



IDEAS | PEOPLE | TRUST

A YEAR WITH PURPOSE
TRANSPARENCY
REPORT 2020

BDO LLP is a key member of the BDO global network of public accounting, tax and advisory firms. The firms have representation in 167 territories, with over 88,000 people working out of over 1,800 offices. The fee income of the member firms in the BDO network, including the members of their exclusive alliances, was \$9.6 billion as at 30 September 2019. Being a member of the BDO global network allows us to meet the needs of clients who are growing and trading internationally.



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REGULATIONS

We have prepared the Transparency Report, in respect of the period ended 3 July 2020 (the report), in accordance with the provisions of the Statutory Auditors (Transparency) Instrument 2008 issued by the Professional Oversight Board of the Financial Reporting Council; The Statutory Auditors and Third Country Auditors Regulation 2016 and the Local Audit (Transparency) Regulations 2020. The report also includes those matters specified to be included in the Transparency Report by the Audit Firm Governance Code (the Code), issued by the Financial Reporting Council (FRC) in 2010. Our statement on compliance with the provisions of the Code and our report on how we have applied in practice each of the principles of the Code are given in Appendix A.

Reference to "BDO", "we", "our", "us" in this report is to BDO LLP. BDO is a member of BDO International, a separate legal entity. No member of BDO International is in partnership with any other member.



INTRODUCTION

FROM THE MANAGING PARTNER

Welcome to BDO's 2020 Transparency Report.

As commentators invariably state, the events of 2020 have been and continue to be unprecedented. In common with other organisations, the Leadership Team (LT) of BDO has directed significant time and resources to navigate these events. Our response and approach to those matters, particularly relevant to this Transparency Report, include:

1) COVID-19

In responding to COVID-19 our key priorities were and remain:

- ▶ The well-being of our people
- ▶ Operating our business on a remote basis
- ▶ Quality.

Our response included flexing our pre-COVID governance arrangements with a view to our independent non-executives liaising with the firm's senior executives to focus their attention on quality and matters of public interest, while allowing the executive LT to devote more of their time to the increased number of operational matters requiring attention as a result of COVID-19 (more details of these governance arrangements are set out on page 17).

2) AUDIT REFORM

Despite the disturbance of COVID-19 we continue to engage with regulators and other stakeholders to contribute to the ongoing debate and formulation of audit reform. Along with other stakeholders we remain committed to reform that will increase audit quality and allow for healthy competition.

3) QUALITY

Quality, independence and ethics are a core component of our strategic framework. It applies to all parts of our business and is embedded in our recruitment, training, processes, procedures and delivery of work.

With regard to audit quality, we fully support the FRC's ongoing drive to increase audit quality. In their 14 July 2020 Audit Inspection Results Report the FRC state:

"We are concerned that firms are still not consistently achieving the necessary level of audit quality. While firms have made some improvements and we have observed instances of good practice, it is clear that further progress is required. The tone from the top at the firms needs to support a culture of challenge and to back auditors making tough decisions."

I can confirm that the BDO LT understand the importance of establishing the right 'tone from the top'. This tone and support for a culture of challenge is an absolute priority for us and is incorporated in our priorities, business model, training and communications.

We also recognise that further progress is required in terms of improving audit quality. As set out on page 38, our own FRC Inspection results for 2020 have deteriorated from the much higher scores secured in our last two previous inspections. We are disappointed with our latest results and have actioned changes designed to achieve the targets set by the FRC.

4) MARKETS

Finally, I am pleased to say that our efforts and market reputation has resulted in us being appointed as statutory auditor to a large number of new companies in the year, including 17 listed entities. We believe this is testament to our focus on quality and our service standards generally.

REPORT

FROM THE CHAIR OF THE PUBLIC INTEREST COMMITTEE



SIMON FIGGIS

CHAIR OF THE PUBLIC INTEREST COMMITTEE

Welcome to my report on the work of the Public Interest Committee.

This year has been exceptional; the effects of COVID-19 have been dramatic. My report, on the work of the Public Interest Committee (PIC) reflects these unprecedented times but, as a committee, we have also continued to focus on helping and challenging the firm to deliver top quality work despite the difficulties of working remotely since March of this year.

Elsewhere in this report the Head of Business Assurance sets out in more detail how the firm has responded to COVID-19. Our work is set out below.

GOVERNANCE

As in prior years the PIC comprises the three independent non-executive directors (INEs) being Russell King, Jeff Randall and myself, together with the firm's Ethics partner, David Isherwood. Until March this year, the INEs were also members of the Leadership Team (LT). However, following the onset of COVID-19 we agreed that we should step down temporarily from this role thus enabling the firm's executive leadership to focus on day-to-day management throughout the COVID-19 crisis. I have continued as a member of the Quality and Risk Management Committee (QRMC); on the rare occasions I have not been able to attend, my place has been taken by either Russell or Jeff.

We were, and remain, strong advocates of our attendance at the regular, generally monthly, LT meetings. This provides us with unfettered access to the firm's activities and has enabled us to gain a good understanding of the firm's operations and an insight into the quality of the firm's leadership. Given the extraordinary circumstances, we endorsed the decision to withdraw temporarily but, as a result, we increased the frequency with which the PIC has met. The attendance at PIC was also broadened so that regular attendees have comprised the Managing Partner, the Senior Partner, the Head of Business Assurance, the Head of Risk and Quality and the LT member for risk and reputation.

REPORT

FROM THE CHAIR OF THE PUBLIC INTEREST COMMITTEE

We have also continued to receive the information we had received before and thus consider that our oversight role has been largely unaffected. As in previous years we have met with the Partnership Council and had private meetings between ourselves and with the Managing Partner and Senior Partner.

Now that the FRC has moved to require the biggest firms (i.e. not including BDO) to separate their audit practice operationally from their other businesses, BDO has taken the opportunity to consider its own governance more widely. This includes the role of The Partnership Council, particularly vis-a-vis the LT and also how the INEs should work within the structure. Also, given the requirement for the biggest firms to have an Audit Board chaired by a non-executive, BDO is considering how it should respond.

