



BDO IN SOUTH AFRICA | YEAR ENDED 31 MARCH 2020

TRANSPARENCY REPORT

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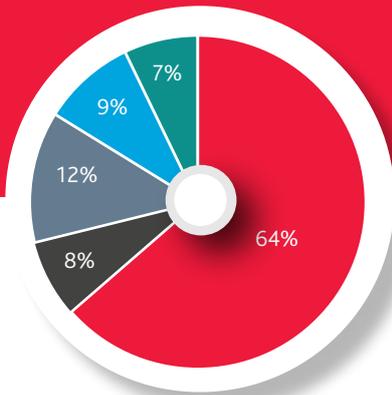
BDO AT A GLANCE

BDO GLOBALLY

- **1,617** offices globally in **167** countries and territories
- **Fifth** largest professional services firm
- **88,000+** highly skilled partners/directors and staff members
- **\$9.6** billion global revenues

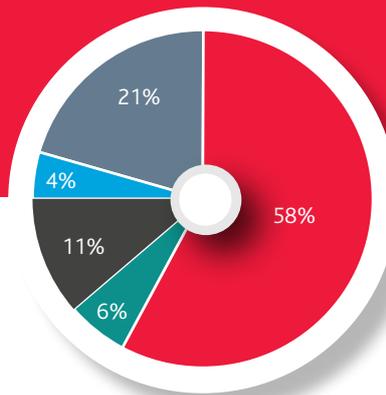
BDO IN SOUTH AFRICA

- **9** offices across South Africa
- More than **1,700** staff members
- **131** partners/directors



Staff across service lines

● Audit ● Tax ● Advisory ● Shared Services ● Business Services



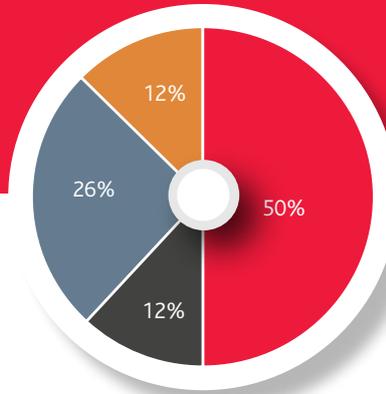
Partners/directors across service lines

● Audit ● Business Services ● Tax ● Shared Services ● Advisory

FINANCIAL HIGHLIGHTS

- **R1.9** million average total compensation per partner/director*
- **R1.3** billion revenue

* Compensation includes all amounts paid to partners/directors in FY20, including dividends. Partners/directors who joined or left the firm during the reporting period received pro-rated compensation. This includes partners/directors in Financial Services, but excludes partners/directors in BDO Wealth Advisers and BDO Business Restructuring.



Revenue by service line

● Audit ● Tax ● Advisory ● Other

- **3.6%*** - non-audit related services as a percentage of audit fees to audit clients

* Includes all assurance work as per our 2020 IRBA declaration.

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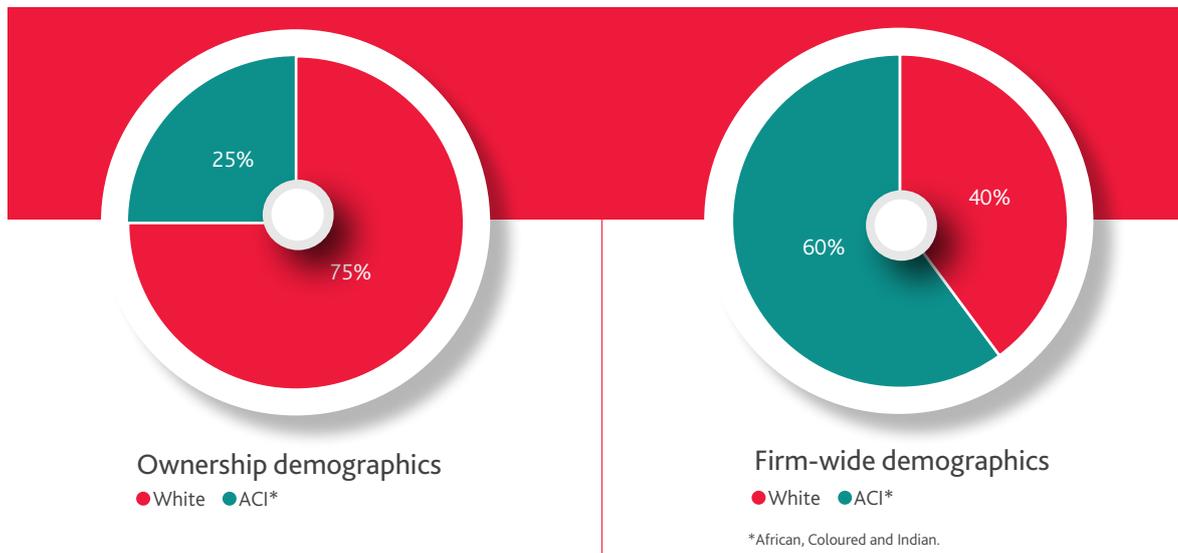
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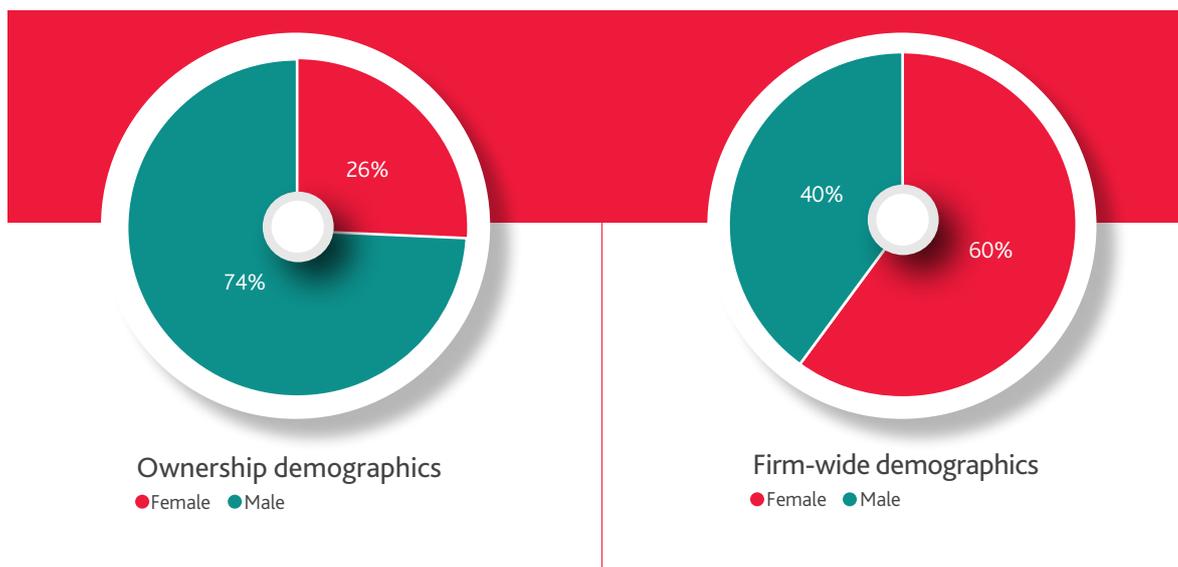
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TRANSFORMATION

• **Level 2** B-BBEE contributor

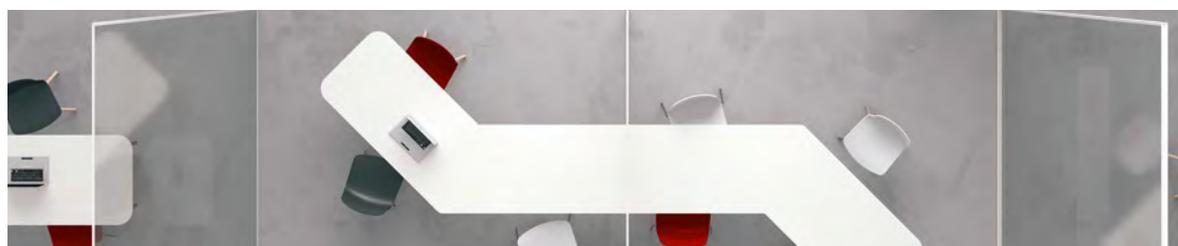


DIVERSITY



SOCIAL

- BDO in South Africa is providing bursaries to **10** Thuthuka students.
- **61** pro bono clients
- Our pro bono work, including corporate social investment, totals **R4,545,239**
- Hours spent on volunteer and pro bono projects in FY20: approximately **3,929** hours



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A MESSAGE FROM OUR CEO, MARK STEWART



Mark Stewart, CA(SA)
Chief Executive Officer

“ Trust in the underlying integrity of financial reporting and in the audit profession provides a means of stability in this turbulent environment. BDO in South Africa plays a critical role in ensuring South African investors can be both confident and informed in their decision making. ”

Welcome to BDO in South Africa's first Transparency Report. This report is an important element of our communication with clients, regulators, investors, audit committees and other stakeholders as it enables us to offer them clarity as to the manner in which we conduct our business, and the direction we intend to pursue.

The story of BDO in South Africa is one of which we are all proud of. Our firm has grown significantly in the last year to now include more than 131 partners/directors and 1,700 employees working out of nine offices, generating revenues in excess of R1.3 billion. We are proud of our contribution in making BDO one of the fastest growing professional services firms, not only in South Africa, but also the world.

We are now in our strongest position ever and can provide the market with a significant alternative to the competition. This follows a slew of strategic acquisitions and mergers, including the recent acquisition of a competitor's Durban office and the 2018 incorporation of a competitor in Cape Town, Johannesburg and Port Elizabeth. In 2019, we also established our new Financial Services Audit and Technology practice – bringing in a specialised team of financial services specialists who offer a full range of services for collective investment schemes, banking, hedge funds, private equity, Global Investment Performance Standards (GIPS), stockbroking, investment administration and ISAE 3402 reports. This team adds to an already comprehensive service offering and further gives our clients a credible and expert team to perform their auditing, while allowing us to operate competitively.

Whilst our achievements continue to be a strong foundation for us, dynamic forces continue to shape our capital markets. In March this year, our country was brought to its knees as our government enforced a mandatory lockdown in an effort to contain the spread of the COVID-19 virus. During the first 21 days, Moody's Investors Service also became the last of the ratings agencies to cut its assessment of South Africa to sub-investment grade due to unreliable electricity supply, persistently weak business confidence and investment, and labour market rigidities that continue to constrain the economy. In addition, the technical recession has become very real and the end state remains unclear.

Trust in the underlying integrity of financial reporting and in the audit profession, however, provides a means of stability in this turbulent environment. BDO in South Africa plays a critical role in ensuring South African investors can be both confident and informed in their decision making. As trusted

professionals, we recognise the importance of stakeholder reliance on the accuracy of the work that we do. Whether it is the audit of financial statements, the rendering of advisory services or the provision of tax consulting, we must endeavour to provide the highest standards of quality. It is therefore incumbent upon us to clearly define what quality means to us and describe and demonstrate how we are designing and executing our internal systems of quality control to deliver sustainable quality across all service lines.

It all starts with how we build our culture and lead our people. It extends to how we select our professionals, develop them, and promote and monitor their independence and adherence to ethical behaviour. It encompasses the behaviours and commitments that guide their performance in judgment, analysis and decision-making. It models how we identify and evaluate the acceptance and retention of our clients. A commitment to quality further guides how we invest in processes, technologies and methodologies to best execute our work. It incorporates how we monitor our performance and respond to findings, including those from our regulators, to continue to strengthen the control environment in which we conduct our work. With each of these elements functioning effectively, we are able to further strengthen our credibility with all our stakeholders.

Mandatory audit firm rotation (MAFR) aims to strengthen auditor independence and address market concentration of audit services to create a more competitive environment, which will positively influence audit quality. It will also give growing firms like ours the opportunity to elevate our standing with both current and potential clients, drive transparency by having open and honest discussions, and ultimately win back the public's trust in the profession.

I am very proud of our role within the audit profession and the public interest ethos that underpins our firm. I trust you find this report interesting and insightful. We are looking forward to another dynamic and challenging year as we embark on our commitment to help our clients succeed – through being leaders in our chosen markets, motivating our people to achieve their dreams, and leading through innovation.

