initiatives that aim to enhance our clients' and potential clients' online experience. An ambitious project to migrate all BDO web sites to one global web template has proven to be effective: at year end 2016, 75 BDO firms had successfully launched their web sites on the global template – and at the time of writing, this has risen to over 100 sites. All BDO web sites will have migrated by May 2017, creating a consistent online experience worldwide, and enabling our firms to benefit from the template's modern look and feel. Our template design allows rich and informative content to be easily accessed and enhances our site visitors' digital experience. Our objective is to stay ahead of the technology curve and to continue to develop leading-edge functionalities for the template that make it easy for visitors to navigate. BDO clients also will get access to a global client portal that provides them with powerful business intelligence at the touch of a button.

2016 has been an exceptional year for thought leadership in the BDO network. We have published over 100 unique global insights on our global web site, ranging from publications, articles and podcasts to video interviews and in-depth reports. Our goal is to continue growing relevant and valuable content and providing the latest research offerings from our subject matter experts. One of our most popular publications is the quarterly BDO Horizons, providing invaluable insights into M&A advisory. Our clients value our insights and give us positive feedback: we are proud to be able to help them make the right business decisions.

“ Our enhanced digital presence is essential as we continuously respond to the ever-evolving needs of our clients. We see it as just another way to provide our clients with an exceptional service. ”

Allan Evans, BDO Global Head of Business Development & Marketing



Site of the Year
Winner 2016

**BDO WINS
KENTICO'S LARGEST SITE OF
THE YEAR 2016 AWARD**
SCAN THIS CODE



**BDO SRI LANKA'S WEB SITE
WINS MERIT AWARD IN THE
BESTWEB.LK COMPETITION**
SCAN THIS CODE

BDO firms worldwide are committed to delivering our brand promise: the delivery of an exceptional client service everywhere, every time. This means more than just following a set of well-rehearsed rules and protocols, it's a culture and an approach that is deeply engrained in all our firms and their passion for client service is evidenced by the number of awards and honours won across the network in 2016:

- BDO Germany won Top IT Consultant
- BDO Northern Ireland won Dealmaker of the Year at Dealmaker Awards
- BDO South Africa won Tax Adviser of the Year at the ACQ5 Global Awards
- BDO UK was voted International Firm of the Year at the British Accountancy Awards
- BDO Zimbabwe won Africa's Best Employer in the Employer Branding Awards

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 our Asia Pacific, EMEA and Americas regions. A truly independent and well-regarded client satisfaction framework, NPS provides an effective evaluation of our service performance at global level.

Collaboration is a key concept for BDO, because only by sharing the best of the network's knowledge and expertise can we deliver the best to our clients. Our annual and Biennial conferences provide partners from across the network with an excellent opportunity to play an active role in the implementation of our growth agenda and strategies. In Amsterdam in 2016, we focused on technology and efficiency, and building an innovation culture throughout our firms.

At the end of 2016 we embarked upon an important project to improve our internal communications, with a view to keeping all BDO partners and staff informed, motivated and committed to our strategic initiatives. We are therefore investing in innovative communication channels and tools, as well as building the intranet of the future to keep all our people connected every day. Our new intranet will be pivotal in cross-member firm collaboration and feed seamlessly into the success of our clients. It is vital for us to deliver our expertise and acumen to the right audience just when they need it if we are to provide exceptional and timely service to our clients. The new intranet will ensure that everyone is able to benefit from the vast concentration of know-how existing in our network.

**TO GET A GLIMPSE OF OUR BIENNIAL CONFERENCE
IN AMSTERDAM 2016 SCAN THIS CODE**



GROWING OUR CLIENT BASE

BDO firms are pleased to serve major large and listed clients all around the world and our people enjoy the challenge of working across borders to provide exceptional client service wherever our clients do business.

To put our member firms in the best position to succeed in a competitive market, we have driven a number of central initiatives to help us attract, win and deliver for clients. Alongside an increasingly professional approach to bidding, we have continued to develop and refine a number of tools to support us in serving our global clients. Our International Liaison Partners are at the heart of our approach, opening up our network to our international clients and ensuring that we all work as one on their behalf.

