

BDO TRANSPARENCY REPORT 2022



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QUALITY





BDO AT A GLANCE

Over 2 135 people providing clarity in audit, tax, advisory and business outsourcing to companies across numerous industries. Seven offices in South Africa and over 111 307 people in 164 countries around the globe.

We offer industry-specific practices, 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:

- ▶ Quality, independence and a high ethical standard across all services
- ▶ Unparalleled partner involvement (12:1 staff to partner ratio, globally)
- ▶ Deep industry knowledge
- ▶ Geographic coverage across South Africa and Africa
- ▶ Cohesive global network
- ▶ Level 1 B-BBEE contributor
- ▶ Focused capabilities across over 20 disciplines
- ▶ Culture defined by values and purpose.

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 underpins all we say and do, from how we live our values to how we engage with you, our clients, and all our stakeholders.

Our BRAND PROMISE - exceptional client service, always and everywhere - is founded on three core delivery pillars: being responsive, providing the right resources, strong relationships.

GLOBAL STATISTICS 2022

GLOBAL HEADCOUNT

111 307

highly skilled partners and staff worldwide



GLOBAL OFFICES

1 803



GLOBAL REVENUE

US\$ 12.8 BILLION*

*December 2022

164
countries
& territories



LOCAL STATISTICS 2022

LOCAL HEADCOUNT

+1 957

highly skilled partners and staff



LOCAL OFFICES

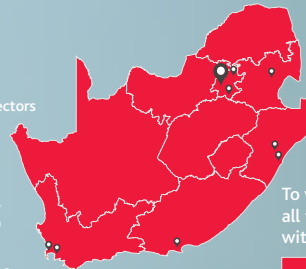
7 Cape Town
Durban
Johannesburg
Port Elizabeth
Pretoria
Roodepoort
Stellenbosch



in South Africa

131

Partners & Directors



R1.65
BILLION

*December 2022

To view the list of
all the countries
with BDO offices.

[CLICK HERE](#)

Level 1 B-BBEE contributor



MESSAGE FROM OUR CEO – BONGA MOKOENA

Welcome to BDO SA's third Transparency Report. It remains a key measure of the substance and direction of BDO SA into the future and is informed by our stakeholders. The theme of this year's report is Quality – a key tenet of how BDO leads and contributes to the shaping of our profession and ultimately our impact on the economies in which we operate.

REDEFINING QUALITY

As a profession, we find ourselves at a critical intersection. This is reflected in the high expectations amongst stakeholders that auditing can and should add greater value.

In this regard, trust is an obvious prerequisite. Following the damaging reputational scandals that have impacted the auditing profession over several years, we have an obligation to rebuild, restore and improve trust. Trust translates into how we understand the issues that matter in business, mindful that our interpretation has a significant impact on our economy. Those issues are understood through our assurance and interpretation of annual financial statements, which represent an independent view of businesses' performance. It is therefore important that that perspective is an accurate reflection because it articulates an independently verified narrative.

Leading our profession through quality standards and a commitment to transparency guides us in terms of the direction we take, the areas of improvement we focus on and being open to where things may have gone wrong. We have an obligation to communicate with clarity, simplicity and authenticity.

As the world shifts to a greater focus on sustainability, there is a growing need to improve how we disclose environmental, social and governance (ESG) performance. [BDO's Sustainability Report 2021](#) encapsulates our framework and approach to reporting on ESG matters. We provide guidance and advice to clients based on our expert and thought-leading ESG knowledge. Even those of our clients who, for example, may contribute negatively to environmental pollution, understand that we have a duty to reflect it in our reporting but we provide appropriate guidance.

Incoming legislation such as prescribed under the Companies Act relating to Mandatory Audit Firm Rotation will help create a more robust, credible and trustworthy environment. At BDO, we proactively address this through our emphasis on quality, realised through our

Clarity Charter. The principles enshrined in our Clarity Charter are part of our BDO DNA and guide us in everything we do. The Charter is about speaking truthfully and honestly, as well as being transparent in our work, in order to effect a positive change in the profession.

We are also mindful that transparency entails improving the quality of our work and have recently initiated Siyakhula (we are growing) for BDO South Africa. This, together with our Clarity Charter, amplifies our focus on being a quality-driven organisation.