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OUR PURPOSE AND CORE VALUES MAKE US BDO



PEOPLE HELPING PEOPLE ACHIEVE THEIR DREAMS

Our mission defines who we are and why we exist. It's our core purpose. We play a big role in helping our clients and people achieve their dreams. Our mission keeps us grounded and humble about our impact on people's lives every day.



OUR VALUES GUIDE OUR PURPOSE

Our value proposition was not only constructed and compiled by each and every staff member around the country but is also lived by all of them too.



FUN IS FUNDAMENTAL - TEAMWORK IS EVERYTHING

It's about care, support and fun

- We have fun together
- We show sympathy, compassion and understanding
- We give credit and recognition where due
- We understand and respect diversity as well as one another's religious and cultural beliefs



INSPIRED THINKING BRINGS INSPIRED RESULTS

It's about the freedom to excel

- We look for new ways to work more effectively
- We think freely, with integrity
- We think outside the box
- We share knowledge
- We recognise each other's original and innovative ideas



EXCEEDING EXPECTATIONS, EVERY TIME

It's about taking personal responsibility for delivering Exceptional Client Service

- We work with passion and always to the best of our abilities
- We take pride in our work and the quality thereof
- We return calls within 24 hours
- We build client relationships
- We always give at least 100%



A PASSION FOR PRINCIPLES

It's about honesty and integrity

- We stick to our principles, no matter what
- We respect and trust each other
- We do what we promise to do
- We adhere to statutory and internal rules and regulations
- We ensure our word is honour; we mean what we say

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NETWORK STRUCTURE AND OWNERSHIP

BDO in South Africa is part of the BDO global organisation, a world-wide network of public accounting firms, serving international clients. BDO's global organisation extends across 167 countries and territories, with 88 000+ people working out of 1 617 offices – and we are all working towards one united goal: to provide our clients with exceptional service.

ONE ORGANISATION – GLOBALLY CONNECTED

Our firms across the organisation cooperate closely and comply with consistent operating principles and quality standards. That means local resources who understand our clients' businesses, their local and international markets and the specifics of their industry: all backed by a truly global organisation.

BDO is the trademark name for the BDO network and for all BDO member firms.

Legal structure

Each BDO member firm is a member of BDO International Limited, a UK company limited by guarantee, either as a voting member (one vote per country) or as a non-voting member. BDO International Limited is the coordinating entity of the BDO network and specifies the duties of the BDO member firms in its set of rules.

The Global Leadership Team is supported by the Global Office of Brussels Worldwide Services BVBA, which is a Belgian limited liability company and renders services for supporting the coordination of the BDO network.

BDO International Limited and Brussels Worldwide Services BVBA do not render any services to clients. Such services are exclusively provided by the individual BDO member firms in their own names and on their own account.

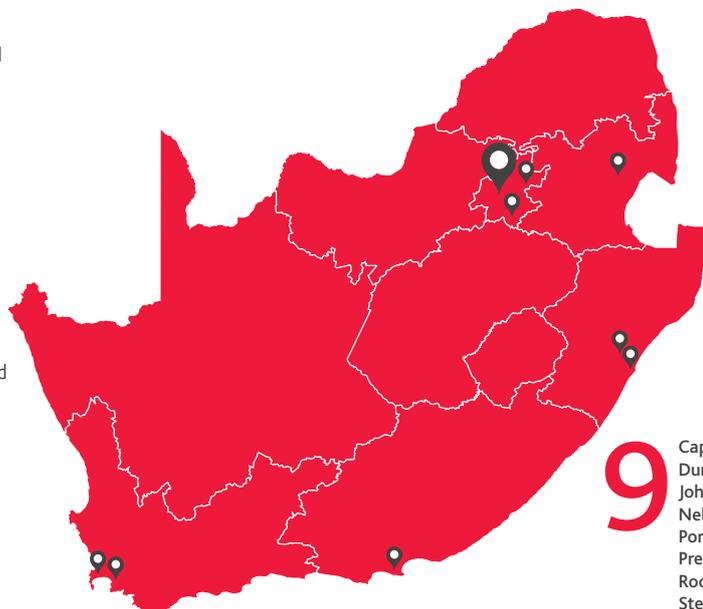
BDO International Limited, Brussels Worldwide Services BVBA and the BDO member firms are each independent, separate legal entities and are not liable for the acts or omissions of the other firms. Nothing in the agreements or policies of BDO has established or contains any reference to an agency, representational relationship or partnership between BDO International Limited, Brussels Worldwide Services BVBA and/or the BDO member firms.

BDO IN SOUTH AFRICA

BDO in South Africa includes BDO South Africa Incorporated and its affiliated companies, all of whom form part of the South Africa BDO International Limited member firm. All local BDO companies are connected by common ownership and conform to BDO internal policies, ethic codes, procedures and values.

BDO South Africa Incorporated is owned by its equity partners, whilst the affiliated companies listed below are directly or indirectly wholly or majority owned by the BDO equity partners through trusts:

- BDO Advisory Services (Pty) Ltd
- BDO Business Restructuring (Pty) Ltd
- BDO Business Services (Pty) Ltd
- BDO Corporate Finance (Pty) Ltd
- BDO Employee Benefits (Pty) Ltd
- BDO Healthcare (Pty) Ltd
- BDO PS Advisory (Pty) Ltd
- BDO South Africa Services (Pty) Ltd
- BDO Tax Services (Pty) Ltd
- BDO Verification Services (Pty) Ltd
- BDO Wealth Advisers (Pty) Ltd
- Celerity Investments (Pty) Ltd
- Solutio Investment Holdings (Pty) Ltd
- Statucor (Pty) Ltd



- 9** Cape Town
 Durban (Pencarrow Park and Rydall Vale Park)
 Johannesburg
 Nelspruit
 Port Elizabeth
 Pretoria
 Roodepoort
 Stellenbosch

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BECOMING A BIGGER BDO

Our business is built on relationships. We focus on what is important to our clients and adopt a partnership-style approach. We are responsible and reliable, we keep our promises, and maintain open and frank communication. That is how we do business.

- 2020 ○ BDO in Durban acquired a division of a competitor, doubling the size of the Durban office. Total staff now 1,700+
- 2019 ○ BDO's Audit practice expands its offering and now provides Financial Services Audit and Technology services to large listed and privately held clients.
- 2018 ○ BDO merged with the Cape Town, Johannesburg and Port Elizabeth offices of a competitor and added Business Restructuring and BEE Verification Services as additional service lines.
- 2015 ○ RW Irish in Johannesburg joined BDO.
- 2010 ○ BDO repositioned its brand internationally, when all local member firm names were dropped. This ensured that BDO positioned itself as a truly global network with one name. Moore Stephens' Johannesburg office joined BDO, as did Cameron Prentice in Cape Town.
- 2001 ○ The tax practice was bolstered when specialist tax firm Munnik Fourie joined BDO.
- 1988 ○ The firm became known as BDO Spencer Steward.
- 1987 ○ Henry & Storey aligned itself with BDO, joining the BDO network.
- 1986 ○ Ironsides became part of the BDO family.
- 1984 ○ Dreyer & Dreyer joined BDO.
- 1980 ○ Spencer Steward & Co joined the BDO network.
- 1976 ○ Spencer Shaw Hood merged with Ross Spencer Rule, forming Spencer Steward & Co.
- 1963 ○ An agreement was reached between Johannesburg firm Spencer Shaw Hood, Cape Town firm Welby Steward, and Durban firm Arthur Hopewell to use the same name (Spencer Shaw Hood), logo and audit methodology.
- 1938 ○ Jock Spencer, Bill Shaw and Bob Hood formed Spencer Shaw Hood & Co in South Africa.
- 1920 ○ Grant Thornton South Africa was founded as Isaacs & Kessel. It later became Kessel Feinstein.
- 1916 ○ The forerunner to BDO in South Africa, Charles Welby Steward was established in Cape Town.
- 1910 ○ USA founding firm, Seidman and Seidman was founded.



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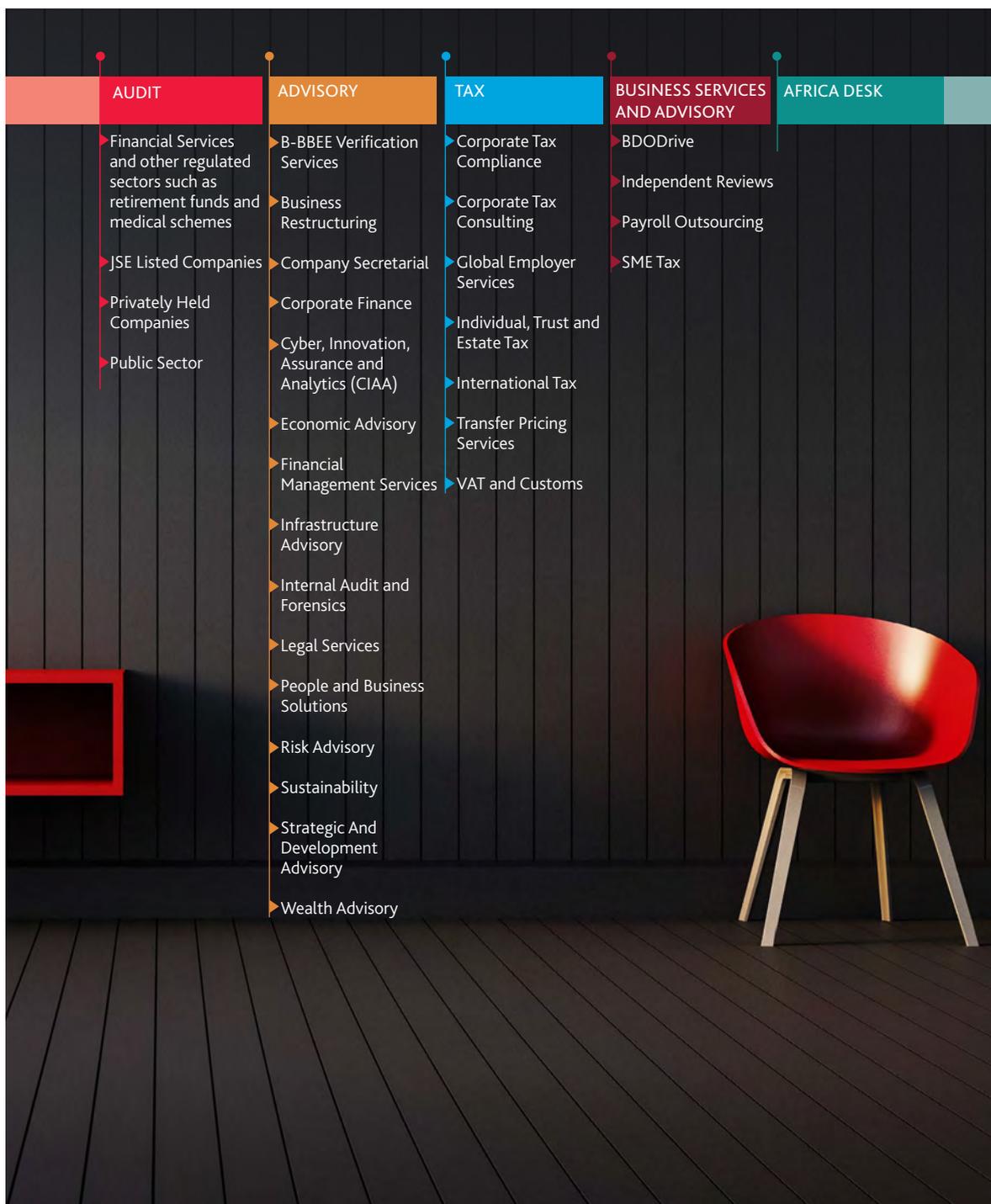
Shareholder classification

Shareholders are owners of the business. The shareholders of BDO South Africa Inc are all qualified chartered accountants (CA(SA)). Some of our directors are, however, shareholders in entities other than BDO South Africa Inc and are not necessarily CAs.