We have been party to these deliberations. We remain strong advocates and enthusiasts, in a firm of BDO's size, for the INEs to act not just to support the regulator in relation to audit quality but to act for all stakeholders including employees, suppliers, audit committees, boards, and investors, as guardians of the firm's reputation, competence, character and integrity. BDO's governance review is still work in progress as it identifies how best to manage itself going forward – ensuring that it operates to the highest governance standards whilst retaining a culture that has served it well for many years.

THE ROLE OF AUDIT, COMPETITION AND REGULATION

2018 and 2019 saw the publication of the Kingman report, the report from the Competition and Markets Authority and the report by Sir Donald Brydon on the future of the profession. Subsequently, the BEIS Select Committee launched its own call for evidence, in relation to these reports early in 2020, and we await the formal Government consultation which is expected later this year.

Progress has, perhaps inevitably, been less than we would have liked. There is a need, as set out in these reports, for changes in the regulator, changes in the competitive landscape, and changes in the way in which audit is perceived. Notwithstanding the impact of COVID-19 there has been some progress. We have continued our interaction with the FRC and the firm has increased its market share in the audit of Public Interest Entities. As we have noted previously, we continue to challenge management to ensure that the firm tenders for work only where it has the competence, capability and capacity to deliver. As such, at least one of us is invited to attend 'take-on' and continuance panels for challenging audit (and other) work.



REPORT

FROM THE CHAIR OF THE PUBLIC INTEREST COMMITTEE



We hope that over the next 12 months the issues identified in the various reports and the responses to the consultation will lead to changes. We, as INEs in one of the 'challenger firms' are ready to play our full part in seeking to improve choice and enhance quality in the audit market.

THE AUDIT FIRM GOVERNANCE CODE

The principal objectives of the Audit Firm Governance Code (AFGC) are:

- ▶ To promote audit quality
- ▶ To help the firm secure its reputation
- ▶ To reduce the risk of firm failure.

Our activities in these areas are summarised below.

AUDIT QUALITY

The results from the FRC's review of BDO's audits, and the firm's own internal inspection are set out on page 38.

In short, they are disappointing.

We have received reports from the audit practice and met with the FRC and the leader of the firm's internal review team. A number of initiatives have been launched, which are referred to in the Head of Business Assurance's report starting on page 8.

I referred last year to the need for the profession and its regulator to extol the benefits of training as an accountant and subsequently acting as the auditor of a public company. The culture of the firm, the tone at the top and the continued need to support the well-being of staff has never been more important in order to support these objectives. This is very much a focus of the firm's management, and we continue to support as well as challenge them in this area. During the year we received a briefing from the Head of Integration on the impact on culture following the merger with Moore Stephens last year. As INEs we were pleased to note the engagement scores amongst both staff and partners were consistent. More detail on the firm's efforts to support staff and the firm's culture can be found in their Culture Report available on www.bdo.co.uk.

We engaged in a wide-ranging debate about the recruitment of graduates and school leavers and their subsequent training. Management are clear on the need to attract and retain high-quality people and help them to acquire the skills to deliver the services BDO offers.

REPUTATION

We as a committee, and I as a member of the QRMC, continue to challenge the heads of the different streams in relation to the effects that each stream may have on the firm's reputation.

The Ethics Partner, as a member of the PIC, is well placed to help us monitor the position. He is a member of the Policy and Reputation Group (PRG), made up of all the large firms which discusses reputational matters and liaison with stakeholders including holding investor forums. Further details on the work of the PRG can be found on their website www.theprg.uk. He is also a member of other committees including BDO International's Audit Steering Group.

REPORT

FROM THE CHAIR OF THE PUBLIC INTEREST COMMITTEE

We receive reports on how the international network is performing. BDO UK is represented on nearly all of the main committees of the network and is able to influence its direction through this interaction. Russell and I attended the international conference last year which gave us an opportunity to understand at first-hand some of the issues facing the network internationally and how they were responding. We were also able to meet several of the senior leaders from around the globe and share our thoughts on the direction of the network and its governance.

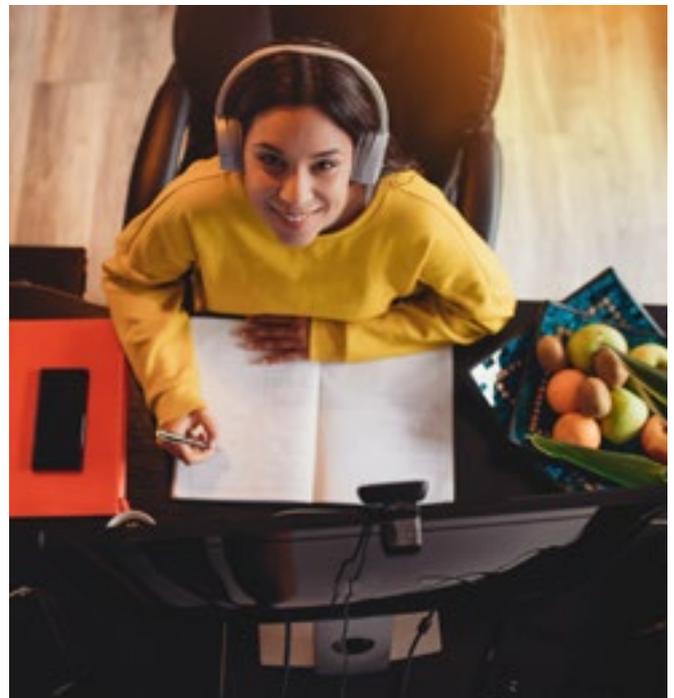
RISK OF FIRM FAILURE

We have been involved in reviewing the firm's top risks and also, as noted above, in take-on and continuance panels for work. COVID-19 has shown the importance of a resolute business model underpinned by clear management accountability and robust IT systems.