EMBEDDING PROFESSIONAL SCEPTICISM

A key indicator of BDO's quality imperative is the successful upskilling of our talented people in order to demonstrate the necessary professional scepticism in the execution of their audit mandates. And whilst the commercial environment becomes increasingly complex through legislation and regulation, at BDO we are confident that we have put in place quality learning and processes which bolster our ability to hone those necessary skills.

ENHANCING TRANSPARENCY

Our Transparency Report highlights many of the challenges we face at BDO, including uncontrollable cost increases, legacy people matters (such as remuneration and promotions) and attraction and retention of talent. It also highlights the many opportunities available to BDO, through both our talented people and our valuable clients, who are part of our journey of new growth.

We need to innovate. We need to upskill. We need to be counted.

Bonga Mokoena,
CEO BDO South Africa



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.

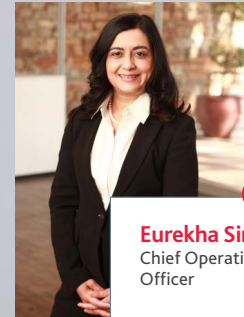
EXECUTIVE COMMITTEE (EXCO)



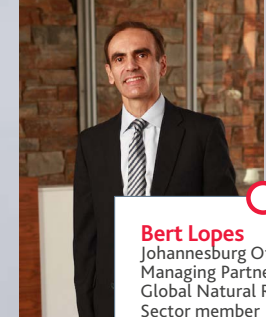
Bonga Mokoena
Chief Executive Officer (CEO), BDO EMEA board member



Daniel Botha
Chief Financial Officer



Eureka Singh
Chief Operations Officer



Bert Lopes
Johannesburg Office Managing Partner
Global Natural Resources Sector member



Bonita de Wet
Pretoria Office Managing Partner



Sumesh Somaroo
Durban Office Managing Partner



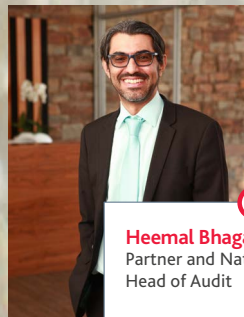
Mark Willimott
Gqeberha Office Managing Partner



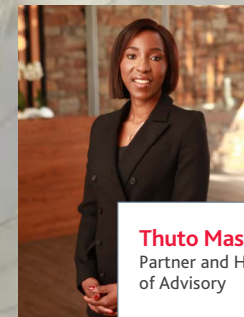
Imtiaaz Hashim
Cape Town Office Managing Partner



Paul Badrick
Partner and Head of Public Practice and Listed Companies



Heemal Bhaga-Muljee
Partner and National Head of Audit



Thuto Masasa
Partner and Head of Advisory



HR INFORMATION – OUR PEOPLE

OUR PEOPLE – THE HEART OF OUR BUSINESS

Our clients, and the industry, expect excellence in everything we deliver. We hold our people to this same standard. As a result, we continually look for and grow talented people, offering them a diverse and inclusive environment where new ideas are welcomed and encouraged, and where people can grow their professional skills and networks. We are committed to helping people achieve their dreams.

B-BBEE LEVEL 1

This year BDO South Africa Group 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. BDO is currently 51% 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 hackathon challenged students to formulate innovative solutions to crypto currencies and emerging market technologies such as web 3.0 for Financial Services. 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

As South Africans, 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 2021 we partnered with Yes4Youth, employing 60 Yes Interns to take on various roles across our South African offices for a period of 12 months. For many graduates of the Yes program, the experience, CV and reference letter have been a passport to permanent, entry-level work.

PARTNER AND DIRECTOR BREAKDOWN



The statistics exclude Wealth, Employee Benefits, Celerity and Verification services service lines as per previous submissions.

Info as at 31.03.2022



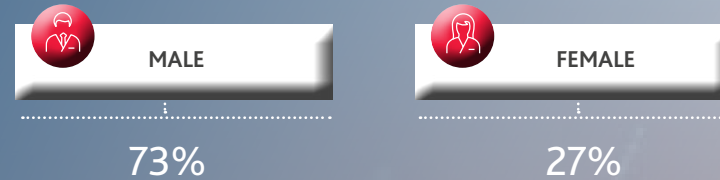
HR INFORMATION – OUR PEOPLE (CTD)

STAFF BREAKDOWN (EXCL. PARTNERS & DIRECTORS)

SERVICE LINE	NUMBER OF EMPLOYEES
BDO_ADVISORY • Legal • Statucor • Corporate Finance • RAS	213
BDO_INC • FSD • FSS • FST • IOC	1 368
BSO	113
BDO SERVICES	140
BDO TAX	123
TOTAL	1 957