Our multidisciplinary model

The principal services provided by the firm are Audit, Advisory and Tax. These business streams have dedicated teams of partners, directors and professional staff nationwide tailoring high-quality business solutions for clients. We believe this model benefits our markets, our clients and our people as it provides the right environment for enhancing quality and delivery through innovation.

MULTIDISCIPLINARY OPERATIONAL MODEL



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GOVERNANCE STRUCTURE

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

GOVERNANCE OF THE NETWORK

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 who are 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.

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)

Our CEO is elected by the partners/directors for a four-year term after which he or she may be re-elected for a further term of four years.

Our current CEO is Mark Stewart, who has served in this role since 2014. Mark is responsible for the strategic direction, reputation and overall performance, efficiency and sustainability of BDO in South Africa.



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The Executive Committee (EXCO)



Mark Stewart
Chief Executive Officer
(CEO), BDO EMEA
board member



Eureka Singh
Chief Operations Officer



Daniel Botha
Chief Financial Officer



Ian Scott
Cape Town Office
Managing Partner



Bert Lopes
Johannesburg Office
Managing Partner
Global Natural Resources
Sector member



Bonita de Wet
Pretoria Office
Managing Partner



Sumesh Somaroo
Durban Office
Managing Partner



Mark Willimott
Port Elizabeth Office
Managing Partner



Paul Badrick
Partner and Head of Public
Practice and Listed Companies



Heemal Bhaga-Muljee
Partner and National
Head of Audit



Thuto Masasa
Head of Advisory
* Joined BDO on 1 June 2020



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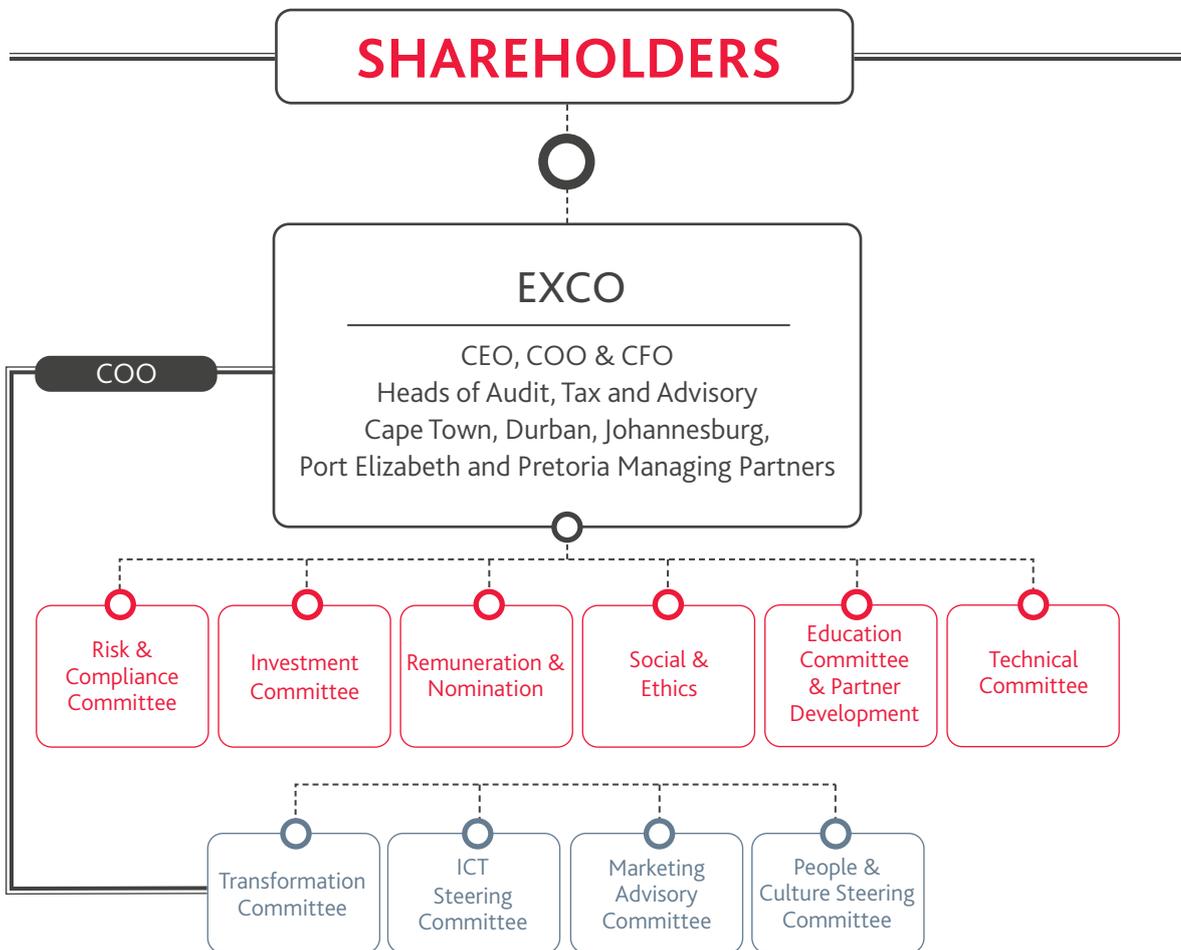
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Exco roles and responsibilities

- Leadership and succession
- Governance, compliance, risk management and quality control
- Strategy and sustainability
- Partner/director protocol
- Partner/director performance and remuneration
- Policy development and custody
- Financial performance and reporting
- Partner/director affairs
- BDO international relationships
- Approvals framework
- Meet at least six times a year and ad hoc as and when required

Governance framework



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STAKEHOLDER ENGAGEMENT

Engaging with our stakeholders is essential for us to create the value they're seeking. We're actively listening and responding to their views and expectations.

ONGOING AND/OR AD HOC STAKEHOLDER ENGAGEMENT APPROACH

Our clients

- Transparency Report
- Client service assessments via Net Promoter Score (NPS) tool
- Thought leadership publications
- Sharing insight and industry knowledge
- Bid debriefs
- Meetings and conferences
- Website
- Social media
- Print and broadcast media
- Alumni programme

NPS results

As part of our commitment to delivering exceptional client service, we use the NPS to ascertain client satisfaction with BDO's service across all regions and divisions. The NPS is determined by subtracting the number of 'detractors' from the number of 'promoters', and the score can be anything from -100 to +100.

Clients are asked to respond to the following questions (with 0 being 'not at all likely' and 10 being 'extremely likely'):

- Will you recommend BDO? How likely is it that you would recommend BDO to a friend or colleague?
- Needs: Do we understand your needs?
- Communication: Is our communication clear, open and timely?
- Team capability: Are you confident in the knowledge and capability of our people?
- Commitments: Do we meet our commitments?
- Insight and advice: Do we provide valuable insight and advice you can trust?

Clients are surveyed throughout the year, so as an engagement ends, the client is sent an NPS survey to complete. In this way we can understand issues almost immediately and can respond timeously.



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	2019	2018	2017
Firm NPS score	69	69	58
Cape Town	72	65	62
Durban	87	82	68
Johannesburg	57	65	54
Pretoria	78	75	63
Port Elizabeth	100	N/A	N/A

BDO people

- BDO Employee Engagement Survey
- BDO TV channel
- CLA – internal ‘pop-up’ communication channel
- Email
- Confidential ethics hotline
- Exit interviews
- Internal transformation and diversity networks
- Intranet (SharePoint)
- Partner/director meetings
- Performance reviews and regular check-ins
- Print and broadcast media
- Social media
- SMS
- Staff events
- Training sessions
- Website

Every two years, we conduct an engagement survey to monitor employee engagement and to measure their motivation to maximise our success. The last survey was done in 2018.

2018 Employee Engagement Survey results



Regulators

- Participation in consultations
- Participation in development of standards
- Print and broadcast media
- Quality reviews
- Transparency Report
- Website



Graduates

- Bursary programme
- Graduate recruitment at campus recruitment events
- Guest lecturing and speaking engagements
- Job shadowing
- Participation in graduate programmes
- Print and broadcast media
- Recruiting events
- Sponsorships
- Vacation work



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Professional associations

- Attendance at conferences
- Collaboration on industry papers
- Involvement in committees and working groups
- Print and broadcast media
- Representation on leadership councils
- Speaking engagements and roundtable discussions

Government

- Contributing to policy development through consultations
- Print and broadcast media
- Responsive to inquiries and reviews
- Sharing insight and thought leadership
- Transparency Report

BDO network

- Active participation in key BDO governance bodies
- International cooperation around issues or assignments

Non-profit and community organisations

- Board representation
- Meetings and conferences
- National and regional charity partnerships
- Pro bono engagements
- Social media
- Speaking engagements
- Surveys
- Volunteering

Suppliers

- Industry meetings
- Meetings
- Negotiations
- Proposals
- Solution workshops

Media

- Events and conferences
- Face-to-face and telephone briefings
- Media releases
- Opinion columns
- Publication of insight
- Social media
- Speaking engagements



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OUR PEOPLE – THE HEART OF OUR BUSINESS

Our clients, and the industry, expect excellence in every service we deliver. We hold our people to this same standard. As a result, we are in the business of finding talented people and equipping them with a diverse, yet inclusive environment that welcomes new ideas and perspectives and is supported by industry-leading education, resources, and guidance.

OUR EMPLOYEE VALUE PROPOSITION (EVP)

At BDO, we believe in investing in our people to help them grow, both professionally and personally. The foundation of our business is strong relationships, with colleagues, clients and other stakeholders and we work hard every day to make this a reality.

Our commitment is to create unlimited growth by giving our people continuous opportunities and our clients unparalleled support.

BDO in South Africa has experienced remarkable growth in the past few years and this has led to amazing opportunities, not only for our existing staff but also all new joiners to the firm. We share our EVP and use this as part of our recruitment strategy for both graduate recruitment as well as experienced hires.

Our EVP is:



- Sound reputation of firm
- Training and development opportunities
- Future career opportunities – both local and abroad
- Flexible working environment
- Corporate social responsibility opportunities for staff to get involved
- Mentorship opportunities – both to be mentored and to mentor others
- Work-life balance
- Overseas secondment opportunities
- Open-door policy
- International professional network
- Inspiring colleagues
- Culture of respect, diversity and inclusion
- Challenging work environment
- Job-interest alignment
- Varied client sizes – listed, owner-managed, small businesses
- Friendly and supportive culture

EVP specific to graduates:

Long-term career development post traineeship

Cross-sector client experience OR specialisation in one of several key industry sectors

Training contracts in Audit (SAICA), BS&A (SAIPA), Tax (SAIT) and in Financial Services Technology

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Recruitment at a grassroots level

For graduate recruitment we have strategic partnerships with top learning institutions and other organisations, to attract talent who are not only academically strong, but whose values align with our firm's.

We run learning-based competitions at selected universities, not only to develop the students academically, but also to give them an opportunity to meet some of our people and get a better understanding of our firm.

We also host internal programmes, such as vacation work and internships, for students to experience the working environment and BDO culture during their studies. These programmes aim to not only upskill the candidates who attend, but also give them insight into what it would be like to work at the firm and assist them in their career decisions.

At school level, we promote the CA(SA) profession through presentations and also host students in our offices through a school programme during the mid-year vacation period.

" We hire exceptional talent, hand-picking the right people with the right cultural fit to ensure a collaborative approach that works. "
 ~Riaaz Essa, Senior Regional People and Culture Manager, Gauteng

ONBOARDING

Our onboarding activities are designed to integrate new employees into the fabric and culture of our firm, underscore expectations about living our core values, and introduce our methodologies and practices. Enhanced communications, direct access to people and information, and emphasis on relationships and personal connections are also important aspects of our onboarding process.

We continually adapt new ideas and best practices, gained from our recent expansion experience, into our onboarding approach.

During the past financial year, a total of **537** new hires joined the firm across all services lines, **317** of which were graduates.

CAREER ADVANCEMENT

Policies and procedures for the advancement of staff provide reasonable assurance that the individuals selected for promotion will have the qualifications, experience and technical competence necessary to fulfil the responsibilities they will be called on to assume.

During the past financial year there were **54** firm-wide promotions.