More detail is given elsewhere in this Transparency Report on the response of the firm to COVID-19; see Top Risk section.

CONCLUSION

The effects of COVID-19 have dramatically affected the business landscape. We have confidence in the management's ability to continue to respond to the challenges posed by the pandemic. We remain available to speak to institutional investors. If you wish to contact me or any of the INEs please contact Lianne Barrell at Lianne.Barrell@bdo.co.uk



REPORT

FROM THE HEAD OF BUSINESS ASSURANCE



SCOTT KNIGHT
HEAD OF BUSINESS ASSURANCE

I began my report last year with the phrase 'what a year it has been', little did I know what was coming. It has been a year dominated by COVID-19 and I set out in my report how we addressed this. I believe we coped incredibly well with the situation and demonstrated remarkable adaptability.

Overall it was a successful year where we significantly grew our audit business in terms of revenue and people but did so in a controlled and planned way. COVID-19 undoubtedly placed a strain on our people in terms of the time taken to get things done but I am confident we did not grow our business by putting additional stress on our people. Key measures such as revenue per professional and average chargeable hours were stable compared to the prior year and our budgets.

We were also able to increase our market share in the FTSE 250 where we ended the year with an additional 17 clients and became the second largest auditor to UK listed clients. We have seen a high number of attractive tender opportunities but remain considered in what we pursue.

I am convinced this success was in no small part due to several years of strong Audit Quality Review (AQR) grades and an absence of association with any significant audit failures. Increasingly, we are seeing audit quality as a key determinant in the selection of audit firms. We did, however, have our first enforcement action from the FRC just after the year end and whilst the fine was relatively modest by comparison to some cases it was a disappointment to blot our copy book and we have taken corrective action.

We also saw our AQR grades drop after two very good years. Whilst file grades are driven by specific issues we need to learn from both these findings and the findings on other firms and take appropriate action. These actions include the preparation of a formal Audit Quality Plan and the launching of our Summer School training. At the very core of our strategy is the view that a BDO audit is a quality product and whilst AQR grades are only one measure of audit quality they are an important one and we need to work hard to get back to where we were.

REPORT

FROM THE HEAD OF BUSINESS ASSURANCE

It has been a relatively quiet year by comparison to 2019 in terms of market reform and regulatory change. We are starting to see real change in the FTSE 250 part of the market but not yet sufficient to create the competitive forces needed. We continue to believe that market share caps are the best tool to achieve real change in a sensible timeframe.

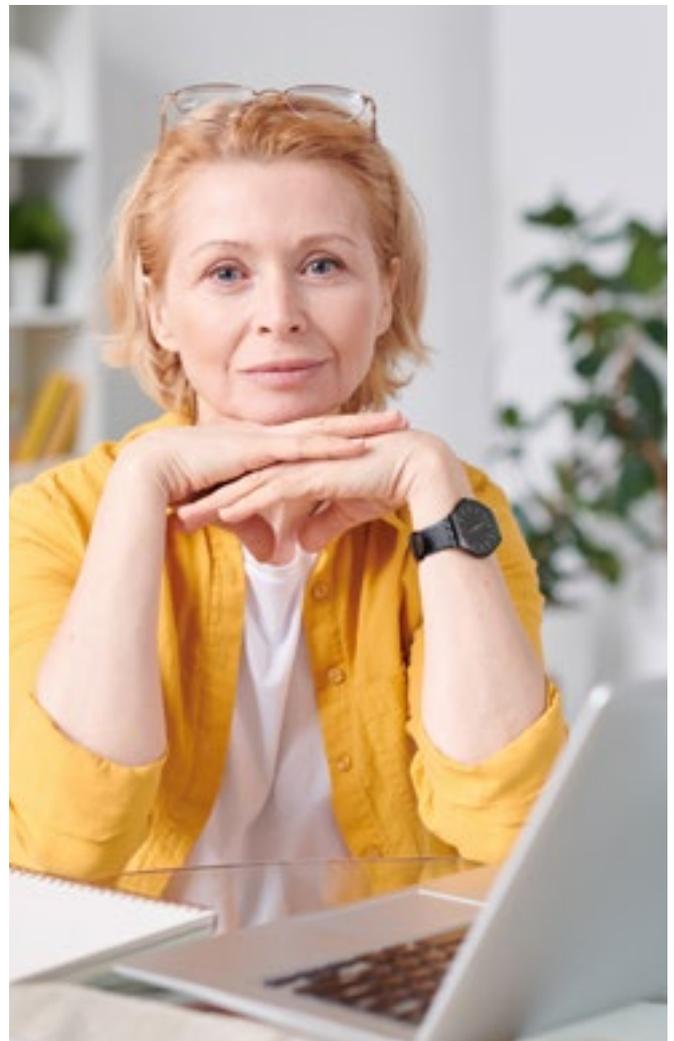
Much of the attention of regulatory reform in this year has focused upon Operational Separation. At BDO we do not have a major consulting practice compared to our larger rivals and we believe our audit practice is sustainably profitable with no need for subsidisation. Therefore, the issues that Operational Separation seeks to solve are less pressing for us. However, we do recognise that the profession needs to change and Operational Separation is a key part of this change – we have spent time planning how we would implement this and have a constructive dialogue with the FRC. We expect to be able to disclose more in the forthcoming year.

HOW WE REACTED TO COVID-19

COVID-19 created numerous challenges for the profession but the most immediate we needed to address in March 2020 was the issuance of audit opinions with a backdrop of so much economic uncertainty. We introduced several measures to ensure our assessments of the financial resilience of entities and their funding positions gave rise to going concern assessments that were appropriate, consistent and where we could quickly triage senior resource to the most challenging of cases. Members of our Audit Executive and myself consulted on thousands of cases providing senior support to engagement teams. I genuinely believe we found a good balance in providing the information that investors required.