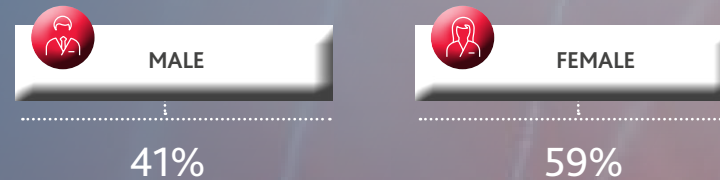
OWNERSHIP

Based on the verification done during this financial year



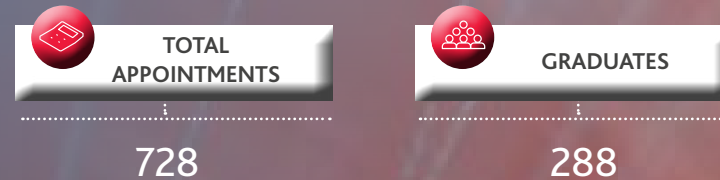
Whilst our total staff complement increased 17.7%, we had a slight decrease in female ownership when compared to the prior year.

FIRM WIDE DEMOGRAPHICS



APPOINTMENTS 2021/22

Period : April 2021 to March 2022





HR INFORMATION – OUR PEOPLE (CTD)

PROMOTIONS PER SERVICE LINE

Period : April 2021 to March 2022

Service Line	Number of Promotions
Advisory	19
BSO	8
Inc	85
Shared Services	8
Tax	14
Total	134

PROMOTIONS PER RACE AND GENDER

Period : April 2021 to March 2022

Race	Male	Female
African	11	22
Coloured	5	8
Indian	11	26
White	18	27
Non-South African	1	5
Total	46	88

ASSOCIATE DIRECTOR PROMOTIONS

Period : April 2021 to March 2022

Race	Male	Female
African	1	0
Indian	3	3
White	1	5
Total	5	8

PARTNER AND DIRECTOR APPOINTMENTS AND PROMOTIONS

Period : April 2021 to March 2022

Race	Male	Female
African	5	2
Indian	1	1
White	2	2
Non-South African	0	1
Total	8	6



HR INFORMATION – OUR PEOPLE (CTD)

CAREER ADVANCEMENT

Over the 2021/2022 Financial Year, we promoted 134 employees. This reflects a 45.7% increase in the number of promotions when compared to the previous year. Of the individuals promoted, 62% are Black and 66% are Female.

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

- ▶ Regulated = currently 150 growing to 220 by 1 Feb 2023
- ▶ Unregulated = currently 60 growing to 75 by 1 March 2023
- ▶ On-demand = currently 60 growing to 80 by 1 Jan 2023

DIRECTOR REMUNERATION AND PAY GAPS: 2022

Remuneration	March 2022	March 2021	March 2020
Average total compensation per director	R2.7 million	R2.7 million	R1.9 million
Gender Pay Gap	March 2022	March 2021	March 2020
Average female director earnings as a percentage of Average male director earnings	86%	85%	84%
Transformation Pay Gap	March 2022	March 2021	March 2020
Average ACI director earnings as a percentage of average non-ACI director earnings	95%	97%	97%
Representation	March 2022	March 2021	March 2020
Percentage of all directors who are female	34%	33%	29%
Percentage of all directors who are ACI	31%	26%	19%





HR INFORMATION – OUR PEOPLE (CTD)

GENDER PAY GAP: 2022

Employee Pay Gap			
Gender Pay Gap - excl associate companies and interns	2022		
Transformation categories	Number of staff (all genders)	Average female earnings as a percentage of average male earnings	Female employee representation per category
Unskilled	37	82%	70%
Semi-skilled	32	101%	56%
Junior Management	1 401	97%	62%
Middle Management	232	96%	65%
Senior Management	70	95%	54%
Other Executive Management	54	96%	59%

TRANSFORMATION PAY GAP: 2022

Employee Pay Gap			
Transformation Pay Gap - excl associate companies and interns	2022		
Transformation categories	Number of staff (all genders)	Average ACI employee earnings as a percentage of average non-ACI employee earnings	ACI employee representation per category
Unskilled	37	210%	95%
Semi-skilled	32	99%	91%
Junior Management	1 401	87%	74%
Middle Management	232	102%	64%
Senior Management	70	103%	54%
Other Executive Management	54	103%	46%