In 2016, the changes brought about by the European Union Audit Reform legislation created new opportunities for BDO to demonstrate our international credentials to both existing and potential clients. In a time of change for our clients and our profession, we have relished many new opportunities to demonstrate both our technical credentials and experience and our approach to service delivery. As a result, we have won new audit and non-audit engagements with many large listed businesses – now advocates for the consistently exceptional quality of service from BDO firms across the globe.



The global industry programme at BDO continues to go from strength to strength as the ongoing consolidation of the mid-tier has allowed us to continually improve our expert knowledge through acquisition of niche firms.

2016 saw the continued expansion of our global Public sector group with the common objective to make BDO a global leader among service providers to the public sector. Among several successful initiatives that confirm BDO's ability to answer the needs of a sector undergoing profound change was a healthcare Report produced through collaboration within the global team that compares the healthcare systems in Germany, UK and the USA. In Real Estate & Construction, we added Malaysia to the steering committee to increase our capabilities in the ASEAN countries. Global meetings and successful client events at MIPIM and EXPOReal, as well as the

new blog, have allowed us to further engage with the property industry whilst increasing our credibility in this competitive space. The Technology, Life Sciences, Media & Entertainment and Telecommunications teams published MEDIAtalk, the Telecommunications Risk Factor Survey and the Tech and Media Watch blog, providing clients with intelligent insight into their markets. The teams are well established and work together on a wide variety of international clients who are experiencing rapid global expansion and require one provider in many markets.

Looking ahead, we see challenges as well as opportunities, but we are committed to maintaining in a tangible way our vision to deliver exceptional client service to our clients worldwide.





HUMAN RESOURCES & DEVELOPMENT

Our Human Resources and Development (HRD) staff around the globe are dedicated to attracting, developing and growing our professionals.

While technology can change the way we deliver client service, it's still our people that make it exceptional. Whether they be fresh graduates or experienced professionals, they all find their place and time within our organisation. The culture of BDO is one of accessibility, close relationships and excellence in delivering service. It would mean little if we didn't have the engaged workforce to experience it.

CONTINUOUS LEARNING AND DEVELOPMENT

Today is yesterday's news; our team is already paving the road to tomorrow.

We believe in, and are fully committed to the continuous growth of our people. In 2016, the Global Office organised 46 global conferences and training events worldwide, gathering a total of 3,276 delegates. We also offer our BDO partners and staff virtual, face-to-face and on-the-job learning opportunities for language, technical, personal

and leadership skills. Our English language courses - both the virtual sessions and the intensive executive immersion programmes held in London, Cambridge and Boston - help us collaborate and share our practices on how to provide exceptional client service worldwide across firms and regions.

PREPARING OUR LEADERS FOR A VUCA ('VOLATILE, UNCERTAIN, COMPLEX AND AMBIGUOUS') WORLD

We know that strong leadership competencies drive organisational growth and profit. Our exclusive Global Partner Leadership Programme is based on our leadership competencies of 'Leading self, Leading others, Leading business and Leading change'. 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 the network into the future and to the next level.

MOVING GLOBALLY

Our secondment programme supports the aspiration of our firms and their talented employees to discover other parts of our global network. They are greatly encouraged and are guided by our mobility experts. Transferring and sharing knowledge, skills, experiences and understanding are an essential element in the development of our people.

EXPERIENCING TALENT

Contrary to others, our belief is that the war for talent is over - and it seems that talent has won. In the current labour market, talented people can find a job anywhere they want. At BDO, we differentiate ourselves more every day by being a different employer. We don't fill open positions, we make people part of the family. We are constantly building to grow an extraordinary experience.

M&A FOR HR

We have a long and proud tradition in BDO of growing through acquisitions. Our geographical spread, our specialists and competencies and, last but not least, our strong local, national and international network means that we are attractive for potential acquisitions. We value the role of HR in our M&A activities and provide our community with the insights, materials and best practices from around the network, as well as market know-how. In the end, an M&A deal will be successful if people embrace the desired way of working.

