

BDO South Africa

Transparency Report **2023**

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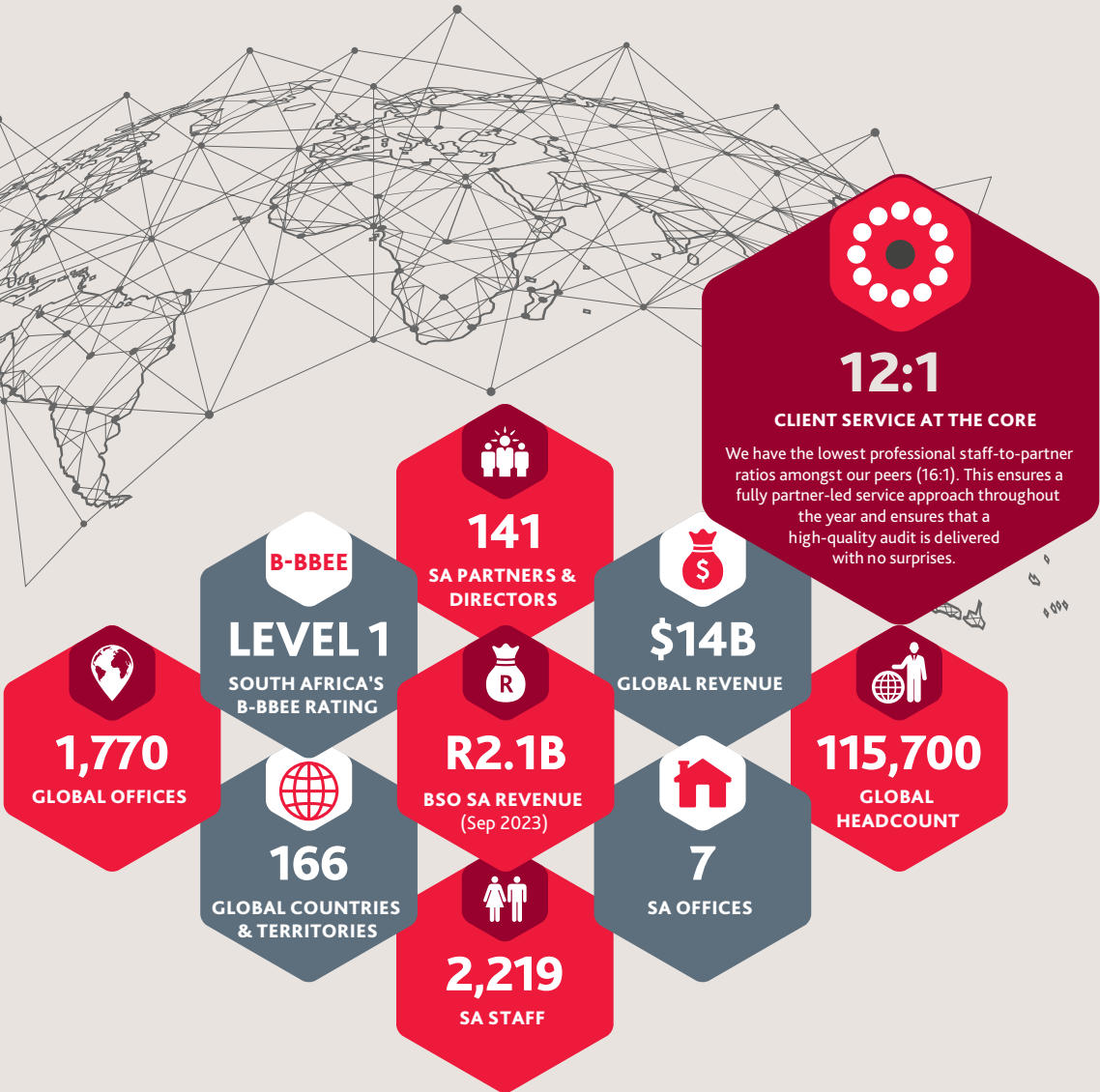
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A BDO at a glance

BDO South Africa is a key member of the BDO global network of public accounting, tax and advisory firms which provides business advisory services across 166 countries, with approximately 115,700 people working out of 1,770 offices worldwide. Being a member of the BDO global network enables us to advise businesses which are trading and expanding internationally. There are currently 54+ BDO locations in Africa.



People helping people achieve their dreams and ambitions

At BDO we believe in the elevation effect, where we help people achieve their dreams and ambitions. This is the very essence of BDO. Our motivation is to help people get to where they want to be – whether that's our colleagues, our clients or in the communities we are part of.

BDO has a clearly stated purpose – **our WHY** – which makes BDO unique. It puts into words why BDO exists and is our global organisation's fundamental reason for being, what defines us. As BDO continues to grow in reach, headcount and revenue, **our WHY** shapes how we work with our clients, support our colleagues and help our communities succeed. It helps us make better decisions for ourselves and for all our stakeholders, individually and as a global organisation.

We offer industry expertise, world-class resources, and an unparalleled commitment to meeting our clients' needs, with 75% of our clients recommending us. We serve approximately 40 JSE listed companies and over 158 internationally listed clients, who are clear on why they chose BDO.



At BDO we believe in the elevation effect, where we help people achieve their dreams and ambitions.

A BDO at a glance

Our services across audit, tax and advisory are in high demand – but we need to carefully plot how, and how fast, we grow. For most organisations, there is a growing business imperative to address sustainability. The material risks that companies face are broadening and have led to the emergence of a global sustainability movement, driven by capital markets, governments, communities and various stakeholders. This demand for transparency and accountability in environmental, social and governance matters calls for a better understanding of the impact of business and industry on the environment and our societies- and an effective response.

BDO's approach to sustainability is underpinned by our WHY – People helping people achieve their dreams and ambitions. This guides every action we take to ensure a more sustainable organisation so that the way we live our lives today does not negatively impact future generations. Everything we do at BDO is viewed through a sustainability lens to ensure that we implement and embed the principles of sustainability across all BDO firms as a global initiative and a business imperative.

We are where you are

The reach of our professional services extends beyond South Africa. Through BDO's International network of firms we can call on trusted professional colleagues and experts across 166 countries, enabling us to access financial accounting, technology and regulatory expertise, as and when we need it. We have BDO office presence matching your significant African regions' footprint and in your operations across the rest of the world.

Our purpose

Our purpose is to help people get to where they want to be – whether that's our colleagues, our clients or in the communities we serve.

Our Clarity Charter

Being ethical and quality-driven is a given for us, and to show how this is a part of our DNA, we have developed the BDO Clarity Charter. This is our commitment as individuals and as a firm. It is our firm's clear and public pledge to be ethical, independent and quality driven.

[Click here to see the BDO Clarity Charter](#)

Our Brand Value Proposition

BDO is bold and courageous, and challenges established ways of doing and being. Central to our challenger brand positioning is our bold, clear, distinctive, inclusive and determined Value Proposition:

Elevating People. Elevating Business. Elevating Society.

BDO Global

- ▶ BDO South Africa Incorporated, a South African personal liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.
- ▶ Management Committees of the BDO network are the Council, the Global Board and the Global Leadership Team of BDO International Limited.
- ▶ The Council comprises one representative from each voting member and represents the member firms of BDO International Limited in the annual general meeting. The Global Board sets the priorities for the BDO network and oversees the work of the Global Leadership Team.

For more information on the governance of the BDO network, click on the link below:

[BDO Global Transparency Report 2023](#)

B

Message from our CEO – Bonga Mokoena

Welcome to BDO’s Transparency Report 2023. At BDO, we believe in the power of elevation—elevating people, elevating business, and elevating society. Each member of our team is instrumental in fostering a culture of excellence, ensuring that our audits and assurance engagements consistently meet the highest professional standards. Our commitment to audit quality is a dynamic journey.

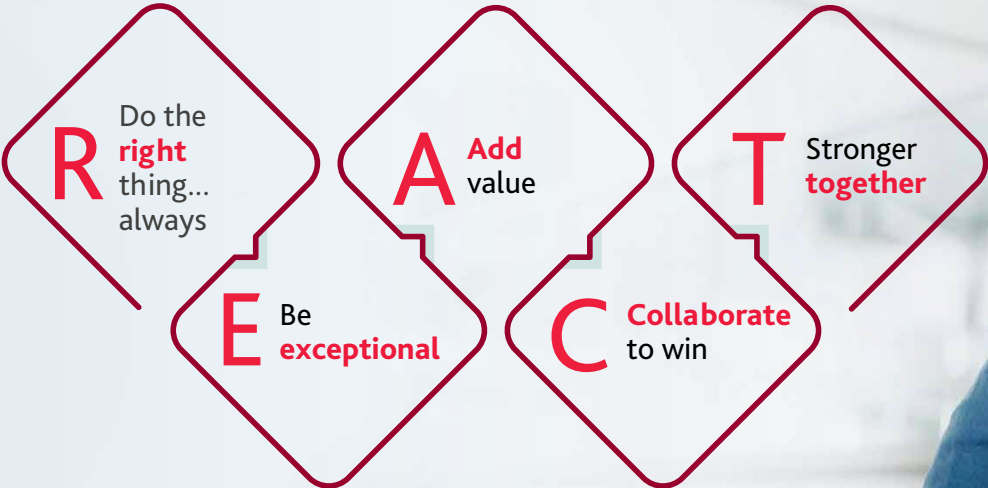
Our leadership is dedicated to continuous improvement through innovative methods, enhanced knowledge, and deeper analyses. This dedication allows us to stay aligned with evolving standards, changing regulations, and emerging markets, all while maintaining a steadfast drive towards audit quality in the face of volatility and change.

We cultivate a quality-focused internal culture through consistent communication, comprehensive training, and decisive actions. Lead engagement partners have the primary responsibility for audit quality on their engagements, with ultimate responsibility for the firm’s quality control system residing with my office.

Through *Project Siyakhula*, we elevate our approach to quality through action plans, focusing on:

- **Firm Culture:** We emphasise audit quality through strong leadership messages, setting clear expectations, and leading by example.
- **Experience and Expertise:** We elevate our team by increasing the use of experts among partners and staff.
- **Supervision and Review:** We enhance partner involvement in audit planning and execution, implementing rigorous review processes both during and after engagements.
- **Accountability:** We link audit quality to remuneration for engagement and review partners, extending this accountability to firm leadership.

Our core values, encapsulated in **REACT**, detail the ethical, professional, and other standards that guide our team’s daily conduct and expectations.



The BDO brand elevates its elevation multiplier effect, enabling us to seize abundant opportunities in auditing, advisory and tax. We are able to successfully manage large-scale and complex projects, and in doing so, **elevate people, business and society.**

Sincerely,

B. Mokoena

Bonga Mokoena
CEO, BDO South Africa



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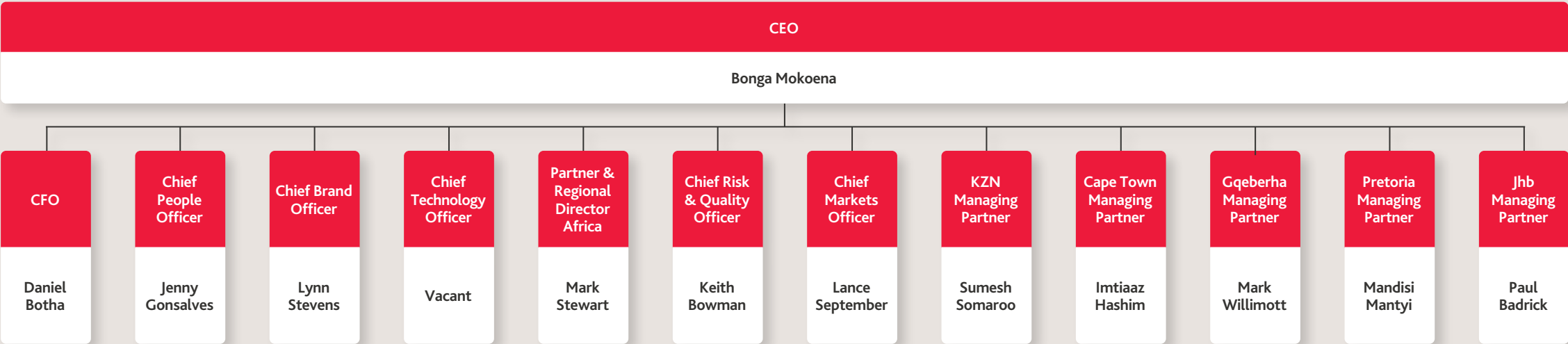
Governance