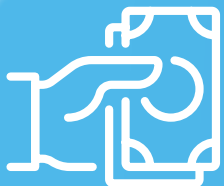




FINANCIAL INFORMATION

Revenue Growth	March 2022	March 2021	March 2020
Overall	8%	14%	79%
Audit	19%	22%	114%
Advisory	-7%	-6%	65%
Tax	3%	-1%	77%
Total Revenue (R'm)	March 2022	March 2021	March 2020
Total Firm Review	1 651	1 525	1 330
Audit	971	813	673
% Audit to PIE	45%	48%	56%
% Audit to Non PIE	55%	52%	44%
Advisory	295	318	334
Non-audit related services as % of audit fees to high risk audit clients (per IRBA declaration for calendar 2021)*	1.6%	2.3%	3.4%
Tax	165	160	156
Other Service Lines	220	234	167

*The numbers used here are non-assurance fees billed to high-risk assurance clients and not just listed clients. They are derived directly from the IRBA declarations.



“ It has been a very difficult year for our largest service line - audit, with continued uncontrollable increases in costs far beyond inflation. These costs are driven by regulators, continued and increased investment to improve audit quality and intense competition for professional talent locally but also globally. This is in contrast to a client market which is unable or unwilling to accept increases beyond the consumer price index.

Should these factors continue unabated, it will render the audit business and profession unsustainable over the medium term. Urgent and serious intervention is required from all stakeholders to avoid this impending crisis.

Fortunately, we have managed to stimulate growth this year through diversification of our service offerings away from traditional audit.”

Daniel Botha - CFO



SUSTAINABILITY

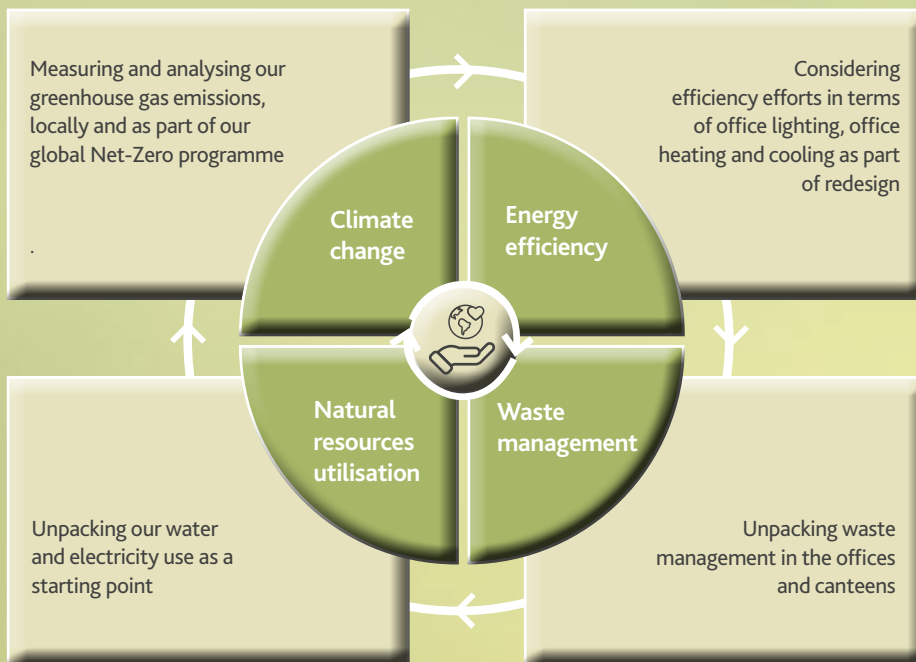
In fulfilling our sustainability objectives, BDO South Africa is committed to operating with integrity, supporting environmental sustainability and building a diverse and inclusive work environment.

As part of our environmental consideration, we have incorporated two specific SDGs into our ESG Policy, which form the basis of our approach to our environmental impact and to 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, as per the NZFSPA. This further aligns with our guiding policy and implementation plan to ensure that BDO South Africa remains on track with the global sustainability objectives and ever-changing business landscape. This has necessitated the strategic implementation of assessments and measures to fulfil the aim of SDG 13.