Number of partner promotions in Audit:

- 1 white male
- 1 white female

Ten promotions from senior manager to associate director:

- 3 white females
- 3 ACI females
- 2 white males
- 2 ACI males

- Tax - 2
- Advisory - 3
- Audit - 4
- Other - 1

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PERFORMANCE EVALUATION

All our people are subject to formal performance appraisals, reviews and counselling on a regular basis to evaluate the level of competence, monitor training and to help them reach their full potential.

The performance appraisal includes a review of each individual's contribution to the quality of services provided by the firm and the quality of their work.

A substantial part of the process is completed through self-evaluation, followed by a discussion with the appropriate supervisor, which will include a review of the progress made on achieving the goals set at the previous evaluation, together with identifying specific goals for the coming period.

High potential candidates (HIPOs) are placed on our High Performance Programme to further develop their careers. This programme includes assessment centres, training courses, mentorships, coaching and one-on-one guidance.

Underperforming employees are placed on a poor work performance counselling process. The objective of this process is to allow the employee a reasonable period to reach the standards expected from the firm.

CONTINUOUS LEARNING

We provide our partners/directors and employees with the facilities to develop and maintain the highest possible standards of competence through our professional development programme. Continuous learning is the keystone of that effort and this commitment is carried out through various formal training courses, specialised training, mentoring, on-the-job coaching and supervision.

Through professional education we aim to create pipelines, develop capacity and build a pool of qualified staff, to ensure our readiness to respond to internal and external factors.

We are continually evaluating our learning curriculum and coursework to make sure they reflect current material and standards.

The firm facilitates or sends our partners/directors and employees on various seminars, courses and webinars. This also allows our partners/directors and employees to complete their CPD requirements.

Our managers are all paired with a mentor partner who helps to develop them – either technically or in 'soft' skills – sharing their knowledge, experience and industry expertise. These relationships play a valuable role in the upskilling and professional growth of our future leaders.

Trainees attend technical training courses and much of their learning happens on the job, learning from their seniors. We also train these seniors how to mentor and guide their juniors in a positive learning and working environment as we understand the importance of on-the-job coaching.

SECONDMENT OPPORTUNITIES

Our employees can choose from various secondment opportunities, lasting from three months to two years.

These opportunities may involve working within various departments across the country to cultivate technical and consulting skills before bringing that knowledge back to their local practices. Others gain international experience by leveraging our BDO International network for an assignment abroad.

We believe that this cross-disciplinary exposure fundamentally increases our people's skills in their core practice areas and

During 2019/2020*, **21** of our employees enjoyed secondment opportunities, while our firm welcomed **2** inbound secondees

* 2020/2021 placements have not been confirmed yet.



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REMUNERATION

We have designed our remuneration, reward and recognition models, not only with a focus on fulfilment and achievement of roles, but also to emphasise the concept of performance and outperformance.

Our remuneration package for all staff is market-related and includes salary, medical aid, retirement and group life benefits.

The salary averages per job grade are continuously updated and managed through reporting structures.

Partner/director remuneration

The average total compensation* per partner/director amounts to **R1.9** million (before tax).

* Compensation includes all amounts paid to partners/directors in FY20, including dividends. Partners/directors who joined or left the firm during the reporting period received pro-rated compensation. This includes partners/directors in Financial Services, but excludes partners/directors in Wealth and Business Restructuring.

Partners/directors are remunerated out of profits of the firm in accordance with the shareholder agreement. The remuneration contains both a fixed and variable element linked to key performance indicators. The determination of profits of the firm is based on the results of the firm as a whole and is not dependent on the performance of any particular line of business or function.

The final allocation of profit is made after a partner's performance has been appraised by the Remuneration Committee. This committee assesses each partner's performance based on a number of specific criteria including technical expertise, independence, integrity, professionalism, quality and practice management skills.

Audit partners are not remunerated by reference to the sale of non-audit services to audit clients.

Addressing the pay gap

We acknowledge that our gender and transformation pay gap is driven by fewer women and ACI employees in senior positions. We are addressing this imbalance and remain confident that the actions we are taking, as set out in our transformation and inclusion plans, will continue to bring about the change needed to close the gap.

The gender and transformation pay gaps show the difference in the average annual salary between men and women and white and ACI partners/directors.

The pay gap between the average lowest and highest earning employees are:

BDO in South Africa employee pay gap as at 31 March 2020		
	Median*	Mean**
Gender pay gap ***	0.2%	34%
Transformation pay gap ***	41%	48%

* The median gender pay gap is a calculation of the mid-point between the lowest and highest-paid male employee versus the equivalent female employee. The median transformation pay gap is a calculation of the mid-point between the lowest and highest-paid white employee versus the equivalent ACI employee.

** The mean gender pay gap is a calculation of the average compensation of a male employee in our firm versus the average compensation of a female employee, including all relevant additional payments and regardless of their role. The mean transformation pay gap is a calculation of the average compensation of a white employee versus the average compensation of an ACI employee, including all relevant additional payments and regardless of their role.

*** The pay gaps can be driven by a number of factors including fewer women and ACI candidates in senior positions.

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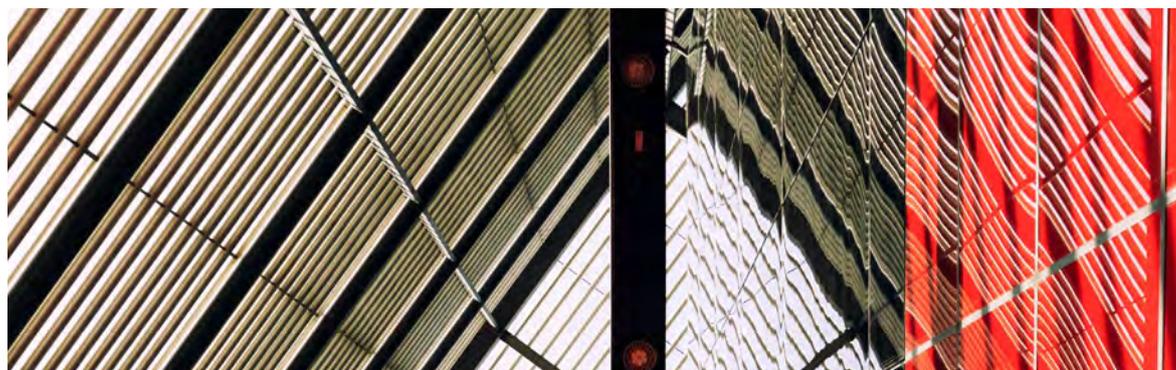
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The pay gap between the average lowest and highest earning partners/directors are:

BDO in South in Africa partner/director pay gap as at 31 March 2020		
	Median*	Mean**
Gender pay gap ***	15%	16%
Transformation pay gap ***	7%	3%

*The median gender pay gap is a calculation of the mid-point between the lowest and highest-paid male partner/director versus the equivalent female partner/director. The median transformation pay gap is a calculation of the mid-point between the lowest and highest-paid white partner/director versus the equivalent ACI partner/director.

**The mean gender pay gap is a calculation of the average compensation of a male partner/director versus the average compensation of a female partner/director, including all relevant additional payments and regardless of their role. The mean transformation pay gap is a calculation of the average compensation of a white partner/director versus the average compensation of an ACI partner/director, including all relevant additional payments and regardless of their role.

*** The pay gaps can be driven by a number of factors including fewer women and ACI candidates in senior positions.



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TRANSFORMATION

We embrace the need for transformation, both within our firm and the profession at large. We are currently a Level 2 BEE contributor with the goal to achieve Level 1 in the medium term.

Our transformation journey

• Transformation progress (partners/directors)

	*2020	2019	2018
ACI	-	25%	28%
White	-	75%	72%

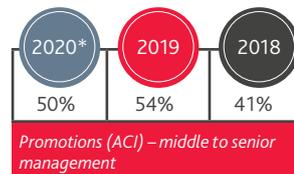
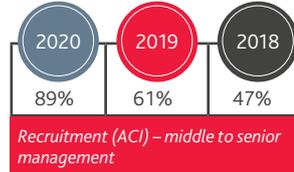
* 2020 audit to take place in May/June.

In 2020, the partnership body of BDO Incorporated approved the increase of economic interest and voting rights of ACI partners, at no additional cost to them. We believe this will go some way towards addressing the injustices of the past on people of colour. This also serves as an incentive for future aspiring Black CAs to take up partnership in a time where the risks associated with becoming a partner are perceived to be high.

• Transformation progress (firm-wide)

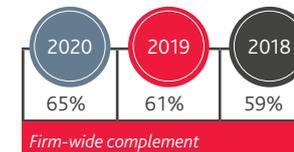
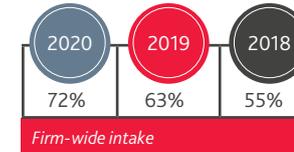
	2020	2019	2018
ACI	60%	57%	53%
White	40%	43%	47%

• Recruiting and promoting ACI candidates, especially at a management level



* Due to COVID-19 and the lockdown there has been a freeze on many promotions, resulting in a lower percentage for 2020.

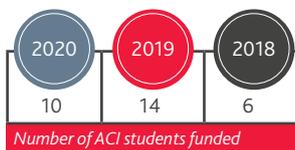
• Increasing our ACI trainee intake and complement



• Accelerating our future ACI leaders via the High Performance Programme of advanced courses, both internally and externally.



• Supporting students through the Thuthuka Bursary Fund as well as direct student funding, which sponsors previously disadvantaged students at selected SAICA-accredited universities.



• Increasing procurement from B-BBEE suppliers with a specific focus on qualifying small enterprises (QSE), exempted micro enterprises (EME) and entities that are predominantly black female owned.



* Mpower Ratings Enterprise and Supplier Development score.

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“ We are making great progress in building a diverse and transformed workplace. The bigger BDO combines diversity in gender, race, and ethnicity with diversity in thought and experience and breaks down barriers that inhibit innovative solutions and problem solving.”
 ~Mohamed Zakaria Sadek, Audit Partner and Head of Transformation

DIVERSITY

We understand that diversity is good for our people – and it’s good for business. We are on a strategic journey in transforming the firm and one of the key areas is to increase black women ownership in the firm.

We support our professional women and drive their success through a range of women’s inclusion strategies. These include professional development activities and social networking events which offer BDO women in all professional roles the opportunity to support each other, speak candidly and share advice about real business issues.

At every level, BDO women are supported in building relationships and creating well-defined career paths. Our working environment is flexible and supportive, as well as professionally rewarding. It is this balanced approach that helps our people achieve their dreams – and ultimately delivers better solutions for our clients.

Diversity at ownership level

	2020	2019	2018
Female	26%	18%	34%
Male	74%	82%	66%

Diversity across the firm

	2020	2019	2018
Female	60%	61%	62%
Male	40%	39%	38%



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CORPORATE SOCIAL INVESTMENT

We are committed to being a responsible business, both in how we work with our clients and in how we contribute to our communities and the world around us. It is important to our employees to work for a socially responsible organisation and our approach therefore reflects our people.

OUR SOCIAL RESPONSIBILITY

We believe we have a social obligation to provide support where we think it is needed. Engaging our people to get involved in community outreach programmes not only makes a difference in the lives of others, it also enables us to connect with one another.