HR METRICS

All collected HR data shows an objective picture of our organisation today. Analysis of this data supports our managing partners in building a solid HR strategy in their firms, plus it triggers global initiatives to continuously improve our HR community. It is our goal to support network agility and anticipate future challenges in order to become more responsive, effective and efficient.

HR CONFERENCES

The three regional HR conferences in Mumbai, Panama and Budapest in 2016 brought the knowledge and experiences of 49 internal and external professional HR presenters and business speakers to a delegation of over 100 partners and HR professionals. The main goal of these gatherings is to present and discuss general HR trends, as well as BDO internal trends, and to share best practices for HR practitioners on trending innovations.



TECHNOLOGY & DIGITAL BUSINESS

As momentum in the digital space continues to build in both the information technology (IT) and professional services markets, BDO has positioned itself as a global network with the resources, responsiveness and relationships to keep pace with client expectations - and exceed them into the future.

This year has seen us set the groundwork for our connected network with ready access, cloud services and data insights. By providing our people with the systems and analytics tools they need to enhance the way they do business, we empower them to deliver even greater value for their clients, whether they be internal or external.

EFFICIENCY WITH QUALITY

Global IT's vision is for BDO to become the enabler of efficiency in the profession. In September 2016 we took a giant step towards that, formalising a global strategic alliance with Microsoft that will accelerate the digital transformation of our clients' businesses. The relationship positions us strongly to deliver leading-edge, digitally

focused services to our audit and advisory clients around the world.

Our clients will continue to benefit from an enriched audit experience, with planning and solution design for the next generation of our audit tool finalised. APT Next Generation will take our industry-leading tool to the next level, fostering greater collaboration – online, offline and in real-time.

BDO Advantage complements this tool, providing our auditors with a scalable and flexible data analytics toolkit at their fingertips. Launched on 1 October 2016, BDO Advantage cements BDO's commitment to ensuring that audit quality is continually enhanced in the market, and allows our experts to dive deeper into their clients' data to reveal insights that can highlight areas for growth or potential areas for risk mitigation. We are helping our clients see how their own data, when looked at analytically and within the right context, can inform their future actions.



**TO KNOW MORE ABOUT BDO
GLOBAL IT SCAN THIS CODE**

INFORMATION SECURITY

Information security remained a focus this year, as we continued to strengthen our defences against an ever-evolving cybersecurity landscape. Our newly appointed Digital Security Director led the deployment of our self-assessment programme, not only allowing our Global IT team to map our security landscape, but giving our firms the tools and insights they need to further protect their digital assets.

We are aggressive in our approach to information security. There are no compromises when it comes to our global approach to protect the data of our people and our clients. Our approach is robust, consistent, secure, coordinated and of the highest possible standard. Importantly, we proactively review our information security approach to ensure it is aligned with leading industry practice, particularly in the areas of privacy, confidentiality and access management.

Our client and staff relationships are built on trust. This includes trust in our network that their data is safe. For this reason, our efforts in this area will never waver and we are dedicated to maintaining a high level of cybersecurity maturity across our entire global network.

DIGITAL RELATIONSHIPS

Our global Portal was launched on 1 November 2016, providing our clients with a digital experience that lets them access our services and insights 24/7. By bringing self-service and convenience to the forefront of our exceptional client service, this new portal is already generating great value for our clients.

Our global web template has also delivered benefits, with strong uptake among our firms, consistency in online presence regardless of location, and the deployment of a range of exciting new functions on a quarterly basis. BDO's online experience is improved not only for those visiting our site, but also for our internal teams.

The connected network we are creating through all of our strategic IT initiatives will allow us to support our clients and our people through transformational change, and provide new ideas and innovative thinking to contribute to our long term success. Next year will see us maintain momentum in our ongoing commitment to technological advancement that delivers exceptional client service, as we deliver many more projects and initiatives that will provide tangible benefits for all of our stakeholders.



CASE STUDY: MICROSOFT

A demonstration of BDO's vision is our industry-leading, worldwide strategic alliance with Microsoft.