The second immediate issue was conducting audits without the normal physical access. We launched a programme in April 2020 called 'Delivering Quality Audits Remotely'. This programme equipped engagement teams with not only the right technology to work effectively and efficiently but with practical tips and techniques on gathering evidence and dealing with management teams that were themselves working remotely.

Thirdly, we identified that control environments would come under pressure as entities found practical workarounds whilst they were working remotely. In April, we launched a diagnostic tool to identify specific control issues and assess the implications to our audit approach.



REPORT

FROM THE HEAD OF BUSINESS ASSURANCE

Finally, we focused on speeding up communication, certainly through the spring period as we were adapting to the impacts of COVID-19 and the situation was changing rapidly. We held calls for all partners, directors and managers every Monday morning to brief our people on what we were seeing in terms of discussions with regulators, new economic data or emerging issues. The attendance rates were positive and it allowed us to adapt quickly to a changing situation.

AUDIT QUALITY PLAN

This was the first year that we prepared a formal AQP. Our principal objectives are:

- ▶ To have AQR grades above the average for the major firms
- ▶ To not have any significant findings from other regulatory reviews
- ▶ To not have any regulatory enforcements against us
- ▶ To avoid the reputational damage associated with an audit entity getting into unexpected financial distress or suffering an undetected fraud perpetrated by management.

In order to achieve these objectives, we have focused heavily on the audit of the going concern assumption and improving our approach to detecting management fraud.

THE SUMMER SCHOOL

I am pleased to note that this year we launched our Summer School training which provided 16 mandatory training sessions for newly qualified auditors through to partners. The content centred on our key focus areas of:

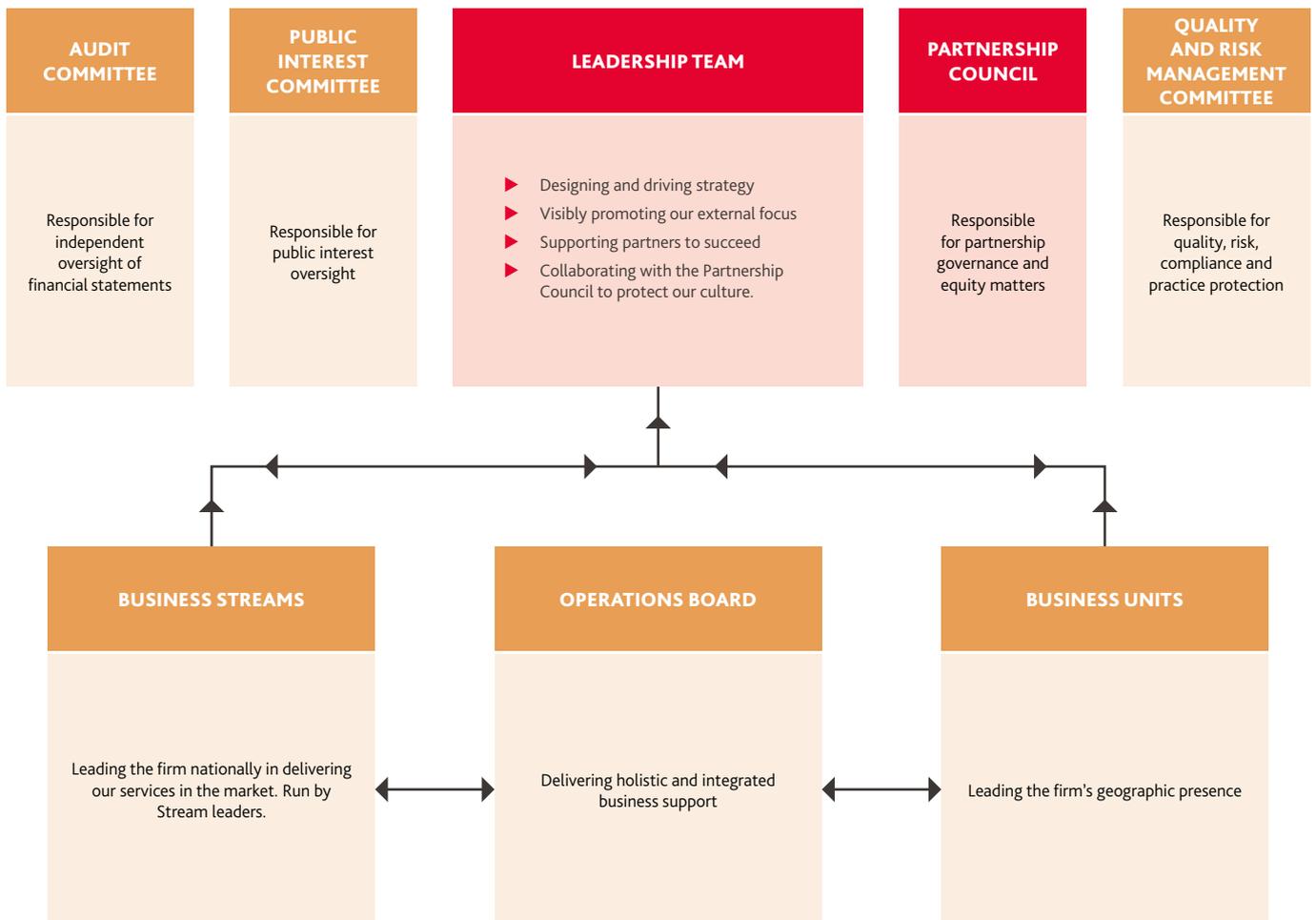
- ▶ Going concern
- ▶ Fraud
- ▶ Revenue recognition
- ▶ Our challenge of management.

We believe the audit of going concern and testing for fraud are areas that are critical foundations to good audits and areas that users are most concerned about. We have also listened to the feedback from the AQR and sought to improve our approach to both the audit of revenue and the challenge of management in subjective areas. The sessions aimed to use real-life practical examples of challenging situations, including frauds. The feedback has been exceptional and I am already seeing adoption of some of the points covered.