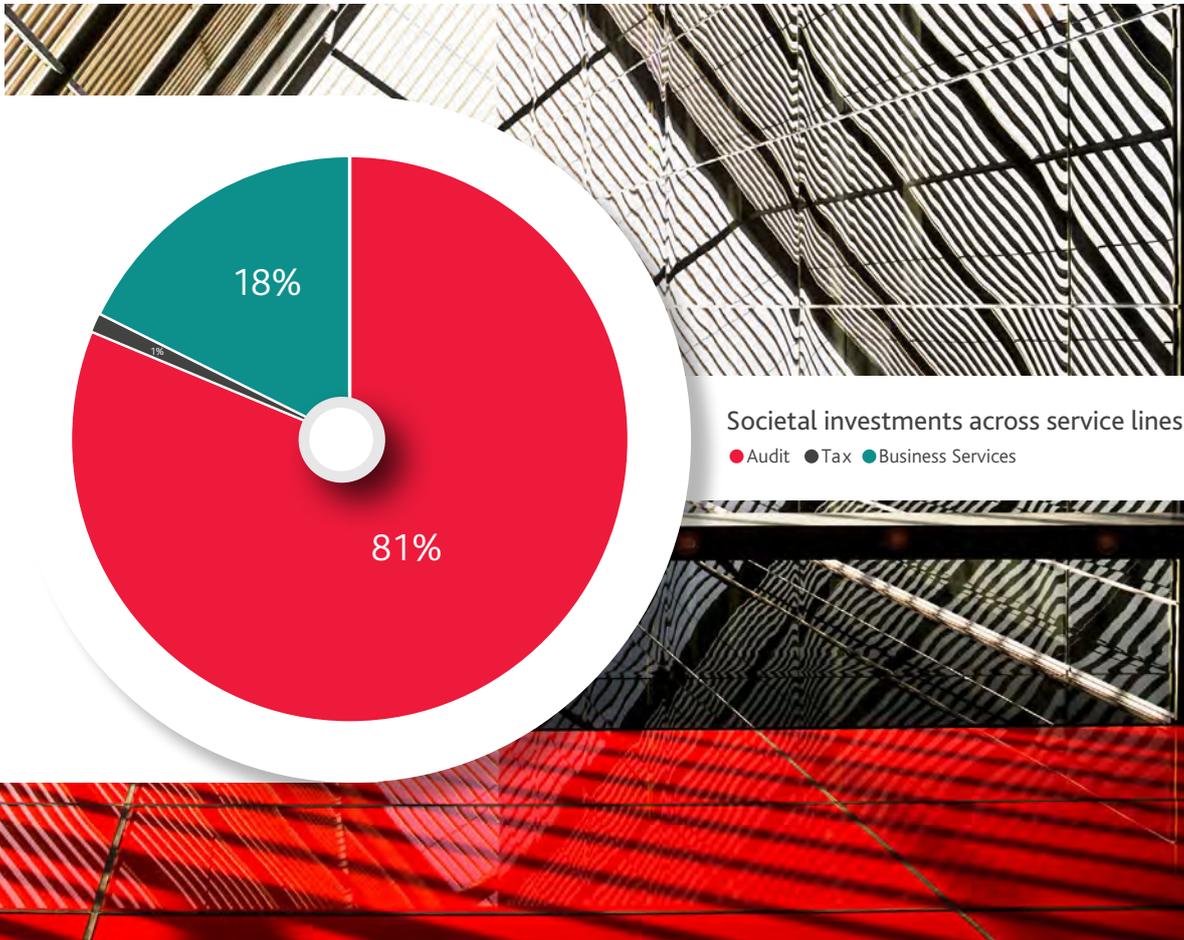
We are actively involved in the projects we support to make our support personal. This support is aligned to our values, with compassion being key. We are a firm with a large heart, something our staff translates into the support they give to all the charitable initiatives we become involved in.

Each of our offices supports a range of local organisations. From collecting food for animal shelters, Christmas presents for under-privileged children, making sandwiches for street children, hosting tea parties for the elderly, collecting warm clothing and blankets, supporting Casual Day, Slipper Day, Movember, Daredevil Run and AIDS Awareness Day, to name a few.

Total pro bono clients in FY20: **61**

Our pro bono work, which includes corporate social investment spent totals in FY20: **R4,545,239**

Hours spent on volunteer and pro bono projects in FY20: approximately **3,929** hours



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RISK MANAGEMENT

During the year we reviewed and refreshed our assessment of the risks facing the firm including those which could result in loss, damage to reputation and failure to deliver exceptional client service.

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks and uncertainties faced by our business, and our management response, are summarised below:

COVID-19 health and safety risks

As the novel coronavirus (COVID-19) continues to spread across the globe, BDO in South Africa's number one priority is the safety and well-being of our people, clients, families, and the communities in which we live and work.

We are assessing the situation daily and following all recommendations from the World Health Organization (WHO), Centres for Disease Control and Prevention and local authorities. We continue to develop, update and share guidance with our professionals so they are fully informed on how to protect themselves, their families and their clients against transmission of the virus.

The nature of the virus has challenged us in striking a balance between maintaining productivity and efficiency and providing a safe working environment for our employees. Adoption of adequate preventive measures and maintaining an effective communicable disease policy is aiding in ensuring a safe work environment for employees and clients.

Risk response

To protect employee and client safety, while minimising adverse economic impacts on the business, BDO in South Africa has implemented the following mitigation controls:

- Extensive post-lockdown return to work policies and procedures in line with government regulations and guidelines; occupational health and safety regulations and WHO guidance.
- Reviewed and evaluated remote work policies and capabilities. Encouraged all staff who can work remotely to do so.
- Providing sufficient and accessible infection control supplies (e.g. hand sanitiser, masks etc.) and ensuring cleaning services are properly cleaning and disinfecting frequently-touched objects and surfaces.

Crisis management, business continuity and economic sustainability

The ripple effects of the COVID-19 pandemic are difficult to model and assess. All industries have been impacted while governments around the world are taking measures that limit the movement of goods and people across borders. Existing business continuity plans may not be capable of handling the fast-moving and unknown variables of an outbreak like COVID-19.

Risk response

BDO in South Africa is committed to protecting the growth and profitability of the firm through actions such as scenario planning, more frequent financial modelling exercises to improve resilience, and new models that incorporate economic impacts of past pandemics. We are engaging regularly with our clients and thinking through longer-term considerations around shifts in core markets or business models as a result of the COVID-19 pandemic.

Globally, BDO has developed the RETHINK business model to help client-facing teams engage intentionally with clients around the impacts of COVID-19 on their businesses, and to assist them to thrive.

We have accelerated our digital transformation efforts and identified gaps in our ICT infrastructure, workforce planning and digital up-skilling. We are addressing these and are improving our remote working capabilities.

A task force has been established to monitor the impact on the business and periodically report to the EXCO on the status of the key performance indicators for critical business units.

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Quality (audit and non-audit)

Given the recent developments in the audit and professional services industry, not just in South Africa, but globally, BDO in South Africa is dedicated to mitigating the risk of:

- Engaging with an inappropriate client
- Inadequate service delivery
- Possible litigation or regulatory action

Risk response

The firm has comprehensive and well-established internal quality and compliance procedures and support teams to address the risks of audit quality failure, including:

- Rigorous client engagement and acceptance processes.
- Using methodologies and tools as prescribed by our regulatory authorities (SAICA, IRBA, IESBA, FSCA).
- Access to specialist staff within the BDO network of firms.
- Performing rigorous internal engagement quality reviews.
- Monitoring and reviewing KPIs as set by our EXCO.
- Recruiting full time dedicated inspectors who form an inspection team independent from the audit business.

People and talent

In the 2019/2020 Risk report issued by the Institute of Risk Management SA, skills shortage including the ability to attract and retain top talent, was rated as a top country and industry risk. BDO in South Africa identifies with this very relevant risk and is therefore dedicated to the attraction and retention of quality staff at all levels throughout the organisation.

Risk response

At BDO in South Africa we:

- Have a dedicated presence at university and institutional career forums.
- Conduct a regular employee engagement survey and have a committee addressing possible areas of concern.
- Focus on building teams through strong management development programmes.
- Have appointed a wellness consultant and are conducting a series of wellness events to assist in taking care of the emotional and mental well-being of staff.

Public perception and reputation

BDO in South Africa recognises the impact of failing to respond in a transparent manner to issues raised by the current environment, including adverse media coverage, which can have an impact on the firm's reputation. There is a possibility that even with our rigorous client acceptance and media monitoring processes in place, the firm can be associated with a client or individual that can harm the firm's reputation.

Risk response

BDO in South Africa encourages:

- A culture of integrity, which translates into doing the right thing – even when no one is looking.
- Engaging in open debate and sharing knowledge across stakeholder groups.
- Working with trusted partners and industry experts to strengthen our knowledge base.

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Regulatory compliance

The audit profession in South Africa is under increasing regulatory scrutiny and pressure. Due to our size, recent merger activities and range of services we offer, there is the possibility that the firm could on occasion be engaging with different parties in a way that could threaten our objectivity and confidentiality. BDO in South Africa has the strategic intent and is supporting Risk and Compliance to the extent that the firm has split the Risk Management and Compliance functions. In doing so, each area has the dedicated focus and resources needed to mitigate this risk.

Risk response

The firm has:

- Independence and conflict checks built into client on boarding, engagement and acceptance.
- Annual independence declarations to be completed by all staff.
- Clear policies, procedures and guidance internally as well as within the BDO network of firms.
- Ethics training and workshops to enhance our understanding and compliance with ethical and regulatory matters.

Technology

The firm cannot ignore the impact that technology has had in the audit landscape in recent years. Our ability to adapt to and mitigate the increasing risks associated with technology is paramount. As a result, a Digital Transformation Committee has been established with representation from the National Risk Committee.

Technology risks range from an inability to operate due to outages and application failures, inability to ensure data confidentiality, integrity and availability, security threats and the irrelevance of product and service offerings due to advanced technologies.

The COVID-19 pandemic and subsequent national lockdown left the firm no choice but to operate 100% remotely. The Global Client Portal allowed staff to work from home, so the disruption to our business and client work was minimal. Our ICT team, as well as staff, handled the transition to remote working professionally and while there were some initial challenges, we were able to find workarounds quickly.

Risk response

BDO in South Africa supports change and innovation, mitigating the risks associated with rapid developments by:

- Integrating information security protocols across the firm thereby ensuring that the confidentiality, integrity and availability of all BDO information, services and client engagements are appropriately safeguarded and controlled.
- A significant investment in researching and developing innovative technology solutions.
- A commitment to new platforms to allow efficient delivery of quality services.
- Dedicating resources to constantly review, test and update a comprehensive Business Continuity Management system of which key components include data protection and disaster recovery.

“ We have a clear business strategy. In implementing this strategy, it is vital that we also manage the risks associated with it. As a result, we have a defined process for assessing, monitoring and controlling risk. ”

~Keith Bowman, Partner, Head of Risk

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RISK AND THE SOUTH AFRICAN LANDSCAPE

BDO in South Africa recognises the need for increased focus on and attention dedicated to comprehensive enterprise-wide risk management. We are exposed to an ever-increasing number of risks not only from a regulatory perspective, but also due to a rapidly changing economic landscape.

The table below shows the top country risks identified in the 2019/2020 Institute of Risk Management Risk Report, divided into risks to improve and deteriorate in the next 18 months to five years.

Risk which could improve in next 18 months to five-year window	Risk which could deteriorate over next 18 months to five-year window
Unmanageable fraud and corruption	National political uncertainty/instability
Insufficient supply of electricity	Breakdown of critical infrastructure & networks
Growing income disparity and inequality	Disruptive technologies
Energy price shock	Structurally high unemployment
Lack of leadership	Lack of innovation, including resistance to change
Micro economic developments	Cyber attacks
Loss of reputation and severe brand damage	Impact of new technology
Capital availability and credit risk	Inadequate succession planning

The BDO in South Africa Risk Management team has identified risks that directly affects our organisation and have recognised the need for a change in the way we view our risk management process.

We are on the verge of major structural changes as the disruptive changes of the last two decades, such as digital communication, artificial intelligence, robotics and blockchain, becomes more and more a part of our daily lives.

Part of risk measurement is the capability to assess likelihood and impact and in today's world that translates to the ability to imagine future scenarios. We need to be able to see what lies beyond the horizon and think along futuristic lines to provide guidance to our organisation.

We have therefore strengthened our risk management capabilities through:

1. Creating a risk management function separate from compliance and quality control. Audit services has always been the focal point of the compliance and quality review department mainly due to the regulatory requirements attached to audit work. By splitting the risk management function, we are shifting our approach to one which is more inclusive and focused also on non-audit services.
2. Actively utilising the vast BDO Global Risk Management network, which includes guidance in the form of manuals, policies and frameworks.