Formalised in September 2016, this strategic collaboration highlights BDO's commitment to digital leadership and a constant drive to adapt and transform in the delivery of exceptional client service across all areas of our operations for all types of clients.

We are collaborating with Microsoft on both existing and new solutions to design and deliver leading edge and digitally-focused services to our clients around the world. At its outset, this new global agreement will cover the following three key areas:

- Digital relationships: BDO's leading edge global portal, based in the Microsoft Azure environment, will deliver an online collaboration space to further enhance clients' digital experience and service workflow, supporting and extending client relationships – locally, regionally and globally

- Efficiency and quality: BDO's Audit toolkit will benefit from the next generation of the network's bespoke Audit Process Tool (APT). The second generation version of this scalable worldwide tool will now be capable of streamlining and focusing the audit process for BDO professionals and their clients. In addition, the integration of BDO's data analytics tool, BDO Advantage, powered by Microsoft Azure, will further enrich the audit experience, enabling BDO professionals to better understand and respond to risks and to leverage this understanding and provide additional insights and automation efficiencies to clients

- Foundations for the future: BDO is partnering with key cloud accounting providers across the world to deliver modern and secure cloud accounting services for clients – Microsoft NAV is a key tool in achieving this. BDO Cloud Accounting will give all BDO firms access to global resources, enabling agility and flexibility in their service delivery.

This worldwide partnership will create new and exciting opportunities for BDO Member Firms to expand upon the in-depth knowledge they have of their clients and provide them with powerful insights, in both a financial and operational capacity.



**TO READ MORE ABOUT BDO'S STRATEGIC ALLIANCE
WITH MICROSOFT** SCAN THIS CODE



TRANSPARENCY
REPORT

TRANSPARENCY REPORT

THE REGULATORY ENVIRONMENT

In keeping with the zeitgeist of heightened regulation, external scrutiny, expanded transparency and detailed compliance obligations, the public expectations of many professionals, including auditors and tax advisers, remains at an all-time high. The reaction to the global financial crisis of 2007 rightly saw demands for increased public accountability and expectations of professional and corporate behaviour. Although some of the expectations of audit firms presented initial practical challenges, the accountancy profession has responded well and extensively to those demands. BDO was at the vanguard of adapting to this 'new normal' and remains committed to expansive transparency disclosure for our firms and the network.

BDO firms and their clients have no option but to react, not only to fast-paced and incessant change in the technologically-enabled environment in which we all now live, but also to regulations that were in many cases written or conceived for a pre-digital age and which, for the moment, lag behind the sector or issues they are 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, continue to present us all with a regulatory environment unlike anything previously experienced. The frequent misalignment and patchwork of regulations across the world continue to give rise to 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 with which BDO engages, have developed rapidly and exponentially over the last 10 years, not unrelated to the launch of 'Transparency Reporting'

for audit firms by the European Union and the coming into existence of the International Forum of Independent Audit Regulators (IFIAR) in the same period. 2016 saw the adoption into EU member state law of the much debated audit reforms, including revamped and enhanced transparency reports for audit firms with public interest entity audit clients. The new requirements will subject auditors to additional surveillance and scrutiny from newly formed and existing regulatory bodies who, rightly will coordinate activities and share information. BDO has actively embraced the new requirements which see Article 13 of the 2014 EU Audit Regulation replace the old Article 40 of the 2006 EU Statutory Audit Directive as the applicable law in the EU and leading example for other jurisdictions to follow.

Proactive and independent oversight of the audit profession is now universally accepted as the norm. The BDO network and our individual firms 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.

BDO strongly believes 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 will enable firms to improve their credibility and reputation for integrity. Continually increasing engagement by BDO experts with audit policymakers and regulators evidence our commitment to actively supporting efforts to develop focused, effective and added-value regulation that, in addition, heightens trust in what we do and how we do it, as well as supports initiatives that lead to measured and appropriate regulation.