GOVERNANCE STRUCTURE

BDO maintains a comprehensive Governance Structure providing oversight of both the audit stream and the firm as a whole with a focus on ensuring the Audit Firm Governance Code's purpose is achieved.



GOVERNANCE STRUCTURE

BOARDS AND COMMITTEES

BODY	COMPOSITION	RESPONSIBILITIES
Leadership Team	<ul style="list-style-type: none"> ▶ Paul Eagland – Managing Partner (Chair) ▶ Seven executive members appointed by the Managing Partner ▶ Three Independent Non-Executives (INEs) (temporarily stepping down April 2020) ▶ The Senior Partner ordinarily attends. 	<ul style="list-style-type: none"> ▶ Provides strategic leadership with emphasis on the firm's services to its clients ▶ Sets the culture of the firm through its tone at the top ▶ Profit sharing.
Public Interest Committee (PIC)	<ul style="list-style-type: none"> ▶ Simon Figgis – INE (Chair) ▶ Russell King (INE) ▶ Jeff Randall (INE) ▶ David Isherwood – Ethics Partner. <p>Ordinarily in attendance:</p> <ul style="list-style-type: none"> ▶ Paul Eagland ▶ Scott Knight ▶ Iain Lowson ▶ Matthew White (Senior Partner) ▶ Gervase MacGregor. 	<ul style="list-style-type: none"> ▶ Considers public interest matters that affect the firm, with a goal of enhancing stakeholder confidence in the public interest aspects of the firm's activities.
Partnership Council	<ul style="list-style-type: none"> ▶ Matthew White – Senior Partner (Chair) ▶ Paul Eagland – Managing Partner ▶ One representative from the Leadership Team who may attend by invitation of the Managing Partner ▶ 15 elected partners (four-year term, maximum two terms). 	<ul style="list-style-type: none"> ▶ Overall responsibility for equity and governance matters; including the accountability and oversight of management ▶ New admissions and exits from the partnership.
Audit Committee	<ul style="list-style-type: none"> ▶ Nick Carter-Pegg (Chair) ▶ Matthew White ▶ Stuart Collins (stepped down October 2019) ▶ Tim West ▶ Jeff Harris (with effect from October 2019). 	<ul style="list-style-type: none"> ▶ Meets with the external auditors and management to provide a forum for the external auditors' reporting ▶ Assesses and monitors the independence of auditors ▶ Reviews and monitors the integrity of the firm's financial statements including key judgements made by management ▶ Considers the effectiveness of the internal controls maintained and monitored by management as well as reviewing management's prioritisation of key operational risks.

GOVERNANCE STRUCTURE

BODY	COMPOSITION	RESPONSIBILITIES
Quality and Risk Management Committee (QRMC)	<ul style="list-style-type: none"> ▶ Iain Lowson – Head of Quality and Risk Management ▶ Simon Figgis – Independent Non-Executive ▶ Andy Butterworth – Chief Operating Officer and Head of Tax ▶ Scott Knight – Head of Business Assurance ▶ Nicole Kissun – Head of Technical Standards Group ▶ Angela Foyle – Head of Economic Crime ▶ Simon Gallagher – Head of Advisory ▶ Matthew Tait – Business Recovery. 	<ul style="list-style-type: none"> ▶ Ensures appropriate strategies and plans are drawn up, implemented and monitored to manage risk effectively and to deliver quality services consistent with the firm's strategy ▶ Understanding and monitoring all risks facing BDO as a business (be they strategic, reputational, financial or operational) and for scrutinising the processes in place within the business for managing and mitigating these risks.
Audit Stream Executive (ASE)	<ul style="list-style-type: none"> ▶ Scott Knight – Head of Business Assurance ▶ Nicole Kissun – Head of Technical Standards Group ▶ Angela Lynch – Operations Director for the National Audit Stream ▶ Eight partners from a range of sectors and regional offices. 	<ul style="list-style-type: none"> ▶ Ensures audit quality remains at the top of our agenda ▶ Develops and delivers the national Audit Stream strategy ▶ Monitors commercial and regulatory activity in the audit market ▶ Supports practitioners to be successful in the market, creating a culture of consultation and support ▶ Sets Audit Stream policies and procedures ▶ Provides oversight of quality, licensing and rotation.

MANAGING PARTNER AND LEADERSHIP TEAM

The partners elect a Managing Partner to hold office for a term of four years commencing from 1 October in the year in which they are elected. The Managing Partner is not eligible for election for more than two consecutive terms in such office but there is no limit to the number of terms that a partner may serve on the Leadership Team (LT) other than as Managing Partner.

Upon election, the Managing Partner appoints the partners who serve on the LT who are then approved by the partners. The INEs were also members of the LT, prior to new COVID-19 measures detailed below. The Managing Partner may make subsequent changes to membership of the LT (save for the INEs) with the consent of the Partnership Council.

The LT is responsible for the development and implementation of strategy and for the management of the firm. Formal meetings are held monthly and are chaired by the Managing Partner. The Managing Partner has a duty to keep the Partnership Council apprised of any matters of substance that affect the strategic direction of the firm and to refer key management decisions to the Partnership Council for discussion and, where appropriate, for referral by the Partnership Council to the partners.

Paul Eagland has been re-elected for a second term from 1 October 2020.

SENIOR PARTNER

The partners elect a Senior Partner to hold office for a term of four years commencing from 1 October in the year in which they are elected.

The Senior Partner is not eligible for election for more than two consecutive terms in such office. The Senior Partner is a non-executive position. The Senior Partner is responsible for our governance as well as acting as a senior representative for, and ambassador of, the firm. The Senior Partner chairs the Partnership Council and takes responsibility for managing all Partnership Council duties. The Senior Partner attends LT meetings in a non-executive capacity to facilitate the governance oversight role of the Partnership Council.