Network Governance

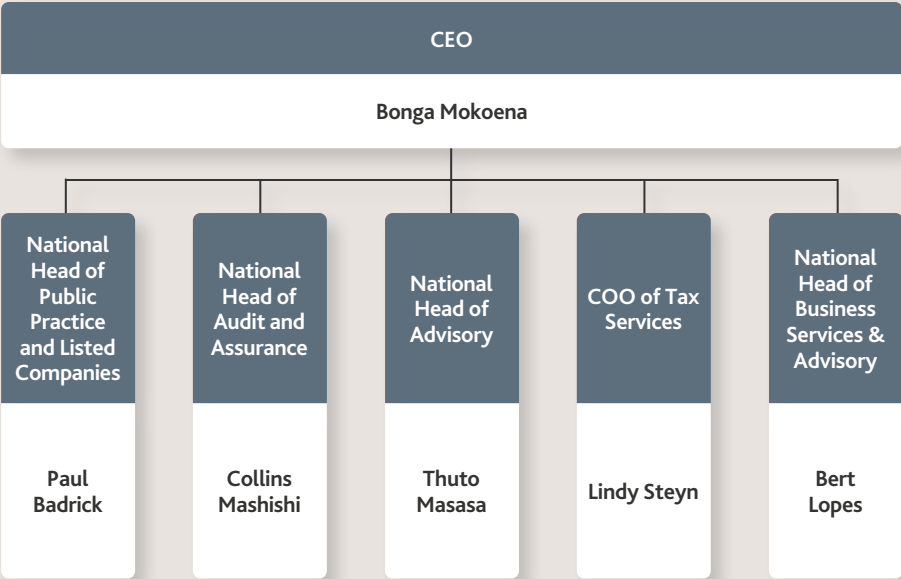
Management committees of the BDO network are the Council, the Global Board and the Global Leadership Team of BDO International Limited. The Council comprises one representative from each voting member and represents the member firms of BDO International Limited in the annual general meeting. The Council approves the central budget of the network, nominates the members of the Global Board and passes resolutions on changes to the Articles of Incorporation and the rules of BDO International Limited.

The Global Board represents the management of BDO International Limited and comprises one representative from each of the seven largest member firms of the BDO network, whose respective nomination is for a term of three years and approved by the Council. The Global Board sets the priorities for the BDO network and oversees the work of the Global Leadership Team. The Global Board is convened at least four times a year. The global leadership team coordinates the activities of the BDO network. It is led by the CEO and comprises the global heads of audit & accounting, tax, HR & development, business development & marketing, IT, the CEO Europe, Middle East and Africa (EMEA) (who is currently also the global head of advisory), the CEO Americas, the CEO Asia Pacific and the International Secretary.

Corporate Structure



Firm Structure



“Management committees of the BDO network are the Council, the Global Board and the Global Leadership Team of BDO International Limited.”

c Governance



Governance of the network

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The Global Leadership Team coordinates the activities of the BDO network. It is led by the CEO and comprises the Global Heads of Audit & Accounting, Tax, HR & Development, Business Development & Marketing, IT, the CEO Europe, Middle East and Africa (EMEA) (who is currently also the Global Head of Advisory), the CEO Americas, the CEO Asia Pacific and the International Secretary.

The South African firm plays a key role in the following BDO International structures:

- ▶ BDO International EMEA Board
- ▶ International Business Development & Marketing Committee
- ▶ Global industry sector groups – Financial Services, Natural Resources and Cyber.

Governance of the South African firm

Chief Executive Officer (CEO)

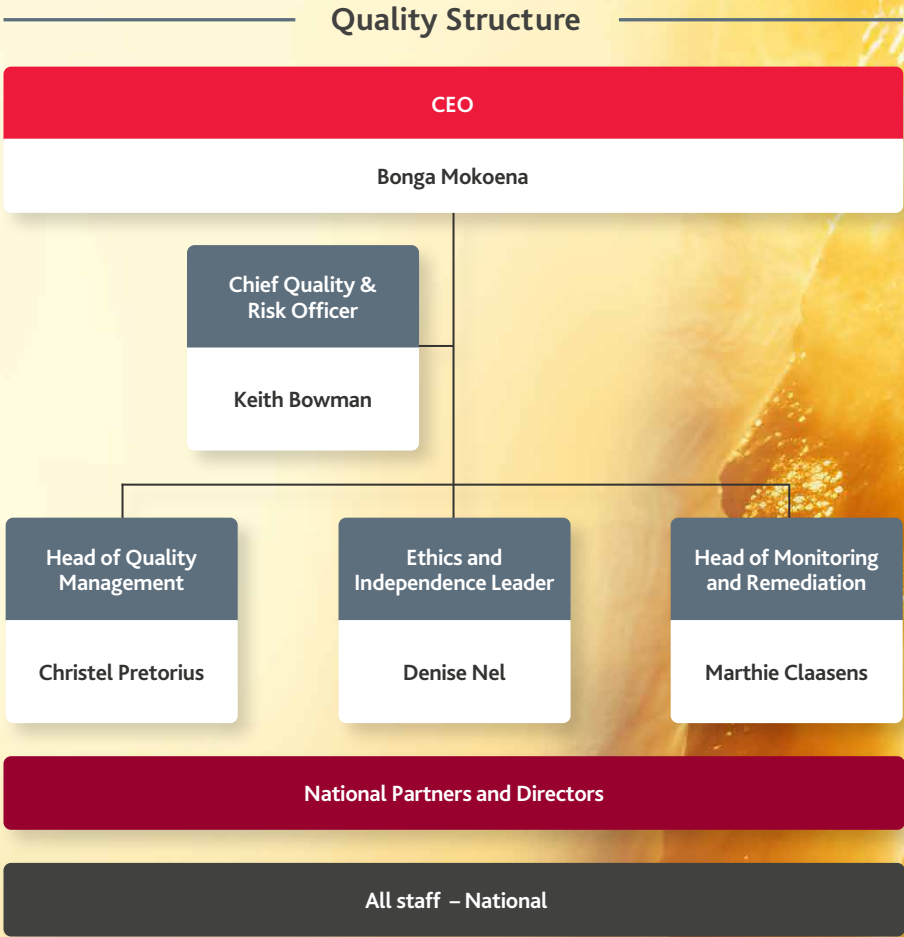
Bonga Mokoena is the CEO and was appointed in 2022. Bonga is responsible for the strategic direction, reputation and overall performance, efficiency and sustainability of BDO South Africa.

"BDO South Africa is committed to the implementation and application of the highest standards of corporate governance."

D Quality Leadership

Leadership Responsibilities for Quality within the Audit Firm represents the first element for the system of quality control as prescribed in the International Standard on Quality Control 1 (ISQC 1). Management, led by our CEO, Bonga Mokoena, takes ultimate responsibility for Quality in the firm, supported by experienced professionals (see organogram) with responsibility for driving the six internal elements supporting quality in the firm:

- 1. Leadership takes responsibility for quality within the firm (CEO).
- 2. Acceptance and continuance of client relationships and engagements (National Head of Quality Management and Ethics and Independence Leader).
- 3. Skills and personal qualities of engagement partners, engagement team and other firm personnel (Engagement partners and teams).
- 4. Engagement performance (All individuals responsible for audit, review and other assurance engagements).
- 5. Internal monitoring and continuous improvement (Head of Monitoring and Remediation).
- 6. Communications with those charged with governance (Chief Quality and Risk Officer and individuals mentioned above).



E Our employees: People & Culture information

Elevating our people – the heart of our business

At BDO, we believe that a fresh perspective on employee connection and satisfaction leads to a higher level of performance. By introducing 'THRIVE,' we aim to elevate our employees' day-to-day experiences, ensuring they feel valued, understood, and empowered to achieve their personal and professional best.

Our commitment to 'THRIVE' stems from our purpose, values and business growth pillars. We understand that the well-being of our people directly influences our ability to deliver exceptional service to our clients. Elevating our workforce through comprehensive support and development programmes is not only right but essential for maintaining the highest standards of professionalism and ethics.

'THRIVE' is about leveraging our expertise in creating environments that foster growth and innovation. By focusing on comprehensive career development, continuous learning opportunities, and robust health and well-being programmes, we enhance our employees' ability to contribute effectively to our clients' success and to complex challenges on a global scale.

'THRIVE' is implemented through our commitment to a culture of inclusion and diversity. By operating as One BDO, we harness the power of our diverse, multi-generational workforce, enabling them with the tools and resources necessary to succeed. Collaborative platforms, mentorship programmes, and innovative technologies are just a few ways we ensure every employee has the opportunity to thrive.

B-BBEE Level 1

This year BDO South Africa was recognised as being a Level 1 B-BBEE contributor. As part of the scoring process for this certification, BDO scored well in the areas of ownership, skills development, enterprise and supplier development, as well as socio-economic development. For the 2023 year-end ownership was at 57.27% Black Owned.

Developing talent

A key focus for the year has been on further developing our strategic partnerships with the top learning institutions across South Africa. We have also expanded our reach to a number of historically disadvantaged universities. We continue to run learning-based competitions at selected universities in an effort to help students develop academically.

These competitions also provide students with the opportunity to interact with some of our people and gain a better understanding of our firm and the industry at large.

Our Annual BDO Financial Services Advisory hackathon challenged students to formulate innovative solutions to crypto currencies and emerging market technologies such as web 3.0 for Financial Services Advisory.

We have also hosted vacation programmes and job shadow experiences for students who want a first-hand experience of our workplace culture and environment. This empowers them with the knowledge and experience to make the right career decisions for themselves.