LEGAL AND STRUCTURAL ARRANGEMENTS IN THE NETWORK

BDO is an international network of independent public accounting, tax and advisory firms, the BDO member firms, which perform professional services under the name of BDO ('the BDO 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 rights and obligations of the BDO Member Firms are set out in the Articles of Association and the Regulations of BDO International Limited, as well as in the membership agreements, signed by member firms prior to joining the BDO network. The BDO Member Firms are exclusively licensed to use BDO's intellectual property rights for the provision of professional services in their territory. These include the BDO brand as well as BDO software, in particular the BDO Audit Processing Tool.

Service provision within the international BDO network of independent member firms is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium with its statutory seat in Zaventem.

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.

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.

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

In order to join the BDO network, a firm must have the capability to offer the minimum core services, including audit, tax and advisory services, adequate risk management and insurance provisions and a high standard of professionalism and ethics. They should also demonstrate independence, local distinctiveness and knowledge, and have a proven reputation with domestic professional bodies.

The admission of a firm to the BDO network is subject to a thorough preadmission review and a positive recommendation by the CEO and the respective Regional CEO to the Global Board, which formally approves the admission of a candidate firm to the BDO network.

GOVERNANCE

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

THE COUNCIL comprises one representative, generally the managing partner, from each voting member, and represents the members of BDO International Limited in general meeting. In 2016 there were 112 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. Currently the Council Chairman is Werner Schiesser, managing partner of BDO Switzerland.

The Council approves the BDO network's 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 Annual 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.

THE GLOBAL BOARD is the Board of Directors of BDO International Limited. It comprises the managing partners of at least the three largest member firms of the EMEA region, the two largest member firms of the Americas region and the two largest member 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 below sets out the current composition of the Global Board, which is currently chaired by Wayne Berson, managing partner of BDO USA. The Global Board Chairman is elected by the Global Board among its members and serves for a period of three years.

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

THE GLOBAL BOARD

Global Board at 18 October 2016



Australia	Tony Schiffmann
Canada	Patrick Kramer
China	Jiandi Zhu
Germany	Holger Otte
Netherlands	Dick den Braber
United Kingdom	Paul Eagland
United States	Wayne Berson

THE EXECUTIVE comprises the CEO, who is appointed by the Global Board, and the Global Leadership Team.

The current CEO, Martin van Roekel, was appointed on 1 October 2011. Previously, Martin was CEO EMEA, and prior to that he was managing partner of BDO Netherlands. The CEO's powers and responsibilities are set out in the Regulations and further determined by the Global Board. The CEO is tasked with the day-to-day management of the global affairs of the BDO network, as well as the development and implementation of the global strategy for the network. He recommends quality standards, policies and strategies to the Global Board. The CEO also acts as spokesperson for the BDO network at international forums and organisations and represents the BDO network in discussions with international regulatory bodies.

The members of the Global Leadership Team are appointed by the CEO, who allocates and delegates responsibilities as he deems appropriate. Currently the Global Leadership Team 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 Global Leadership Team are full time dedicated to their role within BDO International Limited.



THE GLOBAL LEADERSHIP TEAM

Global Leadership Team at 1 January 2017



CEO Asia Pacific	Stephen Darley
CEO Americas	Keith Farlinger
CEO EMEA and Global Head of Advisory	Anders Heede
Global Head of Audit and Assurance	Chris Smith
Global Head of Tax	John Wonfor
Global Head of Business Development & Marketing	Allan Evans
Global Head of IT	Belinda Thompson
Global Head of HR and Development	Alette Ducro
Global Head of Transformation	Markus Kammüller
Secretary of BDO International and Head of Legal	Basile Dura

The CEO and the Global Leadership Team are supported by the Global Office of Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium, which coordinates the service provision within the BDO network.

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, Events (global and regional), Global Knowledge Management, EU Key Account Procurement, Accounting, Administration and Legal.

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 of the three regional boards meets with the Global Board at least once a year.

Each region has its own Regional CEO, who chairs the respective Regional Board and provides support and guidance regarding strategic initiatives of member 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 a high quality service to BDO clients.