With effect from 1 October 2018 the Senior Partner is Matthew White.

PARTNERSHIP COUNCIL

The Partnership Council has overall responsibility for governance matters. The Partnership Council approve the nomination of candidates for election for Senior Partner and Managing Partner. The Senior and Managing Partners are elected by the members.

The Partnership Council also oversee the appointment of INEs.

INDEPENDENT NON-EXECUTIVES

Candidates for INE roles are proposed by the LT and approved by the Partnership Council. The Partnership Council reviews the effectiveness and independence of the INEs. In doing this they receive feedback from the business periodically as to the impact and contribution made by the INEs and this is communicated to them by the Managing Partner and Senior Partner.

The Partnership Council implicitly reviews the effectiveness of the INEs via their contribution at the annual meeting and the visibility to the Senior Partner who observes INEs at every LT meeting.

The INEs are invited to attend a meeting of the Partnership Council an annual basis without executive members of the LT in attendance and have the right to meet with each other on a private basis. In addition, INEs have the right to initiate direct access to the Partnership Council at any other time in order to report and agree a course of action in relation to any fundamental disagreements with the executive members of the LT. Where ultimately the disagreement cannot be resolved and results in the resignation of an INE they also have the right to report this resignation publicly.

At present, the INEs are contracted to BDO on a rolling one-year term, which is reviewed each year by the Partnership Council. In order to offer greater certainty to the firm and the INEs, whilst still complying with the nine-year term limit set out in the AFGC, the Partnership Council agreed during the year to move to terms of three years as this is deemed more appropriate. The contract can be renewed for a second term to give a total tenure of six years. Nine years would remain the maximum tenure for any INE.

The INEs perform duties as set out in their letter of appointment; in particular they:

GOVERNANCE STRUCTURE

- ▶ Provide advice on governance and fulfilment of INE obligations relating to the Audit Firm Governance Code
- ▶ Provide City and institutional support
- ▶ Apply independent judgement to matters of particular concern.

In assessing the INE's impact on the firm's independence as auditors we take into account the following criteria:

- ▶ Attendance at PIC, QRMC and LT meetings
- ▶ Inclusion in Client Acceptance Panels for contentious, high-risk engagements or areas of potential significant conflicts of interest
- ▶ Office visits and meetings with partners and staff, feeding back to the LT and the PIC on cultural and other aspects.

Where occasions arise that the INEs consider they need to obtain independent professional advice, they will be fully reimbursed for the cost of obtaining such advice.

INE	TOTAL REMUNERATION
Simon Figgis	£90,000
Russell King	£85,000
Jeff Randall	£85,000

Each INE served for a full 12 months during FY20.

All salaries effective 1 October 2019.

STREAM LEADER ROLE

Leads and develops national Stream strategy with responsibility for:

- ▶ Setting Stream quality and risk policies and procedures, overseeing training and adherence to firm-wide policies and procedures
- ▶ Proactively promoting awareness and compliance with all quality and risk policies and procedures. Promoting compliance with our Quality Cornerstones. Escalating issues to the Head of Quality & Risk
- ▶ Strategy – regular interaction with LT, Strategic Business Unit (SBU) Lead Partners and other Stream Leaders to understand and share best strategic and business practice nationally, adapting to own Stream as appropriate – encouraging firm-wide collaboration
- ▶ Leading and implementing our strategy nationally (in context of geography, Stream and sector), including preparation and delivery of:
 - National stream sales and client plans
 - National people plan, including The Listening Programme
 - National financial plans – and deliver the agreed budget and drive commercial management
 - Stream communication plan.
- ▶ Monitoring and supporting partners (new and existing) to meet their Stream and SBU objectives in consultation with SBU Lead Partners
- ▶ Supporting firm activities in Stream, e.g. people development, succession planning, actively reviewing and managing the partner pipeline, client programmes, use of Shared Service Centre (SSC), resource and knowledge sharing
- ▶ Active Engagement Partner.

GOVERNANCE STRUCTURE

SBU LEAD PARTNER

Leading the firm's presence in the local market – responsible for:

- ▶ Proactively promoting awareness and compliance with all quality and risk policies and procedures. Promoting compliance with our Quality Cornerstones. Escalating issues to the Head of Quality & Risk
- ▶ Strategy – regular interaction with LT, other SBU Lead Partners and Stream Leaders to understand and share best strategic and business practice nationally, adapting to local SBU as appropriate – encouraging firm-wide collaboration
- ▶ Leading and implementing BUILD strategy locally (in context re: geography, Stream and sector), including preparation and delivery of:
 - Cross-stream local sales and client plans
 - People plan, including The Listening Programme
 - Financial plan – and deliver the agreed budget and drive
 - Commercial management
 - Local communication plan.
- ▶ Monitoring and supporting all local partners (new and existing) to meet their Stream and SBU objectives in consultation with Stream Leaders
- ▶ Supporting firm activities locally, e.g. people development, succession planning, actively reviewing and managing the partner pipeline, client programmes, use of Shared Service Centre (SSC), resource and knowledge sharing
- ▶ Active Engagement Partner.

RESPONSE TO COVID-19 PANDEMIC

With effect from April 2020, the INEs stepped down temporarily from the LT to allow the executive management to focus on the management of the COVID-19 crisis. However, the INEs continue to receive the same information as previously and the PIC has increased the frequency of its meetings to monthly thereby enabling the INEs to continue to exercise their oversight role effectively. Since this date, the executive members of the LT have met at least weekly and frequently on two or more times per week.

KPIs

In measuring the effectiveness of the governance structure, we take account of frequency of meetings and meeting attendance, details of which are set out in Appendix G, we also monitor the effectiveness of our strategy as set out in the section on the Strategy, Culture and KPIs. We review our governance structure from time to time to ensure it remains fit for purpose. In the coming months we will be reviewing any recommendations made by the FRC's AFMAS team in conjunction with our consideration of the FRC's Operational Separation principles and how these might apply to BDO. KPIs in relation to the effectiveness of our governance structure will be revisited following any decisions made to adapt our current framework.