Yes Programme

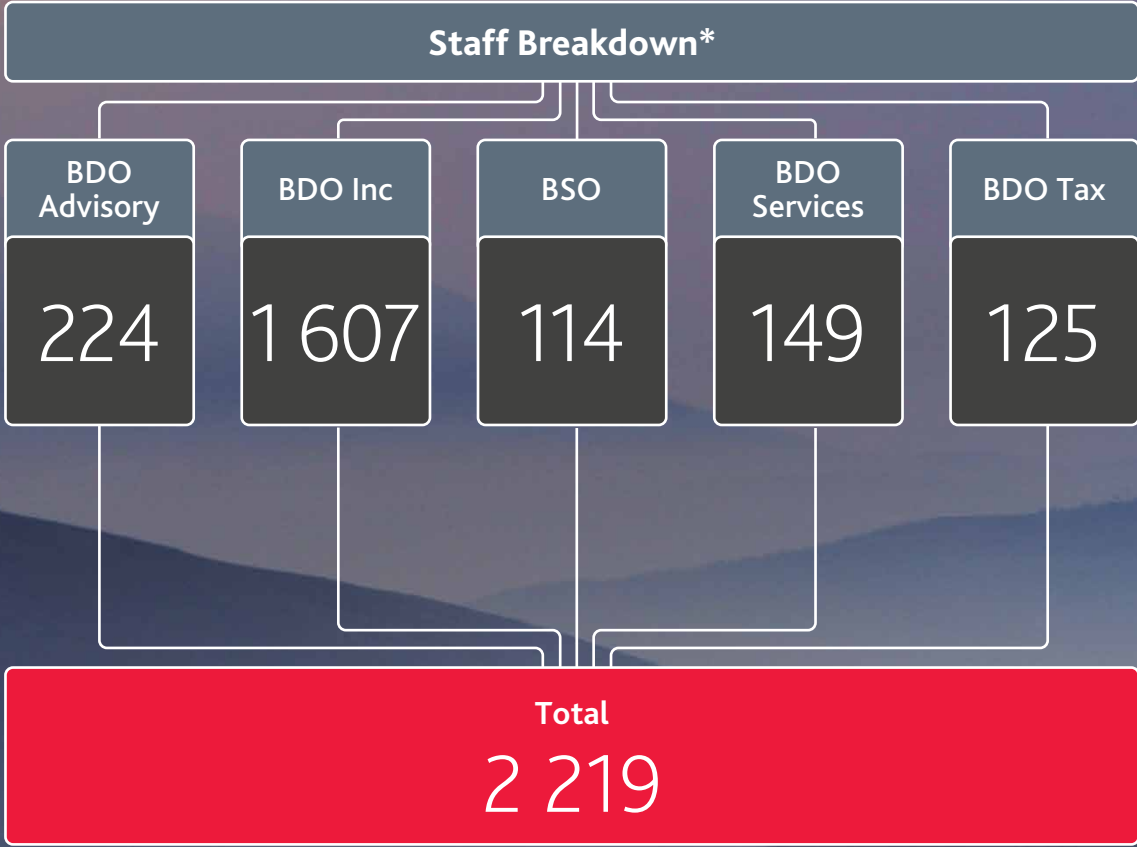
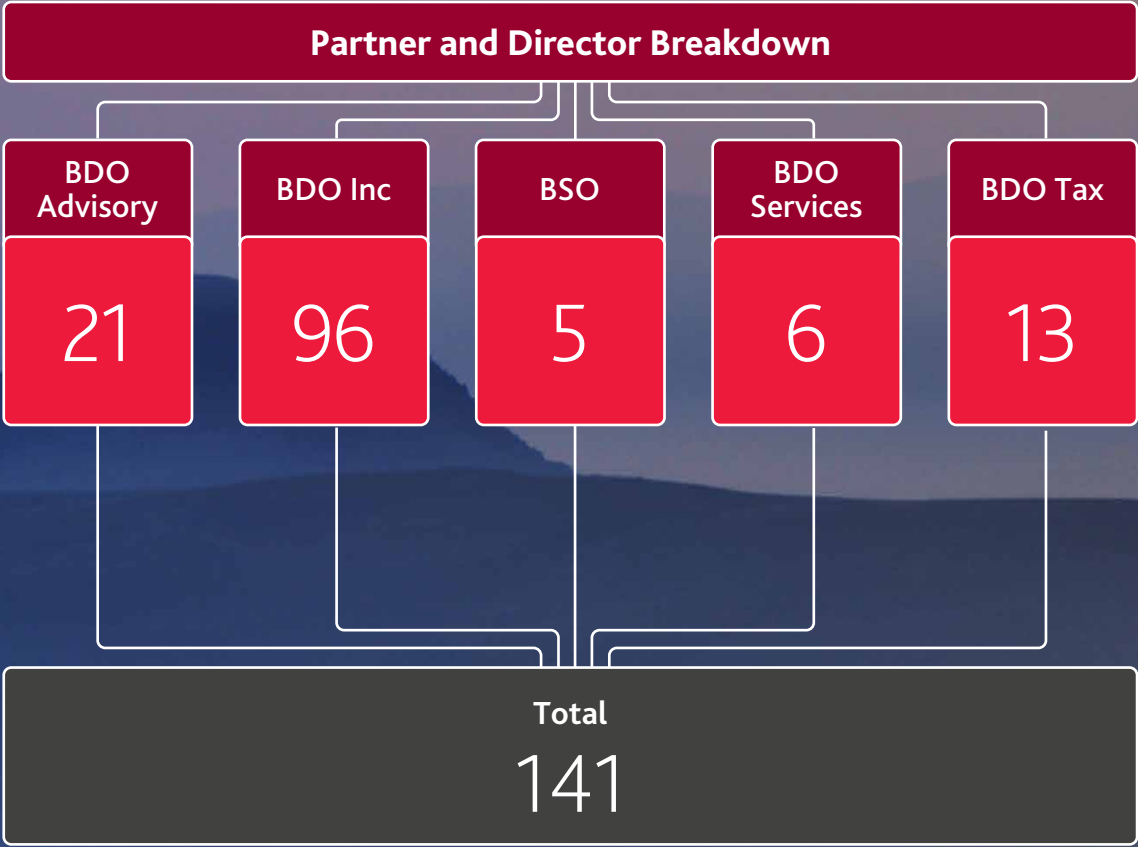
In South Africa, we are aware of the major skills gap in the country, and we have made a deliberate effort to contribute to filling this gap in recent years.

In the 2023 financial year-end we partnered with Yes4Youth, employing 32 Yes Interns to take on various roles across our South African offices for a period of 12 months. For many graduates of the Yes4Youth programme, the experience, CV and reference letter have been a passport to permanent, entry-level work.

Information as at 31 March 2023



E Our employees: People & Culture information



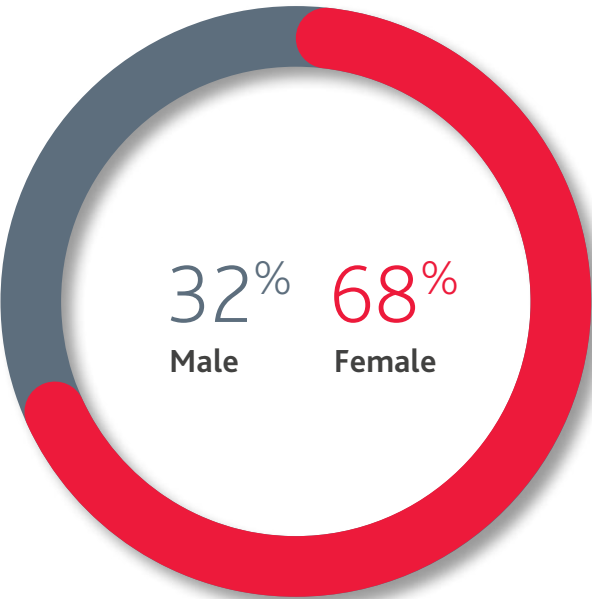
* Excludes Partners and Directors



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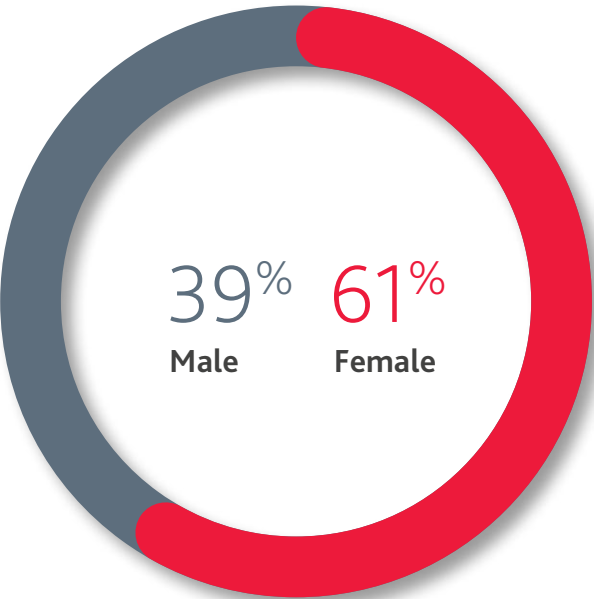
Our employees: People & Culture information

Ownership*



* Based on the verification done during this financial year

Firm Wide Demographics



Firm Wide Demographics**

Promotions per race and gender	
Service Line	Number of Promotions
Advisory	38
BSO	11
Inc	86
Shared Services	15
Tax	15
Total	165

Promotions per race and gender		
Race	Male	Female
African	21	36
Coloured	10	8
Indian	11	20
White	17	39
Non-South African	2	1
Total	61	104

Associate Director promotions		
Race	Male	Female
African	0	1
Coloured	1	1
Indian	0	1
White	2	5
Total	3	8

Partner/Director appointments/promotions		
Race	Male	Female
African	4	4
Coloured	0	2
Indian	3	2
White	3	8
Total	10	16

** Period an April 2022 to March 2023

Appointments 2022/23*

Total Appointments	Graduates
795	277

Career advancement

Over the 2022/2023 Financial Year, we promoted 165 employees. This reflects a 23% increase in the number of promotions compared to the previous year. Of the individuals promoted, 37% are Black and 63% are Female.

E Our employees: People & Culture information

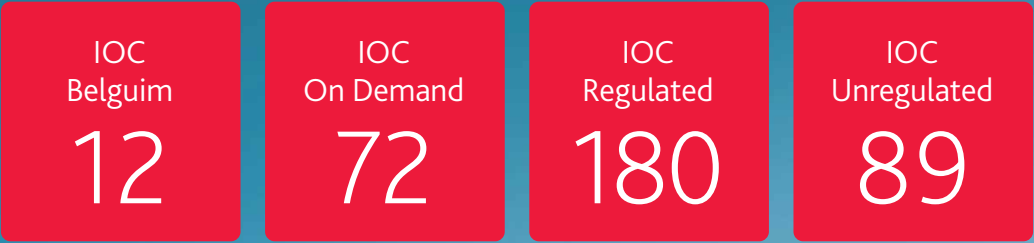
BDO Offshore Solutions (IOC) – Unmatched In The International Resourcing Market

Unlike outsourcing to a low-cost, high-volume centre, BDO Offshore Solutions is a team of dedicated internal staff, in a permanent partnership with the global BDO network firms. Working together with BDO US LLP, BDO UK LLP and BDO Belgium, the team completes complex, location-specific assignments from our Gqeberha, Stellenbosch, Durban, Johannesburg and Pretoria offices.

Since its inception on 20 May 2022, due to ever-increasing demand for quality resources, the team has grown in leaps and bounds. As a centre of excellence delivering high quality private and listed company audits in Belgium, the UK and US respectively, they are a one-team-to-market of specialised resources and BDO brand ambassadors.

The level of expertise required to join the IOC team is based on BDO's world-class standards and critical success factors. Demonstrating BDO's culture of excellence is a requirement, with training and quality as non-negotiable factors.

Size of team:



E

Our people: Financial information

Director remuneration and pay gaps 2023			
Remuneration	March 2023	March 2022	March 2021
Average total compensation per director	R2.6 million	R2.7 million	R2.7 million
Remuneration	March 2023	March 2022	March 2021
Average female director earnings as a percentage of average male director earnings*	82%	86%	85%
Remuneration	March 2023	March 2022	March 2021
Average ACI director earnings as a percentage of average non-ACI director earnings	94%	95%	97%
Representation	March 2023	March 2022	March 2021
Percentage of all directors who are female	37%	34%	33%
Percentage of all directors who are ACI	36%	31%	26%

* Decrease due to junior female director promotions.

Transformation pay gaps 2023***			
Transformation categories	Number of staff (all races)	Average ACI employee earnings as a percentage of average non-ACI employee earnings	ACI employee representation per category
Unskilled	44	100%	100%
Semi-skilled	97	72%	97%
Junior management	1720	82%	78%
Middle management	270	96%	66%
Senior management	86	103%	53%
Other executive management	59	103%	47%

*** As at March 2023 and excludes associate companies and interns

Gender pay gaps 2023**			
Transformation categories	Number of staff (all genders)	Average female earnings as a percentage of average male earnings	Female representation per category
Unskilled	44	82%	68%
Semi-skilled	94	90%	67%
Junior management	1720	95%	63%
Middle management	270	94%	61%
Senior management	86	98%	58%
Other executive management	59	98%	64%

** As at March 2023 and excludes associate companies and interns

“Despite a challenging year, our resilience and collective effort allowed us to navigate difficult circumstances and maintain stability. While we faced setbacks, our commitment ensured we remained on solid ground, ready for future growth.”

Daniel Botha, CFO, BDO South Africa

E

Our people: Financial information

Financial information			
Revenue growth	March 2023	March 2022	March 2021
Overall	25%	8%	14%
Audit	32%	19%	22%
Advisory	17%	-7%	-6%
Tax	-3%	3%	-1%
Total revenue	March 2023	March 2022	March 2021
Total firm review (R'm)	1 984	1 651	1 525
Audit	1 284	971	813
%Audit to PIE	38%	45%	48%
%Audit to Non-PIE	62%	55%	52%
Advisory (R'm)	345	295	318
Non-audit related services as % of audit fees to high risk audit clients (per IRBA declaration for calendar 2022)*	4.2%	1.6%	2.3%
Tax (R'm)	160	165	160
Other service lines (R'm)	195	220	234



F Sustainability

In fulfilling our sustainability objectives, BDO South Africa is committed to operating with integrity, supporting environmental sustainability and building a diverse and inclusive work environment.

As part of our environmental considerations, we have incorporated two specific SDGs into our ESG Policy (SDG 12 and SDG 13), which form the basis of our approach to our environmental impact and underpin how we consider initiatives and target setting in our sustainability journey.

In terms of SDG 12, BDO global has initiated the monitoring of consumption and production of identified material – paper, laptops – as well as our waste, to determine effective measures to be applied. As BDO South Africa, we support the net zero target set out by the BDO Global Office as part of the Net Zero Financial Service Providers Alliance (NZFSPA).