NATIONAL RISK MANAGEMENT COMMITTEE (NRC)

Purpose	Members
<ul style="list-style-type: none"> • The NRC is appointed by the EXCO ensuring representation from each of the offices. • The NRC is responsible for ensuring that BDO in South Africa adheres to good corporate governance principles (including enterprise wide risk management), achieves regulatory compliance and protects the assets and the reputation of BDO in South Africa through risk management and quality control processes. • The NRC meets quarterly or more frequently as required. 	<ul style="list-style-type: none"> • Head of Risk Management: Keith Bowman (Chairperson) • Head of Compliance: Japie Schoeman • National Risk Officer: Nadine Rix • Regional Office Risk Partners: <ul style="list-style-type: none"> o Cape Town: Keith Bowman o Durban: Bryan Galliver o Johannesburg: Garron Chaitowitz o Pretoria: Tinus Jansen van Vuuren o Port Elizabeth: Mark Willimott

PROMOTING ETHICS AND COMPLIANCE WHILE ENSURING RIGHT FIT WITH OUR CLIENTS

We are dedicated to upholding the highest standards of ethics and compliance in accordance with both 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 the firm’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 regarding ethics with the 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, and for choosing the right course of action if faced with an ethical workplace dilemma. All staff members must complete an annual 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 with whom we have or may have contact.

Compliance with these policies and procedures are conditions of employment and partnership with BDO in South Africa, and failure to adhere to its provisions may result in disciplinary action, including termination.

Any unethical behaviour including fraud needs to be reported either through the BDO Ethics and Compliance hotline or to National Compliance. All matters reported will be treated with confidentiality, professionalism and reasonableness.

Ethics survey

Our annual ethics survey provides important feedback for our leaders. The ethics survey is a confidential web-based survey conducted by Ethics Monitoring and Management Services. It aims to measure our firm’s ethical status based on the experiences and perceptions of our partners, directors and employees.

Our last survey was concluded in October 2019 and highlights include:



“ We are proud of the results of our latest ethics survey. However, we would never have achieved such a level of success without the unwavering commitment by our leaders and our professionals and the ethical foundation that our policies and procedures provide. ”
 ~Japie Schoeman, Partner and Head of Governance and Compliance

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Anonymous Ethics and Compliance Hotline

The BDO Ethics and Compliance Hotline is a whistle-blower programme available on the Risk Management SharePoint Portal webpage. It provides an anonymous means to communicate actual or suspicion of irregular activities or unethical behaviour without fear of retribution.

The hotline can also be used to obtain assistance on ethical and compliance related decisions. All matters reported are treated as confidential and are submitted directly to National Compliance.

During the past financial year, **one** incident was reported and subsequently addressed.

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.

They are responsible to monitor the propriety of employee investing activity to prevent and detect independence issues and conduct independent audits and other compliance processes in line with the firm's policies and procedures.

A list of restricted entities (local and global clients) in which no employee of the firm can invest, is available in a central location accessible to all employees to guide them in their investment decisions. In certain cases where the firm takes on a new client or client base through a merger or acquisition and an employee owns shares in such an entity, disposal of such shares are 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 the firm's 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 and that they have complied with these policies and procedures.

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



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Monitoring

Once a year, a team of appropriately qualified senior individuals within the firm undertakes a review of the firm's compliance control system.

This includes:

- An investigation of all exceptions identified through the firm'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. The firm has 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 ensuring that any such conflicts can be properly managed before an engagement is accepted.

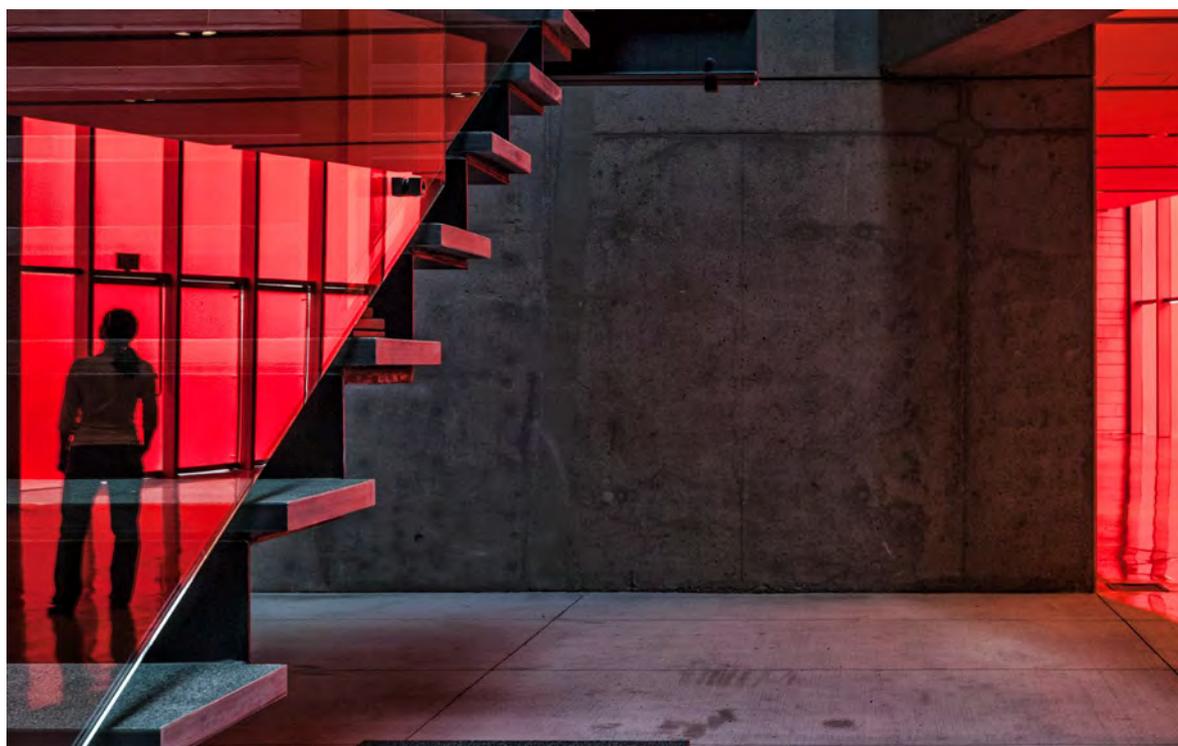
Before accepting any new client or assurance engagement, our engagement teams must perform specific procedures to identify potential conflicts of interest and threats to our independence.

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.
- A database of all our restricted entities, including listed companies and other public interest entities (PIEs). This is available to all staff on our intranet and its objective is to prevent the performance of prohibited non-assurance services or investment in these entities. The database is continuously updated.

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

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

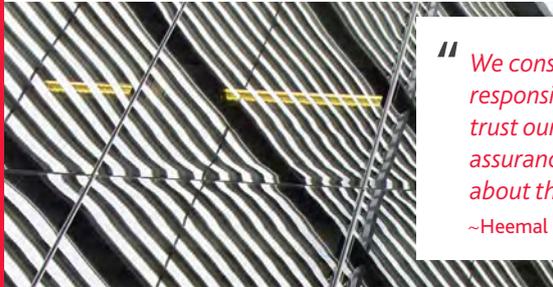
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A SPOTLIGHT ON OUR AUDIT PRACTICE

Our primary goal is to provide best-in-class service in accordance with the standards of the public accounting profession and in recognition of the public interest. To accomplish this, we have developed a system of internal quality controls that ensures our audit work is performed at a uniformly high level. Notwithstanding our global approach we are conscious that retaining our local knowledge and expertise is essential to delivering the best service for our clients.



“ We consider our reputation in the markets we serve to be both a responsibility and an opportunity. We know that our clients rely on and trust our audits to provide not only the necessary financial reporting assurance for stakeholders, but also important and actionable insight about the risks and opportunities facing their businesses. ”

~Heemal Bhaga-Muljee, Partner and National Head of Audit

AUDIT CLIENT ACCEPTANCE AND CONTINUANCE

Audit quality relies on ensuring that we associate only with highly ethical clients to whom we can provide exceptional service. Our objective is to be selective in our professional relationships.

Our policies and procedures also provide the firm with reasonable assurance that we will undertake or continue only those engagements where the firm:

- has the competencies to perform the engagement and has the capabilities, including time and resources, to do so;
- can comply with legal and ethical requirements; and
- has considered the risks associated with providing professional services in particular circumstances, including the integrity of the client.

Acceptance of all new audit clients is subject to the stringent BDO client on-boarding process. All continuing relationships with clients are evaluated annually (or more frequently when certain conditions exist).

LONG ASSOCIATION WITH THE AUDIT ENGAGEMENT

Our policies are in accordance with the IRBA Code of Professional Conduct for Registered Auditors which is based on the IESBA Code, and the Companies Act, which stipulate that:

- The audit partner rotates after five years if the client:
 - o is a listed entity;
 - o is a public interest entity (PIE);
 - o is an unlisted entity with a PI score greater than 350; and
 - o is an unlisted entity with a PI score between 100 and 350 that prepares its (annual financial statements) AFS internally or requires an audit in terms of the MOI.
- Audit teams are required to plan the rotation of other partners and senior staff involved in the audit to achieve a gradual rotation to preserve audit quality.

All other audits that are not subject to a five-year rotation as per the Companies Act are also considered for long-association threats on an ad hoc basis.

Rotation in relation to PIEs and other listed audit entities is monitored by the Head of Audit and Head of Compliance.

MANDATORY AUDIT FIRM ROTATION

In accordance with section 400.8 to R4008c SA of the revised IRBA Code, PIEs are required to appoint new auditors at a minimum of every 10 years. This rule is effective 1 April 2023. We will be monitoring our length of service with all PIEs to ensure that we do not accept any appointment which is beyond the maximum period of 10 years.

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ENGAGEMENT PERFORMANCE

Assembling the right engagement team

Our clients expect a skilled and seamless team. We therefore aim to assemble the right level of experience and knowledge, in the right locations at the right time. But to do so requires equal parts of art and science. The science comes in the precision of insights, driven by data and technical analysis and in the automation of routine administrative tasks. The art comes in the collaboration, judgment, communication and consistency that bring those insights to light and help the client manage risk and ensure compliance.

Supervision and review

Our policies require all professional work to be supervised by staff members who have appropriate knowledge and experience. The personnel responsible for audit quality consist of the engagement partner and the engagement manager who are assigned responsibilities commensurate with their experience and expertise. It is the responsibility of the relevant partner to ensure that related risks are identified and that decisions are taken by those with an appropriate level of authority.

Our policies stipulate several levels of review by someone other than the preparer of all reports and supporting working papers.

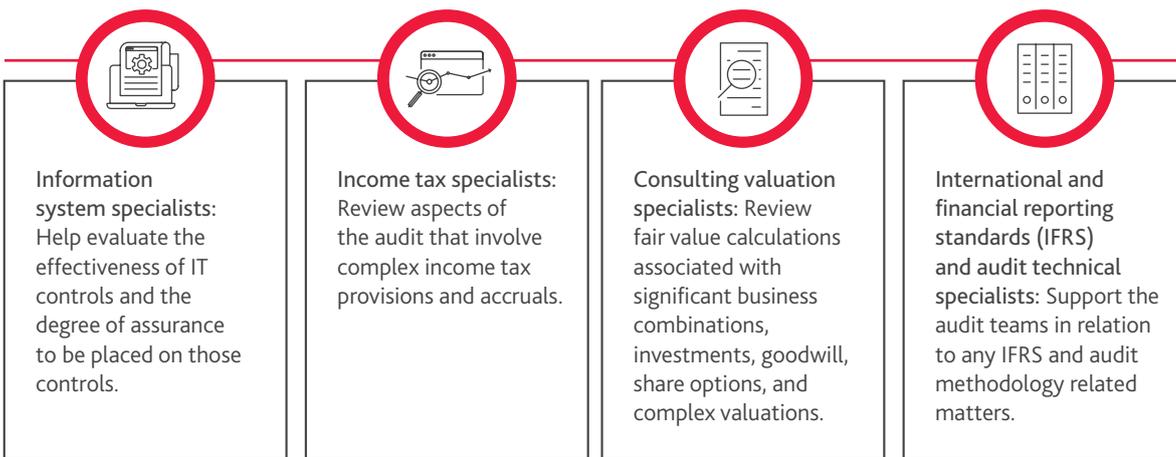
In addition, engagement quality reviews (EQRs) are performed by designated partners for audits of listed companies and other identified high-risk audits. EQR reviews entail:

- discussion of significant matters with the audit engagement partner;
- review of the financial statements (including disclosures) and the auditor's report;
- review of selected working papers related to significant risk areas; and
- evaluation of the conclusions reached by the engagement team in formulating the auditor's report

The relevant partner must also ensure that professional work is carried out efficiently, with appropriate scepticism, and that it meets BDO in South Africa's standards in all respects.