STRATEGY, CULTURE AND KPIS

In this section we outline our strategic framework, culture and the Key Performance Indicators (KPIs) we use to measure our success. Further details on our culture can be found in our 2020 Unifying Culture Report available on the BDO website.

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. Acting in the public interest involves having regard to the legitimate interests of clients, government, financial institutions, employers, employees, investors, the business and the financial community and others who rely upon the objectivity and integrity of the accounting profession to support the propriety and orderly functioning of commerce.

Culture is an essential element of our acting in the public interest and has been at the heart of BDO Values for many years. We are undergoing a full-scale review of our Values to ensure that they reflect our culture, ethical responsibilities and future ambition.

We work actively to promote diversity within our culture, not just in principle but in practice. Inclusivity within the organisation, whether it is based on age, gender, ethnicity or physical capabilities, strengthens our values, makes us more representative and more capable of providing a quality professional service.

We are proud of the work that has been done on culture but recognise there is always more to be done. There is a continuing effort to embed our quality and ethical values into our culture through storytelling, training and our core competencies. We use Spotlight Awards to recognise those who demonstrate our culture and values in everything they do. Last year, approximately 5,386 awards were made to our people to thank them for going the extra mile.

Our culture is expressed through our strategic framework, our core purpose and values.

OUR STRATEGIC FRAMEWORK

Our strategic framework sets out our:

- ▶ Core purpose
- ▶ Vision
- ▶ Values
- ▶ Strategy
- ▶ Our commitment to quality, independence and ethics.

HELPING YOU SUCCEED

OUR CORE PURPOSE

We are a purpose-led organisation.

Everything we do is driven by our core purpose – 'helping you succeed'. It governs why we do what we do.

Our purpose reflects how we recruit, train and develop our people, how we work with our clients to achieve their goals and be successful and how we respond at a societal level.

COMMITTED TO QUALITY, INDEPENDENCE AND ETHICS

Our commitment to quality, independence and ethics is an essential part of our strategic framework. This means we acknowledge:

- ▶ that our responsibility is not exclusively to satisfy the needs of an individual client and that we satisfy our public interest responsibilities;
- ▶ that we are regulated by a significant number of regulators and the importance of ensuring we comply with all regulatory requirements;
- ▶ the independence requirements of Ethical Standards and that they apply to the whole firm, not just our audit practice; and
- ▶ the importance of the principles and living by the spirit of regulations.



OUR STRATEGY AND KPIS

Our strategy is known as BUILD. This acronym stands for Brand, Unifying Culture, International, Leading our Markets and Digital Mind-set. The U in BUILD defines our culture as a way of working together and using the entire resources of the firm to help each other and our clients succeed:

STRATEGY, CULTURE AND KPIS



BRAND

To develop a BDO brand that is synonymous with understanding the needs of ambitious, entrepreneurially spirited and high-growth businesses; helping them succeed.

We use two main KPIs to measure progress with regard to the development of our brand.

Firstly, we monitor progress by reference to the results of the FRC's Audit Quality Review (AQR) report, primarily in terms of improvements in BDO's inspection results. Results of these reviews are set out in our Audit Quality Indicators.

Secondly, we track feedback received via the mid-market monitor (an independent piece of research). Our latest results show 97% of our clients would recommend us, this is against a target of 90%.



UNIFYING CULTURE

To create an inclusive and empowering culture that encourages people to 'be themselves', work together and deliver exceptional client service – to be as successful as they can be.

In measuring our unifying culture we monitor both our partner and staff engagement scores.

Our partner engagement scores have risen from 71% in 2016 to 81% at our latest measure – our benchmark is 80%.

Our staff engagement score is currently 67% against a target of 70% and 75% of our people are proud to work at BDO.



INTERNATIONAL

To contribute to an ever stronger international network, delivering complex assignments with deep expertise to help our people and clients succeed globally.

Under this heading we measure the referrals to and from the BDO network. Referrals for year ended 2019 were: referred out €65.9m (PY €61m) and referred in €31.7m (PY €29.4m).



LEADING OUR MARKETS

Focused on helping Britain's economic engine succeed, from private clients, private businesses and private equity, to public markets and the public sector.

We measure our position within the AiM market – this year we were placed as No.1 AiM market auditor (based on number of clients).

In addition we measure revenue by reference to a target of £800m net revenue by 2024.



DIGITAL MIND-SET

A digital mind-set focused on delivering innovative client solutions.

We have several internal metrics. As an example, we continue to have significant growth in the adoption of our data analytics tool and roll-out of new functionality, as well as encouraging innovation with over 167 ideas implemented from 1,579 ideas raised on our innovation platform.

STRATEGY, CULTURE AND KPIS

BDO VALUES

All businesses know that the culture of a firm stems from tone at the top but that is not enough on its own. We are a people business and to achieve a culture of quality, innovation and technical excellence we must invest in, and inspire, our people to live our values.



Our values represent the principles we are committed to upholding now and in the future. They define what we stand for as a firm and are there to guide us in our day-to-day work and decision-making. Our four core values complement each other and are all equally important.

Our current four values are:

- ▶ Honesty and Integrity
- ▶ Empowerment and Personal Responsibility
- ▶ Mutual Support and Respect
- ▶ Professional and Personal Client Relationships.

Our values are a constant guide to our behaviour at work and we apply them to everything we do every day and they form a quarter of our performance assessment and thereby our recognition and reward programme. We are undertaking a project to refresh our values as a merged firm. The new values have now been finalised and are included in our Culture Report. We look forward to embedding our new values later in the year.

RACE ACTION PLAN

This year has seen the introduction of our Race Action Plan aimed at helping us plot how we can increase BAME representation, and senior representation, across BDO by supporting, developing and retaining talent from our BAME community.