ENVIRONMENTAL FOCUS AREAS



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:

- i. Data collection** – water, energy and waste baseline data has been collected to act as a benchmark for future reporting and analytical understanding.
- ii. 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.
- iii. Recommendations and opportunities** – a sustainability action plan has been developed to guide the actions to be implemented in fulfilling our sustainability objectives.
- iv. 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 constant gaps to be identified and opportunities acted on effectively.
- v. Reporting** – an annual GHG inventory was conducted to ensure that we measure, monitor and transparently communicate our total 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.
- vi. 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.
- vii. Digital realm** – investment in digital transformation and technologies, which supports our desire for sustainable efficiency and improvements in analytical data processing.



SUSTAINABILITY (CTD)

UNDERSTANDING OUR IMPACT ON CLIMATE CHANGE

With the growing pressures and 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-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.



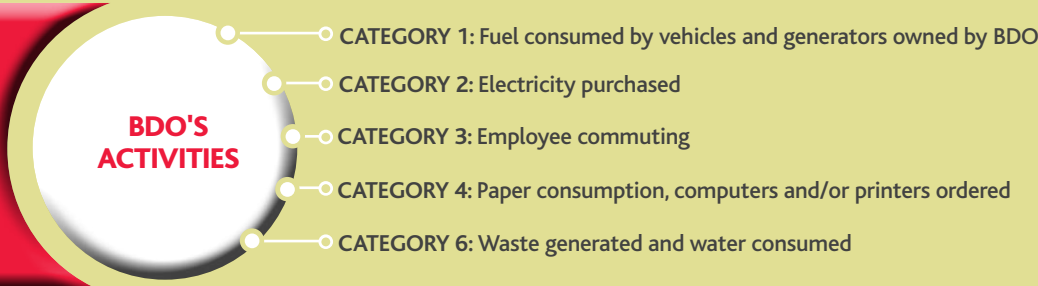
Other indirect GHG emissions (previously Scope 3 emissions, as per ISO 14064-1:2006), are those emissions (other than indirect GHG emissions from imported energy) due to activities that occur at sources owned or controlled by another company. These include, but are not limited to, employees commuting, 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 the 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.



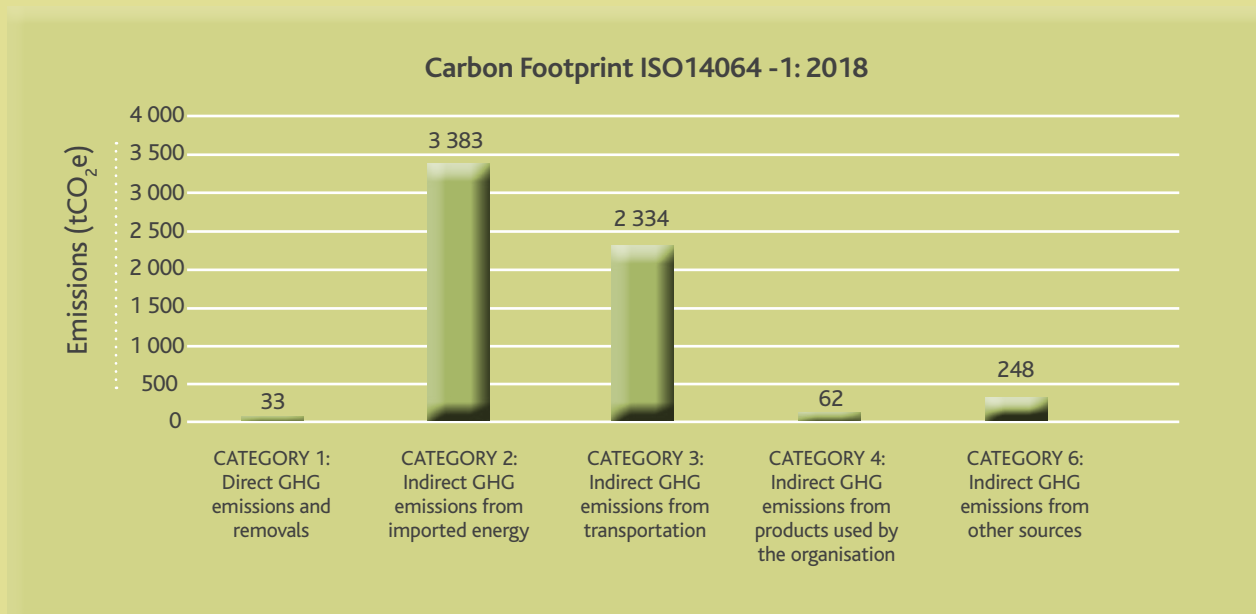
SUSTAINABILITY (CTD)

BDO SOUTH AFRICA EMISSION SOURCES



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.