INTERNATIONAL COMMITTEES

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

The primary global committees are as follows:

- Audit Steering Committee
- Audit Innovation Oversight Committee
- Tax Advisory Committee
- International Risk Management Committee
- International Human Resources & Development Committee
- International Brand & Marketing Committee
- IT Council
- International IT Committee

QUALITY

RISK MANAGEMENT

Membership of the network enables BDO Member Firms to deliver quality services at the highest level. The Global Office 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 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.

MEMBER FIRM ADMISSIONS

BDO seeks to admit new member firms that share the BDO vision and cultural approach. Each prospective new member firm is subject to a due diligence process, the outcome of which forms the basis for the decision of whether or not to admit the firm to the BDO network. These due diligence reviews are conducted by, or under the direction of, the Global Quality & Risk Management department of BDO's Global Office. Based on the due diligence report, the Global CEO makes a recommendation to the Global Board, who ultimately decides on the admission of the firm as a BDO Member Firm.

During the due diligence process, prospective new member firms are evaluated against BDO criteria for membership. These criteria for membership include:

- The prospective new member firm's reputation for quality and high ethical standards
- The compliance of the prospective new member firm with domestic and international standards and requirements
- The commitment and capability of the prospective new member firm in adopting our global policies, procedures, methodologies and tools
- The maintenance of a system of quality control by the prospective new member firm that meets or exceeds the International Standard on Quality Control (ISQC-1).

All BDO Member 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 member firm adherence and compliance with professional standards and incremental BDO standards and requirements, including policies, procedures, methodologies and tools.

Our Quality Monitoring Programme consists of:

- 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 member firm level on an annual basis by partners and directors of the domestic member firm. The Global Office has developed a set of criteria for what constitutes a satisfactory Internal Inspection Programme, which covers an assessment and monitoring of the firms' compliance with professional standards, including leadership responsibility for quality, ethics and independence, client acceptance and continuance, human resources, engagement performance and monitoring. As part of evaluating a firm's performance, the review teams also review a sample of assurance engagements.

Other Monitoring Procedures are implemented and performed at member firm level by partners and directors of the domestic member firm 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 the BDO network originates from the Regulations of the network, which stipulates that each firm is subject to regular Quality Assurance Reviews by the network. In practice, this results in a process where each member firm is subject to review at least once every three years.

The scope of a Quality Assurance Review covers an assessment of the design and effectiveness of the firms' 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 strategic aim of the network to deliver consistently high quality services. In 2016, the process and criteria of BDO's internal member firm accreditation has been revised and strengthened once again.

Based on an assessment of compliance with 61 criteria, every member 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
- Clients & Markets
- HR & Development
- Member firm development and Governance
- Information Technology.

The scores for each member firm are made available to all partners on our global intranet site. This accreditation process has resulted in improvement plans being implemented by a number of our firms, and this further guarantees 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 and the respective local regulatory organisations. The relevant ethics and independence rules for each member firm are posted on our global intranet, which is accessible by all partners and professionals.

Each firm appoints a designated Independence Champion, an experienced partner who monitors compliance with the applicable independence policies and procedures, provides consultations regarding independence matters, and oversees independence training and the maintenance of a restricted entity database.

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 and its objective is to prevent the performance of prohibited non-assurance services or investment in these entities. The worldwide database is continuously updated and the Independence Champions must positively affirm each month that their firms' listing is accurate and complete. They also annually confirm that their domestic independence rules comply with the Code of Ethics of the International Ethics Board for Accountants and are included on the global intranet.

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

www.bdo.global

Afghanistan | Albania | Algeria | Angola | Anguilla | Argentina | Armenia | Aruba | Australia | Austria | Azerbaijan | Bahamas | Bahrain | Bangladesh | Barbados | Belarus | Belgium | Bolivia | Botswana | Brazil | British Virgin Islands | Brunei Darussalam | Bulgaria | Burundi | Cambodia | Canada | Cape Verde | Cayman Islands | Chile | China | Colombia | Comoros | Costa Rica | Croatia | Curacao | 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 | Ivory Coast | 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 | 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

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