Our business continues to support the goal of net zero greenhouse gas (GHG) emissions by 2050 or sooner. This further aligns with our guiding policy and implementation plan to ensure that BDO South Africa remains on track with the global sustainability objectives in an ever-changing business landscape. This has necessitated the strategic implementation of assessments and measures to fulfil the aim of SDG 13 – **to take urgent action to combat climate change and its impacts**.



Managing our Environmental Footprint

The past year presented opportunities and progress towards our internal sustainability objectives. Our Sustainability Report 2021 illustrated limitations related to our environmental indicator data collection. Action was taken to address these limitations and the following was achieved during FY2022:

- Data collection** – water, energy and waste baseline data has been collected to act as a benchmark for future reporting and analytical understanding.
- Data analysis and measuring** – analytical processing of data collected against sustainability targets to reduce environmental impact, introduce sound tools to drive efficiency, as well as inform strategic decision making.
- Recommendations and opportunities** – a sustainability action plan has been developed to guide the actions to be implemented in fulfilling our sustainability objectives.
- Monitoring as a measure to track progress** – this has been initiated to ensure that actions are measurable and actioned. This is critical to the business as it allows for gaps to be identified and opportunities acted on effectively.
- Reporting** – an annual GHG inventory was conducted to ensure that we measure, monitor and transparently communicate our environmental footprint, including water, waste and land, as well as establish suitable options to reduce our carbon emissions. See the section on “Understanding our impact on climate change” below.
- Training and awareness** – ensuring that all employees and stakeholders are aware of our sustainability commitments through different environmental campaigns. The sustainability team has initiated awareness sessions in this regard.
- Digital realm** – investment in digital transformation and technologies, which supports our desire for sustainable efficiency and improvements in analytical data processing.



F

Sustainability

Understanding our impact on Climate Change

With growing pressure and the need to address climate change, BDO has different focus areas which align with SDG 13 and promote climate resilience. To improve understanding of BDO's role in climate action and climate-related risks, we conducted our first GHG inventory for FY2022 to:

- i. gather baseline data
- ii. identify appropriate low-carbon growth opportunities
- iii. implement climate change-related strategies.

In fulfilling the objectives of the GHG inventory, several indicators were determined in line with our operational activities and climate action targets. These included energy, water and waste, all key indicators used and analysed in terms of our emission sources.

Based on this initial GHG inventory, the profile of BDO South Africa's GHG emissions were determined using the ISO 14064-1:2018 standard. The main emission sources are as follows:

- ▶ Direct GHG emissions (previously Scope 1 emissions, as per ISO 14064-1:2006), which are classified as emissions from sources owned or controlled by BDO South Africa. Our direct emissions arise from the combustion of petrol in company-owned vehicles and diesel consumed by generators at various BDO offices.
- ▶ Indirect GHG emissions from imported energy (previously Scope 2 emissions, as per ISO 14064-1:2006), which arise from grid electricity consumption. This is both a function of the type of services being rendered, as well as the availability of data.
- ▶ Other indirect GHG emissions (previously Scope 3 emissions, as per ISO 14064-1:2006), are those emissions (other than indirect GHG emissions from imported energy) due to activities that occur at sources owned or controlled by another company. These include, but are not limited to, employee commuting, which the company does not directly influence, but are driven by unavoidable activities conducted in the operation of our business. These indirect emissions can occur either upstream or downstream of business operations. Upstream emissions are typically related to purchased or acquired goods and services. Downstream indirect emissions are those pertaining to sold goods and services, including investments.

The ISO 14064-1:2018 standard classifies its emission sources into six categories. In understanding BDO's position, our operational activities were grouped into these different categories to understand the extent of the emission profiles. To visually demonstrate BDO's activities in relation to these categories, see the diagram below. It may further be noted that Category 5 – Indirect GHG emissions associated with the use of an organisation's products - is excluded.

BDO South Africa Emission Sources

- ▶ **Category 1:** Fuel consumed by vehicles and generators owned by BDO.
- ▶ **Category 2:** Electricity purchased.
- ▶ **Category 3:** Employee commuting.
- ▶ **Category 4:** Paper consumption, computers and/or printers ordered.
- ▶ **Category 6:** Waste generated and water consumed.

In terms of the data collected and associated assumptions: Category 2 (indirect emissions from imported energy) was the largest source of emissions at 3 383t CO₂e, followed by 2 334t CO₂e for Category 3 (indirect emissions from transportation). The results presented for both categories are based on the daily use of energy and fuel through electricity, transportation, employee commuting (air, land and rental) and client engagement.

The data was not collected in FY 2022/2023 and will be relooked at in more detail for FY 2023/2024.

F

Sustainability

Summary of Significant Indirect GHG Emissions (Scope 3):

Climate Change Mitigation Initiatives

Energy

Purchased electricity consumption is one of the leading contributors to total emissions generated by the business, we as BDO are actively monitoring and further exploring measures to support improved energy efficiency and contribute to better energy management. With the 2022 GHG Inventory as the base year, initial steps to understand energy use and consumption have been initiated. Gaps and opportunities related to energy data have been critically analysed to better improve the data collection process and promote energy efficiency within BDO South Africa.

Energy supply security is a national priority considering the production, access and reliability of energy supply. With the challenges encountered, the need for a just energy transition is more imperative than ever.

Waste

BDO has initiated providing alternatives regarding its general waste and wastepaper. In terms of paper, this was escalated by the introduction of a tool that allows employees to work more efficiently, by sharing documentation and collaborating electronically without relying on printed paper. We appreciate the need to implement an efficient waste management action plan. To decrease the volumes of waste produced in our offices, some of the practices within some of the BDO offices include:

- ▶ Eco-cups are sold to limit the use of single-use coffee cups.
- ▶ The cafeteria offers plates and cutlery to limit the use of disposable food packaging, no longer supplies plastic knives, forks and/or spoons – Durban, Pretoria and Johannesburg Offices.

- ▶ Wooden sticks are used instead of plastic spoons for tea/coffee and strategically placed at coffee/tea stations – Pretoria and Johannesburg Offices.
- ▶ BDO personnel are all provided with a plastic water bottle, which encourages the move away from bottled water.
- ▶ All waste is separated in our waste disposal area, we have a contractor on site that manages this, collecting all waste and recycling for the Johannesburg Office.
- ▶ The cleaning contractors have sorters on site that separate and recycle refuse to divert from landfill. However, this has not yet fully been rolled out in all offices.
- ▶ With key opportunities identified, we are currently working on a waste management baseline that will enable greater monitoring and possibly additional recycling of waste alternatives as well as awareness campaigns.

Water

Given that water is a scarce resource in most regions of South Africa, BDO's water consumption is monitored to identify gaps and opportunities to minimise its use and any wastage. This is in line with our responsibilities as a responsible corporate citizen.

BDO South Africa has collected baseline data to inform future planning and monitoring of water consumption at our offices. This is critical in ensuring that the necessary measures are applied to monitor water use and to establish sound measures to further limit volumes consumed. With key opportunities identified, further action is planned to better report and implement water-saving strategies.

Way forward

We understand that the impacts of climate change will exacerbate existing social challenges and therefore we all need to play our part in curbing those impacts. Therefore, key to our own carbon mitigation journey is:

- 1

Understanding our impact – what does the data mean?
- 2

Unpacking our data - what are the inter-relationships we need to assess and how can we improve on what data we collect and how?
- 3

Defining applicable steps – what short-, medium- and long-term actions can we take?
- 4

Monitoring – what is the implementation progress of present actions?

In maximising our carbon mitigation journey, the following short-term actions have been considered for implementation to ensure continual improvement and efficiency in the journey.

F Sustainability

1

Training and awareness

This includes training of the sustainability team to drive continual learning and best practice on the carbon mitigation journey. Further actions to drive awareness of associated BDO stakeholders is encouraged and will be implemented.

2

Improved Data Collection

Data collected influences the results presented and comparability for future reporting. More measures are foreseen to introduce more effective means of collecting and managing data within the BDO offices.

3

Waste Management

To better handle and manage waste, waste mitigation and awareness initiatives are planned. This includes but is not restricted to inhouse recycling facilities, as well as tracking and facilitating recycling campaigns.

4

Offset

To curb total GHG emissions, more effort and more meaningful strategies are being considered and strategically planned. While still at a conceptual level, these strategies are aimed at counterbalancing any significant impacts of BDO's operational activities on the environment.

5

Task Force on Climate-Related Financial Disclosures (TCFD)

The increasing need to report on and disclose climate-related risks is critical in understanding our carbon footprint and climate impact. The TCFD recommendations are being taken into account for better implementation and readiness for future application.

BDO South Africa

Tiered Environmental

Sustainability Transition

Journey

F Sustainability

Key achievements

In line with our commitment to drive sustainability, BDO is evaluating the structures and gaps prohibiting a thorough activation of our sustainability transition journey. In our bid to reduce GHG emissions and improve environmental indicators, BDO currently has the following measures in place at respective offices:

Cape Town

As part of Cape Town office Sustainability Initiatives we have done the following:

- ▶ Reduced ordering of photocopier paper – went from 350 reams per month to 100 reams per 5 weeks.
- ▶ No use of plastic in office.
- ▶ All Milk bottles are collected by Koolwaste recycling.
- ▶ 90% compliant on scanning project and electronic documents – reduced usage of paper.
- ▶ Cleared out over 2 000 boxes of filing – scanned and sent to recycling.
- ▶ All Cardboard collected and sent for recycling.
- ▶ Cleardata bins on each floor for shredding and recycling – this has reduced over time – used to be weekly collection now done monthly.
- ▶ Reuse water cooler bottles in office.
- ▶ Use of glass bottles for water in meeting rooms (no longer purchase plastic bottled water – instead we have a water machine that dispenses still and sparkling water).

Durban

Improvements to our Durban office's sustainability by considering the following:

- ▶ The existing electrical system was already highly efficient. We've further improved on this by upgraded all lighting to more efficient LED fittings with motion sensors in the office area.
- ▶ All new office furniture was selected with sustainability in mind. Our selected supplier, use imported and local board. Their boards are produced with timber, from purpose-planted sustainable forests. These boards carry an E1 rating, which meets the European Occupational health standards -the sustainable choice. They are the first furniture factory in South Africa to be ISO9001 accredited, which means each item is manufactured to exact required specifications, standards and quality.

- ▶ The use of biophilia (live indoor plants) which when considering sustainability fall into the IEQ category (Indoor Environment Quality) which primary focus is:
 - Formaldehyde Minimisation.
 - VOC reduction / removal.
 - Individual comfort control.
 - CO² Reduction.
- ▶ The selection of water heating solutions for general staff use was considered and we've specified the most energy efficient solution for the number of people in the building.
- ▶ Also of relevance, the building is historically a green star rated building. The features to achieve this rating when first built includes:
- ▶ The project has reduced its peak energy demand by 37% via the installation of an ice storage chilled water system.
- ▶ Sub metering of energy and water has been included in the design, and a BMS monitors all usage.
- ▶ Hot water is provided by heat pump. Water is reduced through the use of low flow fittings, and a/c condensate is collected for use in the change room toilets.
- ▶ 15 litres of fresh air is provided per second per person ensuring that there is little chance of indoor pollutant build up in the usable area.
- ▶ All paints, adhesives, sealants and carpets specified in the base building contained low levels of volatile organic compounds.



F Sustainability

Gqeberha

- ▶ Paper – we minimise using paper and mainly use electronic filing and communication. All shredding is collected by a specific supplier, then recycled appropriately.
- ▶ Water – Instead of bottled water we have water coolers
- ▶ Lights – some areas in office makes use of timer switches so that lighting switches off if an area is not in use
- ▶ Canteen – we do not use plastic utensils, i.e. knives, forks, spoons
- ▶ We have an agreed aircon temperature for the IOC office, based on the H&S and Labour guide for SA, and there are no open windows in the general office space, for more efficient climate control.

Johannesburg

- ▶ Canteen – our take away packaging are all biodegradable as far as possible.
- ▶ Waste management – contracted to Skip Waste that recycles all on our behalf.
- ▶ Office lighting – to replace all office lights with LED panels – currently in proposal/ tender mode.
- ▶ Power in discussions to install solar power.
- ▶ Paper – all shredding done on site and then it gets recycled appropriately.

Pretoria

- ▶ Our Pretoria office use minimal plastic products.
- ▶ Water filtration systems are used, rather than water bottles/water coolers.
- ▶ Our Pretoria office is designed and built to ensure the least water and electricity consumption possible.
- ▶ Waste management – the landlord provides a recycle system on site.
- ▶ Office lighting – LED where possible (almost all lighting)
- ▶ Paper – all shredding done by Iron Mountain on site who then recycles appropriately.
- ▶ No opening windows for more efficient climate control.