Use of specialists

BDO in South Africa's business structure provides audit professionals ready access to technical specialists. All listed entities' financial statements are subject to a review to ensure it complies with IFRS, JSE, King IV and the Companies Act. There are a number of situations in which audit teams bring in the firm's specialists:



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Professional scepticism

It is the responsibility of every BDO auditor to demonstrate professional scepticism and to take an unbiased approach that focuses on evaluating the facts, seeking the truth, standing firm in the face of adversity, and bringing clients the right answers through the right services. To fulfil our responsibilities as auditors and deliver on our intent every day, we embrace professional scepticism in everything we do and are ready to address every expectation of regulators, boards of directors, the auditing profession, and ultimately, ourselves.

Furthermore, we require any staff responding to assessed risks of material misstatements due to fraud to demonstrate an increased sensitivity in determining the nature and extent of documentation to be examined in support of material transactions.

We tailor our audit procedures to address identified risks, and our working papers are prepared to clearly document our thought processes, procedures performed, evidence gathered, and conclusions reached.

Consultation

Consultation and collaboration are deeply rooted in the culture of BDO in South Africa. Our policies and procedures for consultation are designed to provide reasonable assurance that auditors will seek assistance on accounting and auditing questions, to the extent required, from persons having appropriate levels of knowledge, competence, judgment and authority. It is essential that our staff consult with experienced partners and other technical specialists within the firm when problems or novel situations arise.

INSPECTION INSIGHTS

We view internal and external inspections as an opportunity to gain meaningful insight to inform timely improvements and reinforcement of our audit guidance, tools, policies and procedures and enhance our overall system of quality control.

Internal monitoring

Quality control review

Our quality control system includes an annual internal quality control review of our assurance practice by appropriately qualified senior individuals within the firm with relevant knowledge and experience reporting directly to the CEO, Risk Committee, National Technical Committee and the Head of Audit.

The purpose of these reviews is to monitor compliance with BDO in South Africa's policies, procedures and standards and to ensure that the audit work carried out to arrive at an appropriate opinion is appropriately documented and of high quality.

Corrective action is taken to address any deficiencies encountered and, as part of our continuing drive towards excellence in performance, recommendations for improvements are identified and implemented.

- The review consists of reviewing the working papers and reports of selected assurance engagements and documentation for compliance with our quality control policies and procedures in other areas.
- We select a sample of engagements to ensure that at least one audit carried out by each audit partner, or responsible individual, is selected for review within a three-year cycle.
- Where required, appropriate internal specialists are involved in the review process and instructions are issued to the reviewers in advance of the review setting out the objectives of the process, a checklist, appropriate guidance and reporting templates.
- A conclusion is drawn on each audit engagement file reviewed as to whether the audit work was acceptable or required significant improvement.
- At the conclusion of the annual programme the results are discussed with the Head of Audit, the Risk Committee, National Technical Committee and the CEO. The results are also made available to the Remuneration Committee, as they impact on partner/director profit share.



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Quality control review results

	2019*	2018**
Performed	24	17
Result – satisfactory	10	9
Result – not satisfactory	9	8
Result outstanding	5	0

* The review for the year had not been completed at the time of publication.

** The increase in the 2019 year over 2018 year is due to the mergers in Cape Town, Port Elizabeth and Johannesburg.

BDO Global quality assurance review

Every member firm within the BDO network is subject to a quality assurance review (QAR) by BDO International at least every three years.

The primary objective of the QARs is to evaluate the quality of the policies and procedures of member firms as well as the quality of the local and referred professional work carried out by them so that the quality of work of all member firms is continually assessed and improved to increase the quality threshold across the network.

QARs assess compliance with BDO standards and requirements for its engagements, share best practice and experience and provide practical advice and ideas on possible improvements on quality assurance procedures and efficiency.

BDO in South Africa was subject to a BDO International QAR in 2019

Results – Satisfactory with some areas to improve

Remediation

We vigilantly monitor and remediate any issues brought to light during an audit or during the inspection process. Operationally, we have gained insight from our root cause analysis, monitoring and remediation, as well as from other inputs. This insight has helped us to improve the timing of data collection and procedures to assess whether audit teams are applying tools and guidance in a timely way and to implement changes to learning programmes in time to improve current year audit engagements.

External monitoring

BDO in South Africa is subject to inspections by the IRBA and the Public Company Accounting Oversight Board (PCAOB). These two bodies independently evaluate our quality and their investigations focus mainly on elements of the International Standard on Quality Control (ISQC).



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IRBA inspection results

	2019*	2018**
Performed	11	5
Result – Satisfactory	2	0
Result – not satisfactory	7	5
Result outstanding	2	0

* The review for the year had not been completed at the time of publication.

** The increase in the 2019 year over 2018 year is due to the mergers in Cape Town, Port Elizabeth and Johannesburg.

Unresolved matter

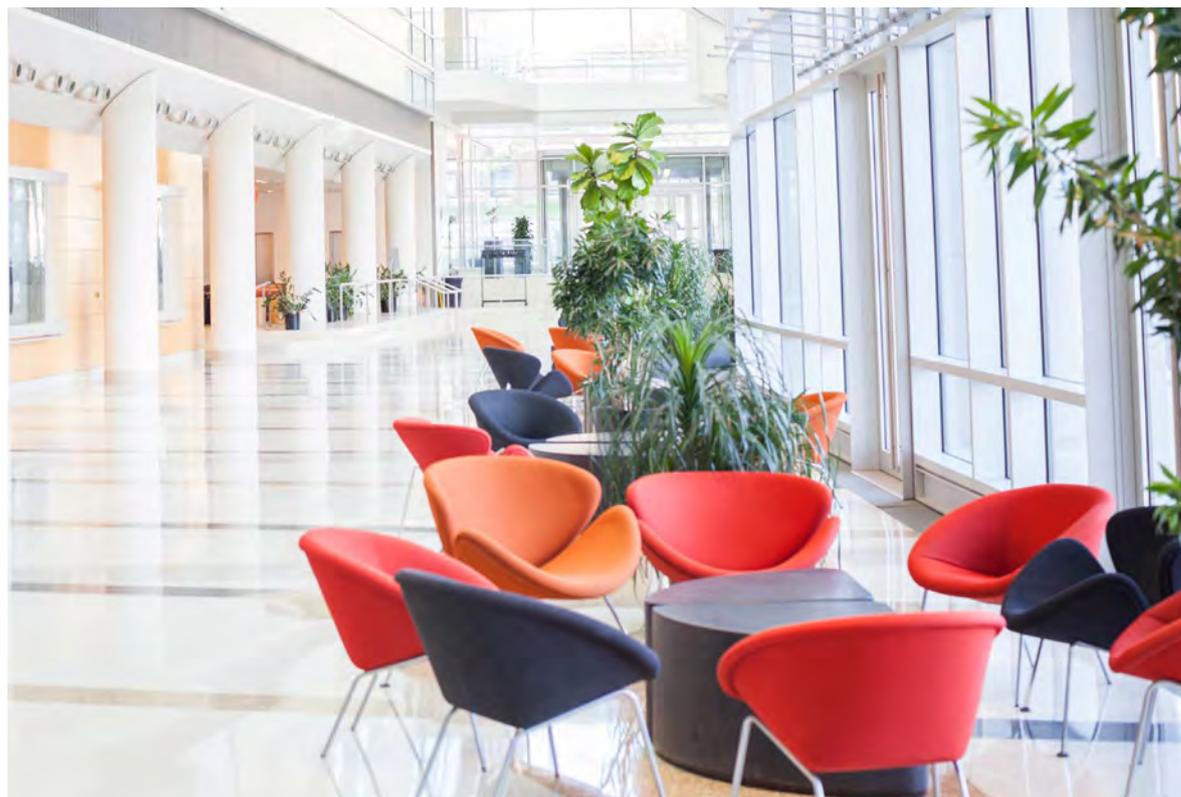
In 2018, the IRBA Inspections Department referred the firm to the IRBA Investigation Committee in respect of the inspections performed during the 2015 to 2017 years. The reason being the lack of adequate improvement noted in audit engagements inspected in those years. The firm has since then spent many hours appointing independent individuals; changing and refining the roles of leaders versus that of audit engagement partners; and improving its engagement quality review process. The aim was to enhance the oversight over the performance of audit engagements. These changes were also necessitated by the mergers that have taken place in past two years. Leadership is convinced that these changes will bear fruit in the years ahead. Although the firm responded to the matters on which the firm was referred, the matter is still not resolved.

PCAOB inspection results

BDO in South Africa has not been subject to PCAOB inspection during the reporting period.

Remediation

We consider these processes to be a valuable input to our firm’s overall approach to enhancing audit quality. We therefore take the inspection comments with the utmost seriousness, giving them prompt consideration. We have made, and continue to make, significant enhancements to our audit quality process, including investments in appropriate resources, tools, training and communication, as well as in the design of specific action plans and monitoring of such plans.



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BDO Global accreditation

Status as per 1 April 2020

Per criterion:



BDO in South Africa results



* Partial accreditation because of the absence of an internal inspections programme.

INNOVATION

In nearly every industry, well-established companies and business models face a constant threat of disruption as the Internet of Things (IoT), robotics and artificial intelligence create new possibilities and transform customer expectations. Audit is no different. Data analytics is rapidly revealing new insights about how companies and their auditors can operate more efficiently and create more value in the examination and presentation of information. The rise of distributed ledger technology (blockchain) and digital currencies is revolutionising how financial transactions are made and processed.

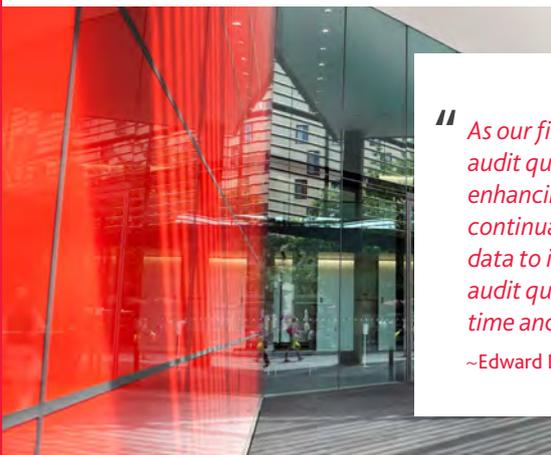
Looming over all these innovations are the serious and ongoing concerns companies face when it comes to the security of and controls over their data. These changes are putting immense pressure on service providers, regulators, and others throughout the accounting and audit community. However, we view these forces of change as a tremendous opportunity to apply our quality-centric mindset in innovative, valuable ways on behalf of our clients.

METHODOLOGIES, TOOLS, AND POLICIES

Our policies and procedures are designed to ensure that the audits we perform meet all applicable professional standards, regulatory requirements and that we issue reports that are appropriate in the circumstances. To achieve this and to promote consistency in the approach to auditing and related fundamental application of professional scepticism throughout the BDO network, BDO International has developed the common BDO Audit Methodology, related software tools and other standard forms of documentation. This methodology is fully compliant with International Auditing Standards.

“ As our firm grows, we continue to place significant emphasis on audit quality and audit quality indicators. Data analytics is critical to enhancing both our practice and our client service delivery, and we continually explore ways to access and leverage engagement-related data to identify and assess risk criteria. Data analytics also offers our audit quality control teams a means of monitoring engagements in real time and assessing the overall level of quality of our audits. ”

~Edward Dreyer, Partner and Head of Audit Johannesburg



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Global Audit Process Tool

Our Global APT, BDO International’s in-house state-of-the-art audit software, remains BDO’s single largest global project and its evolution continues.