BDO FY2022 GHG INVENTORY IN TERMS OF ISO 14064 -1:2018 STANDARD (t CO₂e)





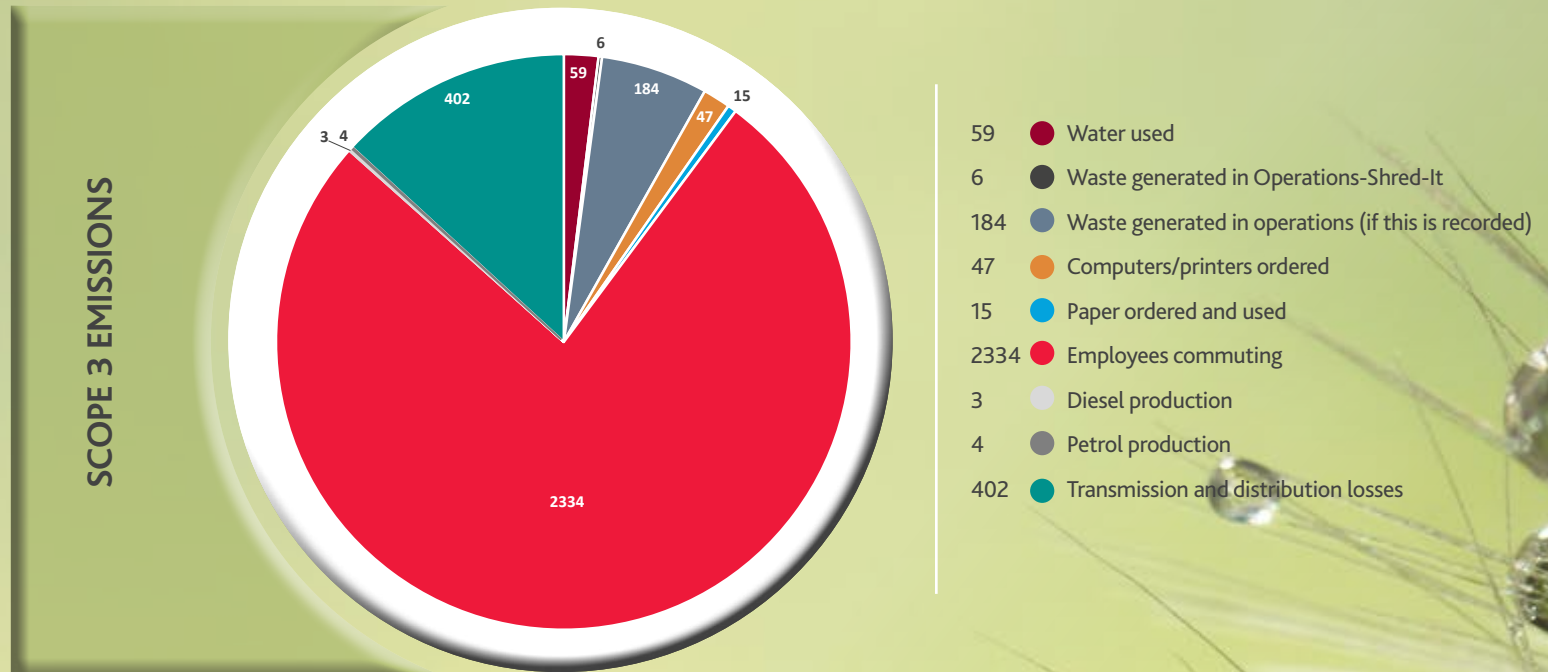
SUSTAINABILITY (CTD)

SUMMARY OF SIGNIFICANT INDIRECT GHG EMISSIONS (SCOPE 3)

In response to the global need to fulfil carbon neutrality commitments, the discussion of reducing Scope 3 emissions has gained significant ground. The GHG Inventory includes the data collection and analysis of emissions to identify carbon reduction opportunities. This is important to BDO as we seek to operate as a sustainable business which accounts for its operational impact on climate change, makes transformative operational shifts and transparent disclosures. Identifying these Scope 3 emissions has been key in understanding reduction on climate change impact to curb environmental risks and in addressing climate action targets.