G

Risk Management

BDO South Africa (BDO) has an established National Risk Committee (NRC) that is responsible for ensuring that BDO adheres to good corporate governance principles (including enterprise-wide risk management), achieves regulatory compliance and protects the assets and the reputation of BDO through risk management and quality control processes.

This committee also addresses the succession planning of key risk positions within BDO and liaises with BDO International on relevant risk matters.

National risk management committee (NRC)		
2023 members	Regional office risk partners	Other members
▶ National Head of Risk Management: Keith Bowman (Chair) ▶ National Head of Quality Management: Christel Pretorius	▶ Cape Town: Keith Bowman ▶ Durban: Stuart Mcilroy* ▶ Gqeberha: Mark Willimott ▶ Johannesburg: Garron Chaitowitz ▶ Pretoria: Tinus Jansen van Vuuren	▶ Johannesburg: Japie Schoeman

* Stuart Mcilroy has been replaced by Catherine Tillard

In addition to the National Risk Committee, National Risk Management, including the legal function, is entrusted with the responsibility of ensuring adherence to good corporate governance principles with BDO South Africa and its network firms.

Responsibilities and duties

The National Risk Committee is responsible for ensuring that BDO adheres to good corporate governance principles (including enterprise-wide risk management), achieves regulatory compliance and protects the assets and the reputation of BDO through risk management and quality management processes.

The primary responsibility of the National Risk Committee is to oversee and approve the company-wide risk management practices to assist the EXCO in:

- ▶ Overseeing that the executive team identified and assessed all the risks that the organisation faces and has established a risk management infrastructure capable of addressing those risks.
- ▶ Overseeing, in conjunction with other oversight committees, risks such as strategic, financial, IT, legal, regulatory, quality, reputational and other risks.
- ▶ Overseeing the division of risk-related responsibilities to each committee as clearly as possible and performing a gap analysis to determine that the oversight of any risks is not missed.
- ▶ Approving the company's enterprise-wide risk management framework.
- ▶ Approving the company's policies, terms of references, director and partner admissions, as well as any other processes and procedures.
- ▶ In carrying out its duties and responsibilities, the National Risk Committee has the authority to meet with and seek any information it requires from employees, officers, directors or external parties.
- ▶ During the past year, the Committee reviewed and refreshed its assessment of the risks facing the firm, including those which could result in loss, damage to reputation and failure to deliver an exceptional client service.

G

Risk Management

Principal risks and uncertainties

The key risks and responses faced by our business are summarised below:

Data Breaches and Cybersecurity Threats

BDO faces significant risks as a result of data breaches and cybersecurity threats due to the vast amounts of sensitive data that it holds. The primary threats include unauthorised access, ransomware attacks, phishing, social engineering, and data loss. Unauthorised access and ransomware attacks can compromise data integrity and cause operational disruptions, while phishing and social engineering tactics exploit human vulnerabilities to steal sensitive information. Data loss due to accidental deletion or inadequate backup processes further exacerbates these risks, potentially leading to severe breaches of client confidentiality and compliance challenges.

To mitigate these risks, BDO has adopted comprehensive cybersecurity strategies which includes but is not limited to a robust cybersecurity framework with up-to-date policies and procedures, strong data encryption, and strict access controls is essential. BDO provides regular employee training on cybersecurity in the effort to significantly reduce the risk of human error. Additionally, BDO has developed and updated incident response and disaster recovery plans ensure preparedness for quick and effective responses to cyber incidents.

Business continuity risks

In 2023, significant concerns arose regarding a potential national grid failure due to the countries deteriorating infrastructure. This threat not only jeopardised BDO’s business continuity but also had broader implications for the country and its citizens beyond mere operational challenges.

To address this, BDO continues to make strategic investments in technological capabilities, enabling our workforce to seamlessly work remotely with minimal disruptions. Additionally, contingency plans were established in collaboration with neighbouring firms. These plans would come into play in the event of a national grid failure, ensuring that BDO could continue serving its foreign clients without interruption.

BDO remains committed to adapting to and mitigating technology-related risks. Regular penetration tests, vulnerability assessments, and network security reviews are integral components of our risk management strategy. By proactively addressing these challenges, BDO upholds its commitment to clients and maintains operational resilience.

People and talent

BDO faces significant challenges in the realm of talent and human resources. The shrinking talent pool within the market and the emigration of high-potential individuals abroad pose risks. BDO continues to proactively seek fresh talent to replenish its workforce. By identifying promising candidates and fostering a welcoming environment, BDO aims to attract skilled professionals. Additionally, BDO recognises the value of experienced staff and focuses on retaining high-performing employees. Competitive compensation, growth opportunities, and a positive work culture contribute to staff retention. Further strategies includes:

- ▶ Maintaining a dedicated presence at university and career forums
- ▶ Conducting regular engagement surveys and acting on areas of concern, while offering regular wellness counselling through our in-house psychologists
- ▶ Building our teams' capacities through management development programmes
- ▶ Developing retention strategies, succession planning managerial programmes and career paths
- ▶ Workload management
- ▶ Benchmarking salaries.

Public perception and reputation

BDO recognises that its reputation is a valuable asset. How the firm is perceived by clients, stakeholders, and the public directly impacts its success and sustainability. Negative perceptions can lead to loss of trust, decreased business opportunities, and potential legal or regulatory challenges.

BDO responds transparently to issues raised by the environment and adverse media coverage and encourages open communication helps maintain trust. BDO fosters a culture of integrity, guided by its Clarity brand positioning and refreshed values. Additionally, BDO has adopted rigorous procedures to help assess reputational and independence concerns before engaging with clients. BDO’s commitment to transparency, integrity, and robust procedures helps safeguard its reputation and maintain public trust. By addressing reputational risks proactively, BDO strives to uphold ethical standards and foster a positive perception in the market.

Regulatory compliance

BDO faces an ever-evolving landscape of regulations and standards, demanding vigilant attention. As regulatory scrutiny and pressure increase, our ability to serve clients effectively is directly impacted. BDO’s continuous growth and diverse service offerings create opportunities for engagement with various parties, but this also introduces risks to our objectivity, confidentiality and compliance with various laws, regulations and standards.

- ▶ To bolster our regulatory compliance efforts, BDO strategically divided the Risk Management and Compliance functions. Each area now receives dedicated focus and resources to mitigate risk effectively. Notably, our Risk Management team has expanded significantly, including several Admitted Attorneys who safeguard the firm’s interests. All staff members are required to complete annual declarations to reinforce their commitment to ethics and independence. Clear policies, procedures and guidance are available internally and within the BDO network of firms.

Both internal and external legal resources contribute to our robust risk management framework.

H Ethics and Compliance

We are dedicated to upholding the highest standards of ethics and compliance, in accordance with internal policies and external laws and regulations. All our partners, directors and employees are expected to uphold the highest degree of ethical, legal and professional conduct.

Leading from the top

Our leadership fosters a culture that embraces high standards in independence and professional ethics. We embed this culture through detailed policies on matters such as ethical behaviour and engagement performance.

Our leaders also frequently and consistently communicate BDO's purpose and values.

Ethics

BDO in South Africa has adopted the IRBA Code and the SAICA Code as the authoritative reference point for all matters dealing with ethics in carrying out audit services, as well as non-audit services. The IRBA Code and SAICA Code are consistent in matters which aligns with International Ethics Standards Board for Accountants (IESBA) Code.

In addition, every BDO employee is responsible for consistently following BDO's Code of Conduct and policies and procedures, as well as for choosing the right course of action if faced with an ethical workplace dilemma. All staff members must complete an annual ethics and independence declaration to confirm their compliance with the member firm's Code of Conduct, policies and procedures, and BDO values.

Our policies and procedures govern the actions and working relationships of our partners, directors and employees with current and potential clients, fellow employees, competitors, government and regulatory agencies, the public, the media and anyone else we have contact with. Compliance with these policies and procedures are conditions of employment and partnership with BDO in South Africa, and failure to adhere to their provisions may result in disciplinary action, including termination of service or employment.

Ethics Monitor Survey

The results from our October 2021 Ethics Monitor survey have guided us in understanding our ethical compass.

The Ethics Monitor is a web-based, mobi-friendly survey that assesses the degree of ethical performance and behaviour as practiced, experienced and perceived by all employees, including management. It produces in-depth results that quantify an organisation's ethics, allowing for accurate reporting and providing meaningful information to address any ethical or other areas of concern.

Following the results, BDO achieved a AAA rating, making it only the third company among all the Ethics Monitor surveys to achieve this result. This follows a AAA result in 2019, which improved upon the previous results of an A in 2017 and AA in 2016.

Overall, the leadership results of the survey were very good, highlighting the positive ethical effect experienced throughout the organisation. Other notable results included:

- ▶ A clear, ethical tone at the top
- ▶ Awareness of the risk of ethical complacency
- ▶ Commitment to personal professional standing and reputation
- ▶ Daily emails about new clients e.g. to protect independence and avoid conflicts of interest
- ▶ Commitment to professional bodies.

In terms of unethical behaviours, the survey results reflected little to no ethical risk. The top factors that were considered to minimise unethical conduct most effectively were:

- ▶ External stakeholder expectations e.g. IRBA or clients
- ▶ Personal reputational damage and compromised career prospects caused by being dismissed
- ▶ Industry/professional rules and regulations
- ▶ Commitment to independence in line with professional requirements

The results of BDO's ethical survey, which also considers stakeholders, their interests, the triple bottom line and corporate citizenship, further indicated a substantial level of stakeholder inclusion. When it came to BDO's social and environmental responsibilities, scores reflected a good improvement, with variances at branch and departmental levels that reveal these efforts are not occurring, or being recognised, throughout the organisation. Interestingly, the highest scores in this section came from employees and the lowest from partners and directors.



H Ethics and Compliance

Independence

Independence is the foundation of a quality audit and the baseline for confidence in the capital markets. It's at the core of our profession and built into every action our professionals take, or don't take. It's also an essential part of our policies and procedures so that we can ensure each professional is free from outside influences or conflicts in performing services and reaching audit opinions.

Our experienced team of dedicated professionals helps our leadership, partners and engagement teams understand, implement and comply with independence requirements and work toward enhancing system capabilities in performing complex conflict checks across our global network.

The team is responsible for monitoring the propriety of employee investing activity; for preventing and detecting independence issues; and for conducting independent audits and other compliance processes, in line with BDO's policies and procedures.

A list of restricted entities (local and global clients) in which no employee may invest, is available on our intranet, accessible to all employees to guide them in their investment decisions. In all cases where BDO takes on a new client or client base through a merger or acquisition and an employee owns shares in such an entity, the disposal of such shares is required.

Delivering non-audit services to audit clients

We comply with all relevant Codes of Professional Conduct and the requirements of the Companies Act of South Africa, as well as our own independence policies.

All non-audit work goes through our client acceptance process, from where the proposed services are assessed for independence and conflict of interest by National Compliance, in conjunction with the engagement partner.

Confirmations

Our employees are all required to confirm their compliance with BDO's independence policies and procedures when they join the Firm and annually thereafter.

The confirmation is used to evidence the individual's understanding of our policies and procedures in relation to independence and conflict of interest matters, as well as to show that they have complied with these policies and procedures.

Our National Compliance team reviews the responses to the annual ethics and independence declaration process to identify, follow up and resolve possible conflicts, conflicts of interest or independence issues.

The Social and Ethics Committee (SEC)

The Committee is constituted as a committee of the Board of BDO in terms of section 72(4) of the Companies Act 71 of 2008, read with Regulation 43 of the Companies Regulations, 2011. The mandate of the SEC is to act as the social conscience for BDO by ensuring that it acts as a responsible corporate citizen. The SEC has also conformed to the the ten principles of the UN Global Compact.

The committee promotes and monitors the ethical behaviour of employees, board members, customers and suppliers paying attention to the following aspects in line with the SEC's mandate:

- ▶ conflicts of interest
- ▶ confidential information
- ▶ compliance with relevant laws
- ▶ workplace conduct
- ▶ business courtesies and gifts
- ▶ non-compliance with prescripts
- ▶ internal and external fraud collusion.

The committee took cognisance that its roles and responsibilities overlapped with those of the risk committee and Transformation Committee, with some aspects mentioned above. In these instances we considered the inputs we received through Risk Committee interaction as well as Transformation Committee attendance.