Our professionals use the APT to devise proper audit procedures and testing based upon applicable auditing standards, as well as to factor in engagement and industry-specific facts and circumstances for all types and sizes of audit engagements. During the past few years, we have allocated significant time and resources to expanding our APT audit libraries to include additional industry-specific content, and to designing a version of the tool for smaller, less complex audit engagements.

This helps our engagement teams focus on risk and audit execution and has resulted in more informed choices regarding alternative audit strategies and the types of testing that are most appropriate to a client’s specific facts and circumstances.

We have heavily invested in enhancements to the next generation of APT to adapt to the audit of the future in terms of scalability, complexity and increasing data mining capabilities.

Key benefits include:

- Project management capabilities
- Real-time documentation throughout the engagement process
- Customised industry-specific content
- An integrated trial-balance manager that automates updates to the workspace when financial statement adjustments are recorded

APT also enables our professionals to leverage business intelligence tools, helping our engagement leaders identify and communicate risks, issues and timely information to our teams and our clients throughout the audit.

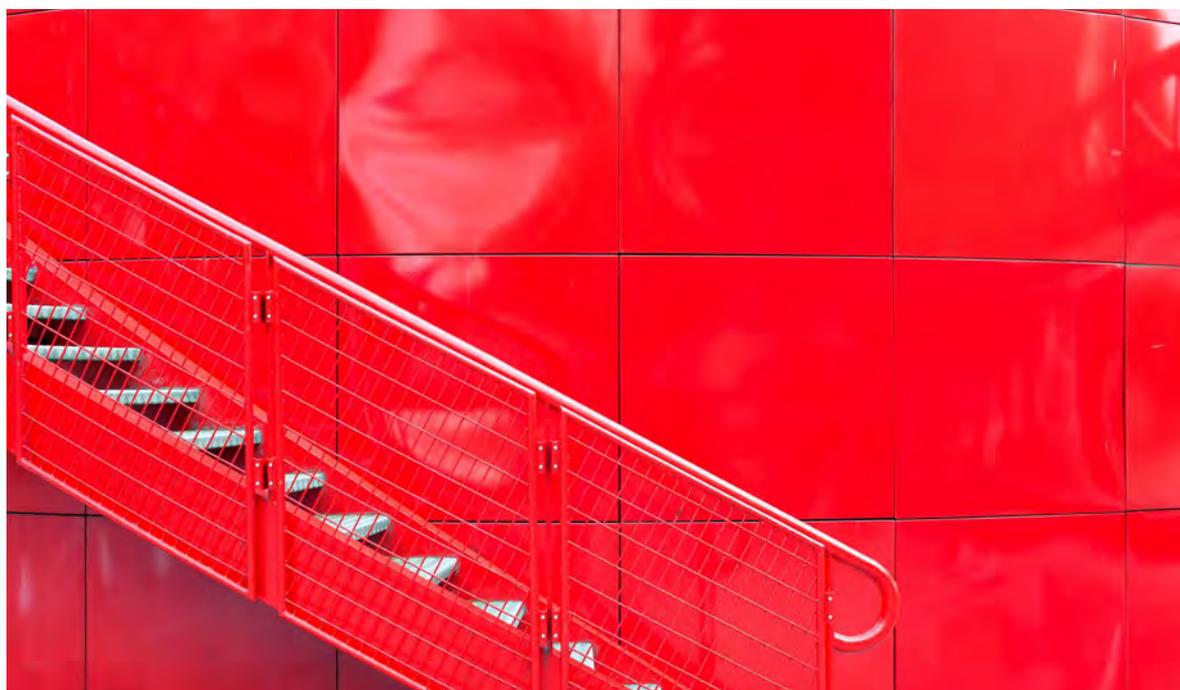
BDO Advantage

Our customised automation and data analytics tool, BDO Advantage, combines smart technology with our knowledge and understanding of our clients’ businesses to deliver information for in-depth interpretation.

This enables audit staff to efficiently perform trend and transaction analysis on client’s data. Through this, audit teams can:

- identify any anomalies or exceptions more effectively;
- filter through large volumes of transactions; and
- perform more focused audit tests.

It also provides valuable information to the client with regards to the quality of their data, implementation of controls and insights into anomalies or exceptions.



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Single-view, BDO Global Portal

Clients rightfully expect a seamless experience when working with BDO teams across the world and this extends to the digital space. Transparency, accessibility and real-time responsiveness are among the defining features of BDO's Global Portal.

The portal is our clients' digital gateway to the audit experience, powered by quantitative data and the professional judgment and qualitative assessments of our Assurance leaders. Use of the portal is allowing clients and BDO professionals a more complete view of the status of the client's audit, the impact of business issues and a secure experience with engagement team members world-wide.

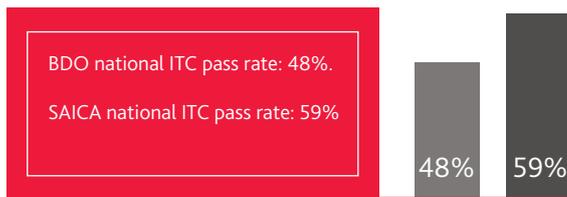
Advanced technology also facilitates improved project management and productivity, through centralised document and records management, automatic language translation and optimised resource allocation. We can use such technology customised to each client's needs while offering agility, consistency of approach and collaboration.

BUILDING FUTURE AUDIT LEADERS

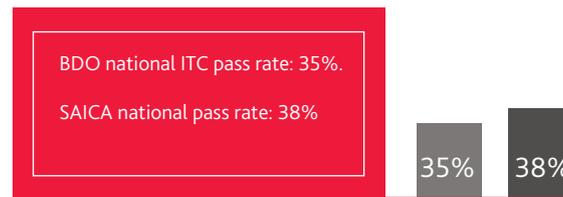
Initial Test of Competence (ITC)

The Initial Test of Competence (ITC) is the first qualifying examination. It is written after the completion of an accredited CTA programme and is an assessment of core technical competence. To be eligible to write this exam a candidate must hold a CTA that has been accredited by SAICA. This exam is written in January and June each year.

January 2020 ITC results



June 2019 ITC results



Assessment of Professional Competence (APC) for 2019*

The APC is the second part of the qualifying examination. It assesses professional competence. To be eligible candidates must have passed ITC, completed 20 months of a SAICA registered training contract and successfully completed a professional programme.



* The APC exam is written in November each year.



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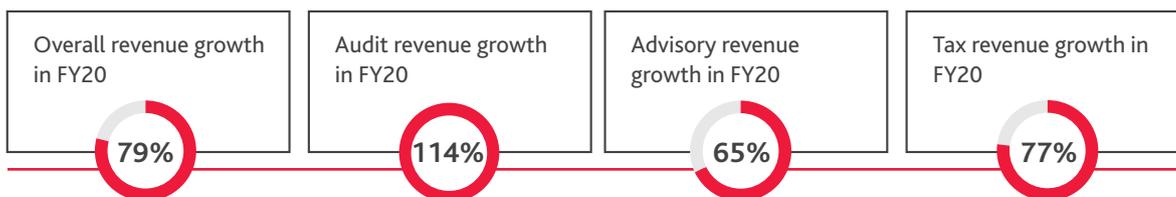
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Profitable and sustainable growth has allowed us to invest in our people and technology, which, in turn, helps secure future revenues. They also allow us to recruit and retain the highly skilled and in-demand people we need to complete complex client work as we build a bigger BDO.

“ We’ve had a momentous year with continued organic growth being enhanced by our recent mergers and the significant investment in a world class Financial Services and Technology practice. Together, we’ve created a leading South African professional services firm that not only advises businesses of all sizes and across all sectors – but can confidently challenge our larger competitors in all areas of audit, tax and advisory work. ”

~Daniel Botha, Chief Financial Officer

Financial information for the year ended March 2020 expressed in R'million:



Total revenue	R'm FY20	R'm FY19	R'm FY18*
Total firm revenue	1,330	743	538
Audit	673	315	242
% Audit fees to PIEs	56%	47%	54%
% Audit fees to non-PIEs	44%	53%	46%
Advisory	334	202	151
Non-audit related services as a percentage of audit fees to audit clients	3.6%	2.4%	**
Tax	156	88	70
Other service lines***	167	137	74

* This was a 15-month financial year due to change in year-end, have shown comparative 12 months to facilitate comparison.

** Data not collected in 2018.

*** Other service lines include BDO Wealth, BDO Corporate Finance, BDO Business Restructuring and BDO Verification Services.



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GOVERNANCE STRUCTURE

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APPENDIX B

APPENDIX A

LISTED PUBLIC INTEREST ENTITIES AUDITED BY BDO IN SOUTH AFRICA IN THE FINANCIAL YEAR ENDED 31 MARCH 2020:

Client
African Equity Empowerment Investments Limited
African Media Entertainment Limited
African Phoenix Investments Limited
Anchor Group Limited
Andulela Investment Holdings Limited
Arrowhead Properties Limited
Avior Capital Markets Holdings Limited
AYO Technology Solutions Limited
Bauba Platinum Limited
Bayport Financial Services Debt Listing
Caledonia Mining Corporation Plc
Caxton and CTP Publishers and Printers Limited
Cognition Holdings Limited (formerly Foneworx Holdings Limited)
Comair Limited
Conduit Capital Limited
Delta Property Fund Limited
E Media Holdings Limited (previously Seardel Investment Corporation Limited)
Ellies Holdings Limited
Exemplar REITail Limited
Fairvest Property Holdings Limited
Finbond Group Limited
Group Five Limited
Heriot Reit Limited
Hosken Consolidated Investments Limited
Hosken Passenger Logistic & Rail Limited
Hudaco Industries Limited
Indluplace Properties Limited
KayDav Group Limited
M&S Holdings Limited / CSG Holdings Limited (aka Top Fix)
Master Drilling Group Limited
Mine Restoration Investments Limited
Montauk Holdings Limited (previously HCI International)
MW Asset Rentals (RF) Limited (Debt listing)
Newpark REIT Limited
Niveus Investments Limited
NVest Financial Holdings Limited
PBT Group Limited
Premier Fishing and Brands Limited
Purple Group Limited
Rebosis Property Fund Limited
Redink Rentals (RF) Limited (Debt listing)

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Client
Sephaku Holdings Limited
Spear Reit Limited
Stellar Capital Partners Limited
Taste Holdings Limited
Total Client Services Limited
Unicorn Capital Partners Limited
Visual International Holdings Limited
Wilson Bayly Holmes Ovcon Limited
Zarclear Holdings Limited



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BDO IN SOUTH AFRICA OFFICE LOCATIONS AND CONTACT INFORMATION

Office	Address	Office number
BDO Cape Town	6th Floor, 119 – 123 Hertzog Boulevard, Foreshore Cape Town	PO Box 2275 Cape Town 8000 South Africa
BDO Durban (Pencarrow Park)	2nd Floor, Pencarrow Crescent, Pencarrow Park La Lucia Ridge Office Estate La Lucia Ridge	PO Box 47 La Lucia 4153 South Africa
BDO Durban (Rydall Vale Office Park)	Rydallviews Building, 5A Rydall Vale Office Park 38 Douglas Saunders Drive La Lucia Ridge	PO Box 47 La Lucia 4153 South Africa
BDO Johannesburg	Wanderers Office Park 52 Corlett Dr Illovo	Private Bag x60500 Houghton 2041 South Africa
BDO Nelspruit	36 Murray Street, Chereson Office Park Nelspruit	+27 (0) 10 590 7235
BDO Port Elizabeth	106 Park Dr Port Elizabeth	PO Box 63814 Greenacres 6057 South Africa
BDO Pretoria	Building 5, Summit Place Office Park 221 Garsfontein Road, Menlyn Pretoria	PO Box 95436 Waterkloof 0145 South Africa
BDO Roodepoort	Unit B5, Clearview Office Park 77 Wilhelmina Ave, Allens Nek Roodepoort	PO Box 21341 Helderkruijn 1733 South Africa
BDO Stellenbosch	Block 2 Blaauwklip Office Park Webersvallei Rd, Jamestown Stellenbosch	PO Box 820 Stellenbosch 7599 South Africa



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WE TAKE IT PERSONALLY.
FOR FURTHER INFORMATION, CONTACT:

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KEITH BOWMAN

National Head of Risk Management
kbowman@bdo.co.za



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