The summary of BDO South Africa's Scope 3 emissions is illustrated in the diagram. The data collected acted as the baseline data and several gaps were identified. In response to the gaps, the internal sustainability team has facilitated planning and engagement to further improve the data collection processes for improved data management throughout the respective BDO offices. In determining the Scope 3 emissions, a few assumptions were made based on limited data. As highlighted, we recognise that these gaps will be improved as we develop additional assessments, implement better data collection channels and continued training to reflect developments in the operational boundaries of BDO South Africa.

BDO SOUTH AFRICA'S SCOPE 3 BREAKDOWN



Employee commuting accounts for most of our Scope 3 emissions, even with the exclusion of employees commuting to clients for meetings and audits, implying that the bulk of these emissions were for employees travelling to and from work. These emissions were estimated using high-level assumptions regarding the transport modal split, distance travelled and workdays. It was assumed that most employees used private cars, with others using public transport such as minibuses and buses to travel an estimated distance of 50km one way to work daily. This category accounted for 76% of total indirect emissions. Indirect fuel and energy emission activities accounted for 13% of the emissions and other indirect emissions for the remaining 11% of total indirect emissions.



SUSTAINABILITY (CTD)



Energy

As 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.



SUSTAINABILITY (CTD)

BDO SOUTH AFRICA TIERED ENVIRONMENTAL SUSTAINABILITY TRANSITION JOURNEY

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.

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.

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.

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.

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.

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:

- ▶ Tree planting took place at the BDO Cape Town office, as part of National Arbor Month - further commitments are planned for FY2023, which will include other BDO offices.
- ▶ Our Pretoria and Cape Town offices do not use any plastic products whatsoever and water filtration systems used, rather than water bottles/water coolers.
- ▶ Our Pretoria office is in a newly built building designed to ensure the least water and electricity consumption possible.
- ▶ Our Johannesburg office has removed all polystyrene cups and plastic cutlery/crockery and is currently undergoing a canteen overhaul to ensure only recyclable cutlery, crockery, cups and packaging are used.
- ▶ Our Durban office is in a four-star green building whose features include:
 - No opening windows for more efficient climate control
 - A vegetated roof
 - 'No flush' urinals
 - Sensors on taps to limit water usage
 - A chiller plant instead of traditional air-conditioning.





RISK MANAGEMENT

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

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

NATIONAL RISK MANAGEMENT COMMITTEE (NRC)

2022 MEMBERS

National Head of Risk Management:
Keith Bowman (Chair)

National Head of Audit and Assurance Quality Management:
Christel Pretorius

REGIONAL OFFICE RISK PARTNERS

- ▶ Cape Town: Keith Bowman
- ▶ Durban: Stuart Mcilroy
- ▶ Gqeberha: Mark Willimott
- ▶ Johannesburg: Garron Chaitowitz
- ▶ Pretoria: Tinus Jansen van Vuuren

OTHER MEMBERS

Johannesburg: Japie Schoeman



RISK MANAGEMENT (CDT)

Responsibilities and duties

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

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 this 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.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Health and safety risks

In March 2020, the Covid-19 pandemic led Government to place South Africa under a strict lockdown. Restrictions were only removed in June 2022.

The pandemic has challenged us to balance the business imperative of ensuring productivity with the human imperative of ensuring safety. Throughout this time, BDO was able to provide a working environment for our people that was safe, focusing on keeping staff physically and mentally healthy. BDO continued to implement these safety protocols as the company moved out of the strict lockdown restrictions.

In response to this risk, we continue to:

- ▶ Update and overhaul our remote working policies and capabilities, encouraging all staff to implement a hybrid working environment.
- ▶ Encourage all staff to practise and implement good health and safety practices throughout the organisation.

Under the lower levels of lockdown, a return to the workplace was permitted. Our staff continue to regularly work from our premises, suggesting that our people see the value of in-person collaboration, within the limits of what is safe.





RISK MANAGEMENT (CTD)

Business continuity risks

The Covid-19 pandemic had an impact on every global industry to some extent. Our response showed an ability to adapt to and mitigate increasing risks as they arise and highlighted the extent that BDO is dependent on technology and the information technology structures.

Our investments into technological capabilities allowed our workforce to deliver their work remotely with minimal business interruption. Our ability to adapt to and mitigate the increasing risks associated with technology remains a priority and regular penetration tests, vulnerability assessments and network security reviews continue to be conducted.

The Covid-19 pandemic highlighted the importance of business continuity plans. BDO has placed emphasis on ensuring that suitable business continuity plans are in place for all regions.