The committee consists of four members during 2022/23 were:

- ▶ Ntokozo Mojapelo (PTA)
- ▶ Donve Forbes (CPT)
- ▶ Stuart Mcilroy (KZN)
- ▶ Cobie van Antwerpen (JHB) - Interim Chairperson.

H Ethics and Compliance

Independence monitoring

BDO's monitoring of ethics includes:

- ▶ An investigation of all exceptions identified through BDO's annual independence declarations process
- ▶ Through the Firm's quality assurance review process:
- ▶ A review of compliance with our policies in relation to partner rotation; and
- ▶ A review of independence questionnaires completed on audit engagements.

The monitoring of compliance is a continuous process. We have a help desk through which employees can ask for guidance on any independence issues encountered.

Conflicts of interest

Conflicts of interest may prevent us from accepting a client or an engagement. It is the responsibility of our partners to identify possible conflicts and ensure that any such conflicts can be properly managed before an engagement is accepted.

Before accepting any new client or assurance engagement, our engagement teams must perform specific procedures to identify potential conflicts of interest and threats to our independence.

Procedures include:

- ▶ A custom-developed web-based tool to facilitate local and international conflict of interest and independence
- ▶ Checks throughout the BDO network
- ▶ An independence declaration per audit engagement, signed or confirmed by email by all partners and staff members who are involved in the performance of the audit engagement.

We also have a disciplinary structure in place to determine the appropriate sanction for any professional who violates the independence rules and firm policies and procedures.

We have two committees to assess client acceptance:

- ▶ Independence committee
- ▶ Public sector independence committee.

These committees investigate all contentious and borderline independence matters, conflicts of interest and reputational client acceptance/client re-acceptance issues, and advise the engaging partner/directors on whether to continue with the process or terminate the process/ relationship.

Our compliance team further remains focused on adhering to partner rotation rules and protocols. When needed, they assist engagement partners and the Head of Audit to prepare clients for transition of engagement.



Spotlight on Quality

Monitoring and Remediation

The Big Game Changer of 2022/2023

Even auditors have auditors. Since major audit scandals rocked the financial world globally, the umbrella standard published by the International Federation of Accountants (IFAC), required firms to take ownership of quality by introducing the concept of a SoQC. The former International Standard on Quality Control (ISQC 1) was revised in 2022 as the International Standard on Quality Management (ISQM 1 and ISQM 2) setting out the requirements for audit firms to follow. Although the changes seem grammatical by nature, the core differences call for specific enhanced processes of ongoing quality management which enables individuals with ultimate responsibility for quality (the CEO or Managing Partner) to conclude on the effectiveness of the system adopted, adapted, implemented and 'lived' by the firm, resulting in engagements that are reliable and compliant with International Standards, Legislation and Codes applicable, in addition to its own policies and procedures.

The ISQMs do not call for more compliance, but proactive risk identification, designed responses to manage these risks, and for an independent team to challenge the risks and test the firm's responses for adequacy and appropriateness. One of the main differences between the two standards is that ISQM 1 is far more 'proactive' than ISQC 1, requiring greater deliberation and tailoring to corrective action like RCA. A further clearly stipulated requirement is the importance of remediation, with an increased focus on risk reduction in support of the trust that users of financial statements place on audited results. BDO made significant investments over the past 3 years to develop a strong and compliant ISQM SoQM, and failure is not an option. The tone at the top is one of leading and supporting the network on a journey of non-comprisable quality in a sustainable manner, while supporting human capital.

Overview of the SoQM

International Standards on Quality Management 1 ('ISQM 1') became effective on 15 December 2022 and required firms to establish a System of Quality Management ('SoQM') which takes a proactive and risk-based approach to managing quality. BDO South Africa is responsible for designing, implementing and operating a SoQM for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm, to provide the firm with reasonable assurance that the objectives of the SoQM are being achieved.

The Firm has invested significant time and resources to establish and operate a SoQM that complies with ISQM 1 and achieves the objectives that:

- ▶ The Firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- ▶ Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

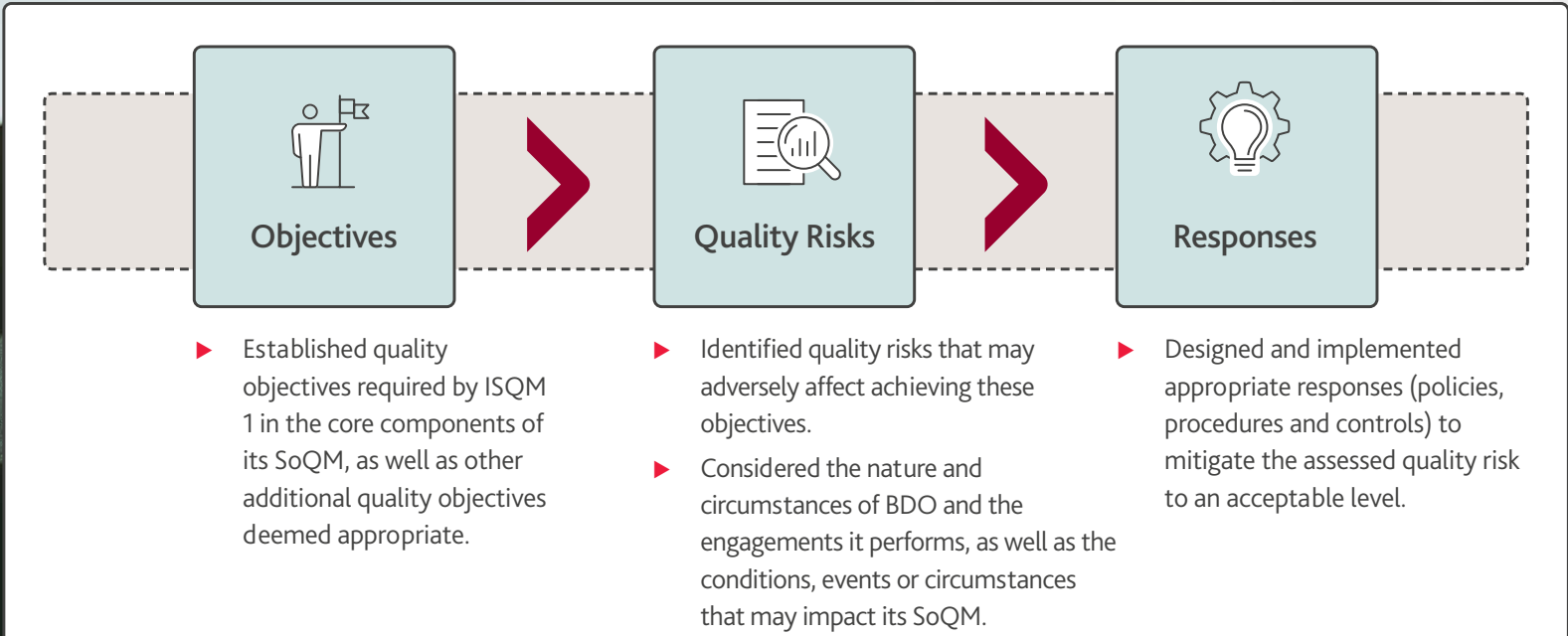
The Firm has adopted all of the quality objectives and specified responses as set out in ISQM 1 for all of the eight components covered by our SoQM. The eight components are:

1. The Firm's risk assessment process
2. Governance and leadership
3. Relevant ethical requirements
4. Acceptance and continuance of client relationships and specific engagements
5. Engagement performance
6. Resources
7. Information and communication
8. The Firm's monitoring and remediation process

Spotlight on Quality

These components operate in the Firm's SoQM in an iterative and integrated manner. Other requirements of ISQM 1 comprise the roles and responsibilities for the SoQM, leadership's overall evaluation of the system, network requirements or network services and documentation.

To support the achievement of the Firm's overall quality objectives, in establishing and continuously improving the Firm's SoQM, the Firm has carried out the following for each of the components of its SoQM:



Monitoring

The firm monitors the design, implementation and operating effectiveness of the SoQM to identify areas for improvement. Root cause analysis is performed on deficiencies identified and remedial actions are implemented on a timely basis. Considered the nature and circumstances of BDO and the engagements it performs, as well as the conditions, events or circumstances that may impact its SoQM.

The firm has established an Audit Quality Committee that is committed to driving and enforcing quality across all audit and assurance engagements. The purpose of this committee is to support the audit function, perform in-flight reviews, feed improvement matters to other training and technical committees and instill a collaborative and unwavering commitment to audit quality across the firm.

Spotlight on Quality

Risk Assessment process

The Firm identifies emerging developments and changes in the circumstances of the Firm or its engagements and adapts its SoQM to respond to such changes.

At least once a year, the Head of Quality Management performs a review and update of the firm's SoQM. The process includes the following:

1. Gathering relevant information on changes in the nature and circumstances of the firm, e.g. changes due to mergers or acquisitions or disinvestments; changes in the operational structure of the firm, specifically with respect to the business units performing engagements within the scope of ISQM 1; changes arising from quality events such as complaints and allegations.
2. Gathering relevant information on changes in the nature and circumstances of engagements performed by the firm, e.g. new or changes in industry opportunities taken on.
3. Gathering other information that may impact the identification and assessment of quality risks, e.g. risks identified through regulatory or global inspections; Risks identified through social media discussions about the firm.

Information is discussed with leadership to evaluate:

- ▶ If new quality risks are identified or if previous risk assessments need updating.
- ▶ If risks are appropriately identified and assessed based on complaints and allegations.
- ▶ If quality risks are properly identified and assessed through analysis of findings from other monitoring activities.

Monitoring and Remediation of the SoQM

Robust monitoring and remediation processes are an important component of the Firm's SoQM to ensure that the Firm continuously seeks to improve its quality processes. The monitoring performed may identify deficiencies in the Firm's SoQM. Deficiencies may exist where:

- ▶ A quality objective required to achieve the objectives of the SoQM is not established;
- ▶ A quality risk, or combination of quality risks is not identified or properly assessed;
- ▶ A response, or combination of responses, does not reduce to an acceptably low level the likelihood of a related quality risk occurring because the response is not properly designed, implemented, or operating effectively; or
- ▶ Another aspect of the SoQM is absent, or not properly designed, implemented, or operating effectively, such that a requirement of ISQM 1 has not been addressed.

A fundamental part of an effective monitoring and remediation process is to perform root cause analysis ('RCA') on the identified deficiencies to understand why deficiencies arose and to be able to design an effective remediation plan to prevent deficiencies from re-occurring in the future. Annually the Firm evaluates whether these deficiencies have a severe and/or pervasive impact on the achievement of the quality objectives in the Firm's SoQM.

Evaluating the SoQM

The Firm's annual evaluation of the SoQM considers information gathered about the design, implementation, and operation of the system of quality management from monitoring activities performed over the period up to the evaluation date. The monitoring activities include testing the operating effectiveness of responses, reviewing findings from internal and external inspections of engagements, and considering other relevant information obtained about the SoQM.

The Firm uses professional judgment and scepticism to evaluate the results of these monitoring activities to determine whether findings, individually or in aggregate, are assessed to be deficiencies in the SoQM. For all deficiencies identified, the root cause is investigated and the severity and pervasiveness of the deficiency on the SoQM, is evaluated individually and in aggregate with other identified deficiencies.

Reasonable assurance is obtained when the SoQM reduces to an acceptably low level the risk that the objectives of the SoQM are not achieved. Reasonable assurance is not an absolute level of assurance, because there are inherent limitations of a SoQM.

For all identified deficiencies, the Firm designs and implements remedial actions to address identified deficiencies that are responsive to the results of the RCA and remedial progress is monitored.

Statement on the Firm's evaluation of the SoQM

We conducted our evaluation in accordance with ISQM 1 and concluded that, except for matters related to the two deficiencies identified below, which have a severe but not pervasive effect on the design, implementation and operation of the SoQM, the Firm's SoQM provides the firm with reasonable assurance that the objectives of the SoQM are being achieved as of 31 October 2023.

- ▶ A deficiency related to engagement performance and project management not being formalised to effectively anticipate, identify and manage unexpected complications and delays that arise in the audit process, which affect how audit quality is achieved and ensured. This is not pervasive because in most audits significant complications and delays do not arise.
- ▶ A deficiency related to the Firm's resourcing processes regarding assignment of engagement team members, whereby they do not have sufficient time to conduct a quality engagement. This is not pervasive because in most audits the engagement teams have sufficient time to conduct a quality engagement.