People and talent

BDO in South Africa has identified challenges in the area of people and talent. BDO continues to monitor and address this risk by attracting new talent and retaining top-performing staff within the organisation. This 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 and managerial programmes
- ▶ Benchmarking salaries.

Public perception and reputation

BDO in South Africa continues to recognise the impact of failing to respond transparently to issues raised by the current environment, including adverse media coverage, which can impact 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.

To mitigate these risks, BDO drives a strong culture of integrity through our Clarity brand positioning, our refreshed values and our public commitment to taking the audit and advisory professions forward in an ethical and transparent manner.

Regulatory compliance

The audit profession in South Africa is under increasing regulatory scrutiny and pressure. Due to our continuous growth and the range of services we offer, a possibility exists for the firm to engage with different parties that could threaten our objectivity and confidentiality. To support our regulatory compliance efforts, we have split the Risk Management and Compliance functions and, in doing so, each area has the dedicated focus and resources needed to mitigate risk. These measures include:

- ▶ Independence and conflict checks built into the client onboarding, engagement and acceptance
- ▶ Annual independence declarations that all staff complete
- ▶ Clear policies, procedures and guidance internally and within the BDO network of firms
- ▶ Ethics training and workshops to enhance our understanding and compliance with ethical and regulatory matters.





ETHICS AND COMPLIANCE

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 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 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, as well as 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 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

In October 2021, we conducted an Ethics Monitor Survey. The subsequent Ethics Report produced from the survey has helped us to understand our ethical status, which encompasses ethical behaviour, practices and ethical boundaries.

The survey was conducted using the Ethics Monitor, a confidential web-based service, and customised via qualitative one-on-one interviews with a selection of executives and managers within BDO. This produced a set of customised questions that were used to help quantify organisation-specific issues. Among a total of 1 897 employees, the survey received a response rate of 73% across the three BDO branches — exceeding the previous benchmark average of 64%.

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.

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.



ETHICS AND COMPLIANCE (CTD)



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 declaration process to identify, follow up and resolve possible conflicts, conflicts of interest or independence issues.

The Social and Ethics Committee

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 S&E Committee is to

act as the social conscience for BDO by ensuring that it acts as a responsible corporate citizen. 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 consists of four members at this point in time:

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

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
- ▶ 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 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

WHY QUALITY MATTERS?

Quality isn't determined by size or people. It matters to every industry and should be held to a high standard through every engagement.

The key to achieving quality is to do the right thing first time. We serve the public interest by consistently performing quality engagements. The responsibility for achieving quality lies with everybody at BDO, starting at the top with our CEO, moving across all our partners and managers, through to trainees, and even support partners.

More than ever quality is in the spotlight. A new International Quality Management (ISQM) standard is currently being implemented around the world. This will shift the current standard focused on managing quality towards a more compliance-based approach. The ISQM represents a formal proactive response to identifying quality objectives and risks, ordering the latter in terms of their likelihood to occur and subsequent magnitude. The ISQM will officially come into effect in South Africa from 15 December 2022.

BDO: AHEAD OF THE CURVE

BDO has appointed a Head of Audit and Assurance Quality Management who is operationally responsible for the System of Quality Management. In addition, the firm has a Head of Monitoring and Remediation and a Head of Compliance, who champion our Ethics and Independence policies and processes, as well as our client acceptance and reacceptance policies and processes. These individuals have a direct line of communication to the CEO who takes ultimate responsibility and accountability for the system of quality control and, from December 2022, the system of quality management.

In addition to ISQM, the auditing profession still needs to additionally adhere to the revised ISQM 2 and ISA 220 standards, that came into effect on 15 December 2022. Due to ISQM 2 and ISA 220 only being revised, we have already applied them in the current year, allowing us to concentrate our full attention on ISQM 1 implementation.

We have also appointed someone to head up our dedicated Engagement Quality Review (EQR) department. This will further allow us to prepare for ISQM implementation. In addition, BDO has implemented training that all our reviewers will need to go through before they can start on engagements. These sessions were conducted in December 2021, and also early 2022. We have also enhanced our audit software tool and checklists to make sure that partners comply with the new standards.

These measures allow us to focus on our engagement performance and specifically on our partners' responsibility to ensure the right standards and quality are maintained. In the future, this will help us to reduce our deficiencies, from both an internal and external point of view, bringing down the number of findings currently being made.



**FOR A CLEAR PERSPECTIVE,
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