J Engagement

Client and Engagement Acceptance and Re-Acceptance

BDO's success relies on its reputation for providing high-quality professional services to top-tier clients. Understanding and mitigating client and engagement risks is crucial. We have formal processes for client acceptance and re-acceptance to address risks before starting any services. At the client level, we perform checks to identify reputational risks. For engagements, we assess risks related to independence, conflicts of interest, necessary accreditations, and the adequacy of resources, skills, and experience to ensure quality.

Our risk assessment process to accept/reaccept a client/engagement

An automated process facilitates the acceptance and re-acceptance process which includes reputational checks, local and international conflict of interest checks and risk assessment questionnaires. Risk indicators have been created based on responses from the risk assessment questionnaires and all high-risk engagements require approval by the relevant office risk management partner, who, in turn can escalate matters to the said committees.

Key client acceptance/re-acceptance matters relating to independence, conflicts of interest and reputational concerns are escalated to the committees who assess the risks and possible mitigations and advise the engaging partner/directors on continuity or to terminate/decline the relationship and or specific engagement.

A Global Mandatory Consultation process requires consultation with BDO Global for acceptance and re-acceptance of assurance engagements with increased risk factors.

These include:

- ▶ Annual assurance fee exceeding 10% of BDO SA's total annual revenue.
- ▶ Total annual assurance fee from the client relationship exceeds USD \$1 million.
- ▶ Assurance service is to be provided by 10 or more other BDO Member Firms.
- ▶ Assurance engagements for digital asset business and digital asset service providers.

Restricted Entities

The global restricted entities database contain information (including group structures) of at least all public interest entity audit clients for which independence is required in the relevant jurisdiction. These entities would be restricted to relevant individuals from financial interests or other relationships and is critical for identifying and assessing entities where specific independence considerations would be applicable in the performance of non-assurance services.

The criteria for identification of Public Interest Entities (PIEs) within the firm:

- ▶ Public Interest entities are categorised in terms of the definitions set out in the IRBA Code. These definitions are contained in the firm's policy manuals, Client and Engagement Acceptance and Re-acceptance and Relevant Ethical Requirements and triggered in the acceptance questionnaire for new clients.

Is there an Appendix?

BDO's PIE clients

See [Appendix X](#) for a listing of PIEs for which the firm has carried out an audit of financial statements including those terminated or accepted because of the firm's decision to align with the IRBA's MAFR rules.

The impact of the MAFR rule on the firm's PIE audit clients:

- ▶ 31 May 2023 – the day the Supreme Court of Appeal ruled that Mandatory Audit Firm Rotation ("MAFR") is to be set aside! The first application of MAFR was for financial year-ends ending on or after 31 March 2024, however, most companies had already replaced their auditors or was in the process of appointing successors.
- ▶ Essentially, the net effect of MAFR is to impose restrictions on appointing the audit firm of choice. From a governance perspective, the Companies Act already places the onus on audit committees to oversee auditor independence, with King IV specifically recommending that audit committees make a statement noting that they have considered and are satisfied that the external auditor is independent of the entity.
- ▶ At BDO, we support any measure to enhance auditor independence, audit quality and the transformation of the profession. With over 300 JSE-listed entities and even though there are many audit firms, much of the JSE-listed audit market is still being retained by the big four audit firms. This concentration has made it difficult for other audit firms to gain access to the market.

J Engagement

The use of third parties | service providers

The firm is in the final stages of implementing enhanced risk management and independence processes and procedures relating to the use of third parties or service providers which will strengthen the processes already applied by the firm, in the onboarding of these individuals. A newly created Service Provider Request form, setting out information on the assessment outcome, experience and reason for employment will be tabled to the relevant Business Line Head for evaluation and approval.

Upon employment with the firm, before commencement of services to a client, the service provider is subject to the firm’s relevant ethical requirements including independence which is assessed based on responses from the service provider declaration and the mandatory attendance of independence training followed by the completion of a quiz in relation thereto.

Prior to sharing confidential client information with a third-party service provider, the Firm will inform the client, preferably in writing, and obtain the client’s approval for use of a third-party service provider on the assignment.

For the duration of the third party or service provider tenure with the firm, the individual shall abide by the firm’s policies and procedures as if they were permanently employed at the firm.

Our view on gifts, hospitality, and inducements

The firm and individuals in the firm are prohibited from accepting gifts and hospitality from an audit/assurance client unless the value is trivial and inconsequential. Similarly, the prohibition extends to the receipt and or offer of cash gifts from or to any client.

The prohibition from accepting or receiving, or encouraging others to accept or receive, any inducement that the firm or a reasonable and informed third party would conclude is made with the intent to improperly influence the behaviour of the recipient, or of another individual, extends to all individuals in BDO.

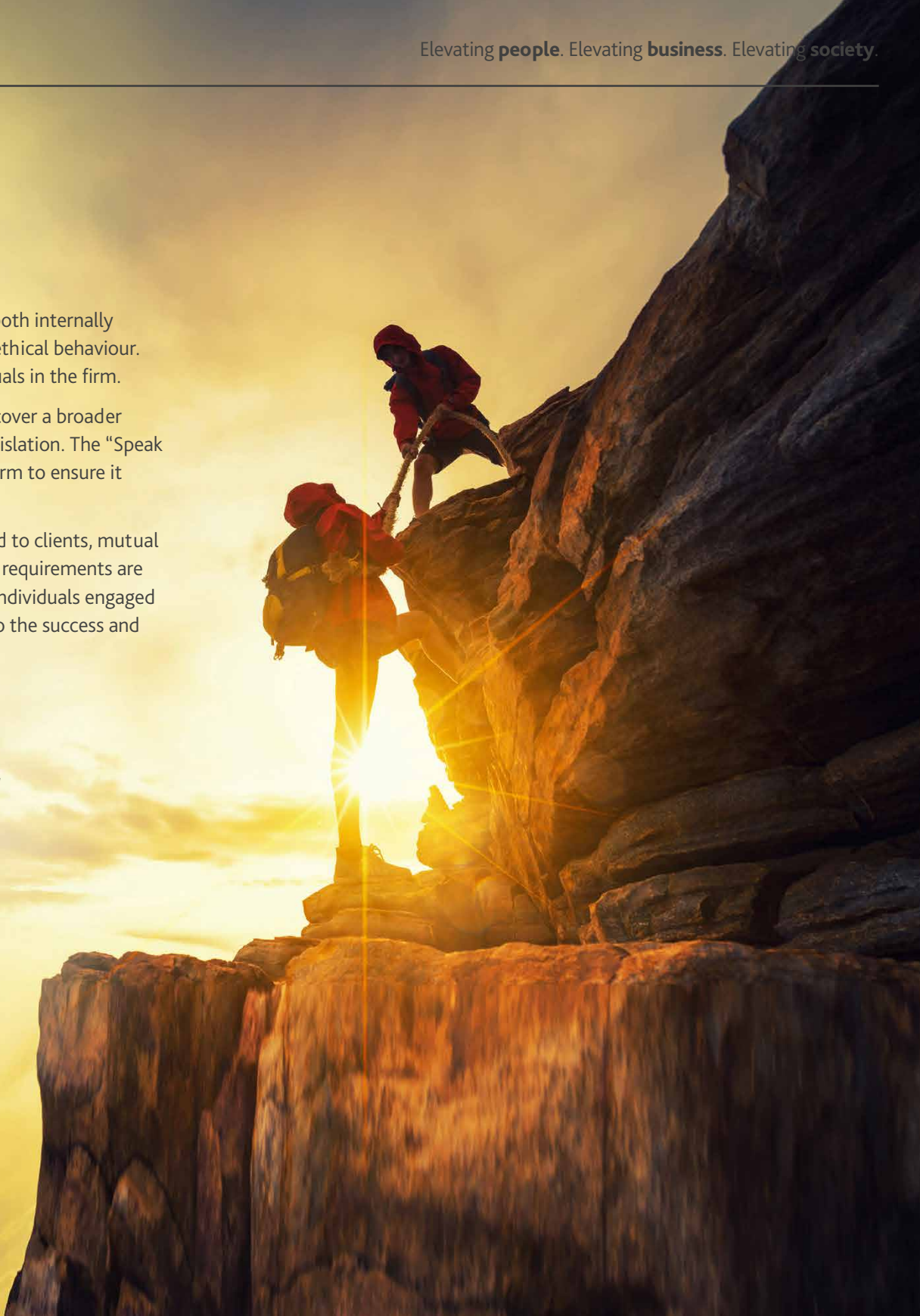
The BDO Tip Offs App and Speak Up policy

The BDO Tip-offs app is the firm’s mechanism for individuals both internally and externally to anonymously report any concern around unethical behaviour. Reports are evaluated and investigated by appropriate individuals in the firm.

A “Speak Up Policy” has been formulated for adoption which cover a broader range of conditions than those covered by whistle-blowing legislation. The “Speak Up Policy” forms part of the procedures implemented by the firm to ensure it adheres to the culture and standards of behaviour adopted.

The values of the firm in relation to quality of services provided to clients, mutual respect and adherence to our professional, legal and statutory requirements are integral to support our fundamental values and critical for all individuals engaged in the firm to communicate concerns that are of importance to the success and reputation of the firm.

The firm's continued success depends on its reputation as a provider of high-quality professional services which can only be maintained and enhanced if the BDO network, its partners and staff conduct themselves in accordance with the basic principles of professional ethics by delivering high quality professional services, as well as effective operational management.



J Engagement

The firm's independence processes in relation to the provision of Non-Audit Services to audit clients

A policy and process is in force aligning to the revised IRBA changes, outlining the circumstances in which the firm is permitted to provide Non-Audit Services to PIE clients. A NAS threat assessment form is tabled for approval by the ICARC, whereafter communication is submitted for concurrence and approval by TCWG.

ICARC reviews the independence assessment documented in the NAS threat assessment form, taking into consideration relevant legislation, ethical guidance, and the level of NAS fees relative to audit fees. The approval process is rigorously applied to prevent our auditors from functioning as management, auditing their own work, or serving in an advocacy role.

Non-Audit services can only commence following receipt of the signed concurrence letter from TCWG, whereafter the opportunity in relation thereto is released from independence.

Rotation of key individuals assigned to audit clients

The firm monitors the involvement of key audit personnel on PIE audit clients to ensure compliance with relevant independence rules, including the Companies Act and or the Codes of Professional Conduct. Rotation information includes all relevant details relating to time-on and required cooling off periods for all key audit personnel on these audit clients which re-enforces pro-active tracking not only ensuring compliance, but also preventing a self-interest and or familiarity threat created by long association.

Considerations for assignment of all staff to engagements

At BDO we have a dedicated staff planning team for the assignment of audit professionals to specific engagements. Our audit engagements are staffed based on various factors which includes:

- ▶ Experience
- ▶ Expertise
- ▶ Qualifications
- ▶ Industry knowledge
- ▶ Accreditation (if required)
- ▶ Capacity
- ▶ Continuity
- ▶ Specialisation (if required)
- ▶ Team composition – diversity and inclusion of non-audit skills (where required)

Engagement partners in conjunction with the audit engagement manager determines the extent, direction, supervision, and review of junior staff.

The Audit Chief Operating Officer takes responsibility for oversight of audit partner portfolios in addition to assigning engagement partners to audits, based on factors which include industry experience and capacity, nature, size, complexity, and risk profile of the client.

Differences of opinion

As part of “Our Values in Action” collaborate to win and stronger together is emphasised to demonstrate our commitment to a culture that encourages individuals to speak up when confronted with a difference of professional opinion during the performance of an engagement.

Policies and procedures have been designed to empower members of an audit engagement team to raise any disagreements relating to significant accounting, auditing or reporting matters that could not be resolved during the course of the engagement to various Business Line Heads and or technical experts, who are independent of the engagement.

Where, differences of opinion remain unresolved within the firm, guidance is provided on key contacts, locally and internationally, for ongoing consultation until resolution of the matter.



J Engagement

BDO's Monitoring & Remediation Department

Our Head of Monitoring and Remediation (HMR) is a director in BDO South Africa Incorporated and oversees the monitoring of the SoQM implemented by the firm, independently and objectively. In addition to overseeing the management of engagement inspections by the Monitoring & Remediation (M&R) team who operate within the firm and reports directly to the CEO on their main functions of responsibilities. The business line employs only experienced Chartered Accountants, most of whom are Registered Auditors, with strong review skills and a high level of technical, and quality management competence. The M&R team constantly keeps abreast of developments in the industry by attending various in-house and external training and through peer-to-peer learning strategies.

During the 2022/23 year, M&R commenced monitoring the SoQM in addition to a large number of individual engagement inspections. The commencement of 2022's cycle, saw the addition of two types of reviews which speaks to both the mandate of firm/system and engagement reviews, being:

- ▶ Thematic reviews carried out horizontally across a variety of topics identified by the firm that are based on client or engagement risk, independently inspected by the team of reviewers; and
- ▶ Proactive remedial action reviews (vertical reviews), whereby assistance is provided to engagement partners, who have had negative outcomes in the prior year, to avoid the re-occurrence of matters on the same or similar engagements and to contribute to the quality objective by pragmatic knowledge-sharing.

Our Global review requirements which align to ISQM 1, require internal monitoring reviews to be conducted on all engagement partners on a completed engagement once every three years albeit that ISQM 1 allows for some discretion on the period to be risk-based which therefore could be extended beyond 3 years.

For the review cycle that ended on 30 September 2022, the following review coverage was obtained:

Percentage of engagements reviewed:

- ▶ **51/3167 = 1.61%**
- ▶ Global requirement = 1%
- ✓ Requirement exceeded

Percentage of PIEs reviewed (based on 56 PIEs)

- ▶ **12/56 = 21.42%**
- ▶ Global requirement = 5%
- ✓ Requirement exceeded

Number of non-PIEs reviewed:

- ▶ **39/3 111 = 1.25%**
- ▶ Global requirement = 0.5%
- ✓ Requirement exceeded

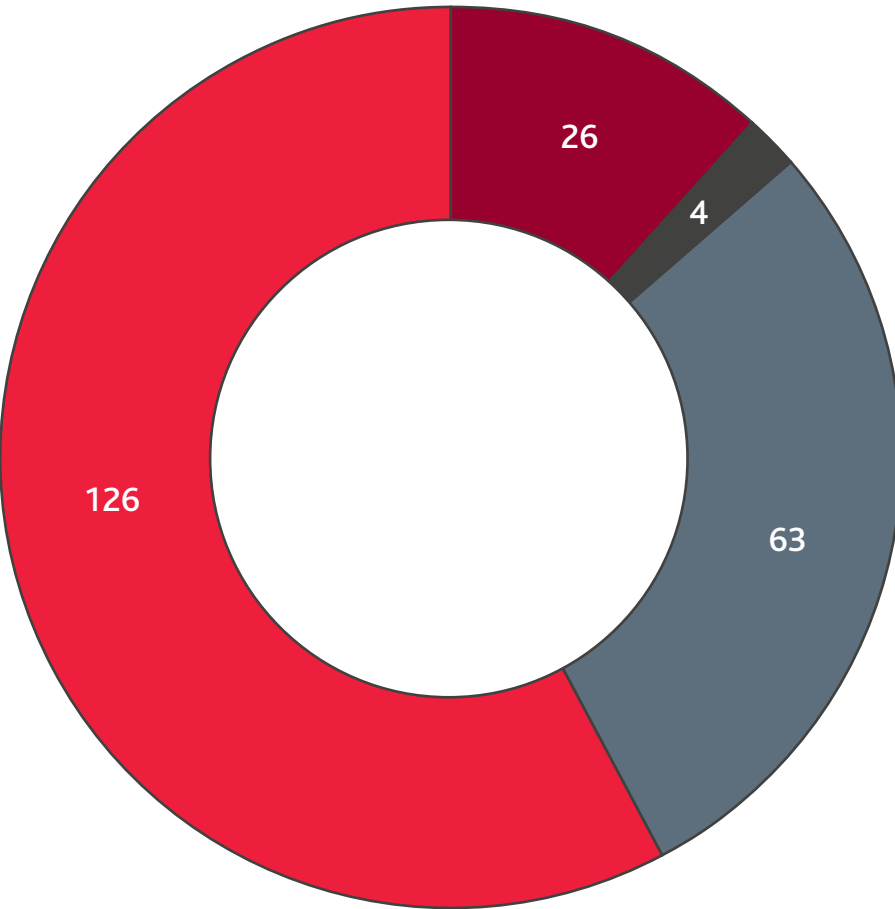
Percentage of engagement partners reviewed (based on 76 EPs)

- ▶ **Internal monitoring reviews = 39.5%**
- ▶ **Remedial action reviews = 27.6%**
- ▶ **Overall number of EPs reviewed = 65.7%**
- ▶ Global requirement = 33.33%
- ✓ Requirement exceeded



J Engagement

At the time of compiling the information for inclusion in the transparency report, the M&R team was in the process of completing the following inspections for the review year-ending 30 September 2023:



- Cyclical review of audit engagement partners
- First time reviews of other ISQM 1 service
- Post-factum and proactive remedial action reviews
- Review of the SoQM: tests reviewed on an ongoing basis

A Risk-based Focus that goes beyond 'Compliance'

As in the past, the monitoring department is required to objectively stand 'outside' the influence of the audit and assurance practice. To this end, we have initiated various interactions with quality process owners, such as the Head of Quality Management (HQM), the Technical Heads, the National Risk Committee, the Audit COO, the Ethics and Independence Lead (EIL), the Head of Engagement Quality Reviews (EQR), the CEO and EXCO. Proactive contributions on 'common findings' are reported monthly to the HQM and meetings held with the Technical teams to debate grey areas in the interpretations of the standards or enhancements in the audit methodology. Monthly contributions are made to technical newsletters, and we introduced a new training concept on practical reviews where real examples of documentation (including poor and excellent audit evidence) are compared against requirements from standards on engagements. Following the training, a checklist is distributed to allow engagement teams to score against those requirements from an inspector's perspective. We are guided by risk, common findings, and new areas of development in the standards for topical issues for monthly training.

In addition to focusing on the SoQM; horizontal thematic reviews and vertical hot engagement reviews, we are working closely with Global and the firm to embed a process of in-depth root cause identification and development of a remedial action plan. The firm, under the leadership of the HQM, appointed an experienced, dedicated resource to concentrate on this vital activity.

How Engagements and Review Projects are Selected

As previously mentioned, directors are reviewed on a rotational basis every three years. Newly admitted engagement partners are internally reviewed within the first 12 to 18 months from signing off audit reports to determine their understanding of the firm's methodology and to identify any assistance required in elevating compliance with International Standards.

Engagement files selected are prioritised on the following basis:

- ▶ Listed client / Public Interest Entity (PIE);
- ▶ If no listed clients, then a high-risk client; or
- ▶ If no high-risk clients, then a file that is representative of the director's client portfolio, based on the remaining risks in the portfolio.

On completion of the inspection, the HMR evaluates each type of deficiency and recommends one or more of the following:

- ▶ Communicating a summary of the deficiencies noted as a result of the monitoring process to all directors and/or staff members;
- ▶ Making recommendations for appropriate remedial action;
- ▶ Communicating the findings to those responsible for training and professional development to incorporate as part of the training courses;
- ▶ Updating the file review checklist; or
- ▶ Changing the policies and procedures to address the deficiencies noted.

The firm implemented a Financial Consequence Management Policy which activates at completion of the inspection process. The CEO takes responsibility for communicating positive or negative outcome results and the consequence management process.

J

Engagement

Monitoring results

The statistics below (excluding remedial action inspections) relate to the internal monitoring review:

Review period ended 30 September 2022	2022	2021
Number of files reviewed	29	22
Results – PIEs		
Satisfactory	2	2
Acceptable with some areas to improve (Root cause analysis and action plan)	3	2
Major areas to improve (partial re-review)	0	1
Unsatisfactory (full re-review)	2	0
Total	7	5
Results – non-PIEs		
Satisfactory	2	3
Acceptable with some areas to improve (Root cause analysis and action plan)	8	5
Major areas to improve (partial re-review)	6	6
Unsatisfactory (full re-review)	6	1
Total	22	15

The summary below contains details of systemic, repetitive or other significant deficiencies detected and steps implemented to resolve or amend those deficiencies:

Summary of systemic, repetitive or significant deficiencies	Action steps
▶ Inadequate evidence of review of the audit reports; ▶ Revenue tests not documented appropriately, mainly for completeness of revenue; ▶ Journal entry testing not including all areas as required by the ISAs; and ▶ Reliability of information provided by the entity not sufficiently and appropriately interrogated with documented evidence.	▶ All findings have been communicated to the CEO, EXCO and filtered down to the staff; ▶ Focused training sessions are being held on topics with practical examples of inappropriate vs. appropriate audit testing, evidence and documentation; ▶ Enhanced support to audit partners with deeper root cause analysis and remedial actions; ▶ Development and roll-out of enhanced audit methodology by BDO Global, and the implementation of enhanced templates / guidance by Audit and IFRS Technical.

The summary below contains details of systemic, repetitive or other significant deficiencies detected and steps implemented to resolve or amend those deficiencies:

Functional Area review dashboard 2022*	Self-assessment	Reviewer assessment: Design	Reviewer assessment: Effectiveness	Functional Area review dashboard 2020/2021	Reviewer assessment: Design	Reviewer assessment: Effectiveness
Leadership responsibilities for quality within the firm				Leadership responsibilities for quality within the firm		
Relevant ethical requirements				Relevant ethical requirements		
Acceptance and continuance of client relationship and specific engagements				Acceptance and continuance of client relationship and specific engagements		
Human resources			*	Human resources		
Engagement performance			*	Engagement performance		

* Our Global office did not allow for an Amber Rating on any Functional Area during 2022 when we found any areas of non-compliance. We thus followed a very strict approach in the ratings resulting in Red for some elements. This however, does not imply that the functional area was dysfunctional, but merely that it was not perfected yet.

J Engagement

Governance of the M&R Department's Activities and Results

The firm's National Inspections Outcomes Committee consists of audit partners from the national offices, the Head of EQR, HAAQM and the individual assisting with remedial action, convenes every two weeks following completion of review outcomes. The outcome of all completed review reports is tabled anonymously for deliberation and once concluded, the engagement partner is informed by the HMR of the outcome and rating of each review finding. The National Head of Audit, Office Managing Partner of the specific office and the HQM are simultaneously informed of review outcomes. Should an individual appeal the outcome, the matter is referred to the National Risk Committee for further deliberation.

On a monthly basis, a progress report detailing outcomes statistics, problematic incidents, elevated risks and areas that require intervention is reported to the CEO together with a Heat-map describing statistics of various offices and leadership groupings to analyse trends in performance, identify risks and remedial action support required which is reported to the HAAQM. A bi-monthly, detailed report is presented to EXCO and if required, verbal representation made by HMR. Annually, all findings, outcomes and statistics are reported to BDO Global.

BDO Global in 2022, performed a rigorous assessment on the strength of the work performed by the M&R department. The outcome of their assessment was issued in February 2023 which cemented the reliance placed on monitoring and remediation performed in BDO SA. Our global accreditation criteria process requires an annual comparison of in-house findings against that of the local regulator, the outcome of this assessment was most positive. Both these positive independent interrogations have confirmed that the experience of the SA M&R team is robust enough to contribute to quality risk management processes and engagement outcomes.

Our approach to 2024

In order to achieve the mandates set by ISQM 1, ISQM 2, the Regulator, BDO South Africa Incorporated and BDO Global, we are adjusting our processes during 2023/2024 to include a more robust focus on engagement first and then on the engagement partner, applying intelligence gathering and risk assessments performed by the firm. This is done in careful consultation with the HQM to ensure our inspections are performed in a timely manner to add value to live engagements and in the process answer the call of ISQM 1, "ensuring that all relevant engagements, the firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and [that] engagement reports issued by the firm or engagement partners are appropriate in the circumstances."

Monitoring and Remediation by nature will always act like the referee who independently assesses the fairness of the game being played according to the rulebook. However, we are reaching into the game by monitoring without compromising objectivity and providing practical support to reduce SoQM and engagement performance risk in an integrated manner. Our aim is to encourage and demonstrate the best possible way to apply International Standards and requirements. Quality of engagements are integral but the sustainability of the teams who must deliver on these engagements are as important!

Leadership's interaction with Regulators

Our CEO and Head of Quality Management meet with the Director: Inspections at least once a year outside of the firm's inspection period to discuss quality matters.



For an elevated perspective,
please contact:

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