Our Race Action Plan sets out our five commitments:

RACE ACTION PLAN: OUR 5 COMMITMENTS

LEADERSHIP SUPPORT	CAPTURE DATA	ZERO TOLERANCE	EQUAL RESPONSIBILITY	HELPING YOU SUCCEED
<p>01 We will support our Race Action Plan from the top.</p> <ul style="list-style-type: none"> ▶ Assigned Managing Partner as Exec Sponsor ▶ Created a team to support the Exec Sponsor to implement the plan ▶ Briefed our Leaders and 2 Leaders on the plan 	<p>02 We will measure and report on our data and progress.</p> <ul style="list-style-type: none"> ▶ Capture, measure and publish data ▶ Starting with our Ethnicity Pay Gap Reporting ▶ Use Workday to improve data collection ▶ Actively monitor pipeline 	<p>03 We will have zero tolerance to racial harassment and bullying.</p> <ul style="list-style-type: none"> ▶ Committed at both Board level and firm-wide to zero tolerance of racial harassment and bullying ▶ Define & promote what "zero tolerance" looks like for us ▶ Promote whistleblowing policy 	<p>04 We will take equal responsibility for equal opportunities.</p> <ul style="list-style-type: none"> ▶ Making it clear that supporting equality in the workplace is the responsibility of all leaders and managers ▶ Unconscious bias & inclusive leadership training, starting with partners and people managers 	<p>05 We will help you succeed.</p> <ul style="list-style-type: none"> ▶ Taking action that supports ethnic minority career progression ▶ Career support: launch mentoring circles ▶ Tailored development pathways ▶ Identify sponsorship & partnership options

In June 2020, Paul England signed the Race at Work Charter and will use the Charter commitments to build our action plan on race and ethnicity; you can find out more on the [Race at Work Charter](#) website.



ETHICS AND INDEPENDENCE

Ethics and independence are of fundamental importance to our culture and success.

Integrity, objectivity and independence are at the core of our culture and our business. Our policies and procedures are in line with, or exceed, regulatory requirements including those relating to local public sector audits.

We have continued to invest in growing our Ethics Team. This growth in our team not only reflects the growth of our business but also the increase in monitoring activities, as a result of being appointed as auditor for several new, larger and more complex entities.

INTEGRITY, OBJECTIVITY AND INDEPENDENCE

Our partners and staff are not only required to apply the rules but also to adhere to our cultural values of integrity and honesty and the principles of ethics and independence. They are required to take into account the views of an objective, reasonable and informed third party in order to reach a judgement that meets the overarching requirement to behave ethically and with integrity.

Audit Engagement Partners are required to communicate to those charged with governance on a timely basis all significant facts and matters that bear upon the auditor's objectivity and independence. Internal guidance and templates are available detailing the matters which should be included in such communications. We monitor these communications with those charged with governance as part of our internal quality control reviews and through periodic thematic review.

Our policies and procedures relating to ethical conduct and auditor independence are set out in detailed internal guidance pages on our intranet which makes use of FAQs and case studies to demonstrate the application of ethical values and our culture on the decisions made.

These are supplemented by help sheets and complemented by extensive advice; consultation and training programmes, designed to ensure compliance with International and UK Ethical Standards. The Ethics Partner and Ethics Team are responsible for providing guidance and support on the application of ethical standards to ensure that our professional objectivity and independence is maintained and our cultural values adhered to.

Annual training is provided to all partners and senior audit staff, including those working on local public sector audits. This year's training was co-produced with the Institute of Business Ethics (IBE). The premise of the training was partly focused on non-financial conduct highlighting the key elements of BDO's Core Values and the support available within the firm for ethical matters. It also covered the main changes to the FRC's Revised Ethical Standard 2019.

The FRC's Ethical Standard requires consultations in particular circumstances and we manage this through a dedicated helpdesk. More than this we extend our help desk to all ethical and independence queries from staff and partners. We use the data collected to inform our training requirements and monitoring activities by office and sector groups and our communications strategy. The Ethics Team prepare a monthly dashboard analysing use of the intranet, queries raised by which office and grade of staff and monitoring the effectiveness of communications. The results of this analysis enable us to target our monitoring, training and communications strategy. Of particular success is our social media group on Yammer where the team engage with a mass audience and provide regular updates on a range of ethical and independence topics.

Our policies and procedures cover, inter alia, our relationships with audited entities, rotation of audit partners, fees and the provision of non-audit services to audited entities. They meet, and in some instances exceed, those that are promulgated by the FRC's Ethical Standard, the IESBA Code of Ethics for Professional Accountants and the ICAEW Code of Ethics.

In addition to their own national code of ethics, all BDO Member Firms, as members of the Forum of Firms, are required to comply with, and annually report as to their compliance with, the IESBA Code of Ethics. Member firms working on public interest clients for BDO LLP are required to adhere to the FRC Ethical Standard. This year our BDO Global Independence team launched an Ethics Manual which was issued to every BDO Member Firm. This Manual will further promote consistent application of ethical policies and procedures and enhance cross-border collaboration and communication between each firm.

As chartered accountants we are expected to demonstrate the highest standards of professionalism. Ethical behaviour plays a vital role in ensuring public trust and upholding the reputation of the accounting profession. The ICAEW Code of Ethics assists us by providing relevant ethical guidance which forms a central part of our intake training programme whether that is through lateral hires or trainee recruitment.

ETHICS AND INDEPENDENCE



FINANCIAL INTEREST AND RELATIONSHIPS

In order to comply with relevant ethical standards we have policies in place that prohibit the firm, partners, staff and persons closely associated with them holding a financial interest in an audited entity or a significant affiliate of an audited entity.

Additionally, the firm, partners, staff and persons closely associated with them may only enter into business relationships with any of the firm's audited entities or their affiliates where they:

- ▶ Involve the purchase of goods and services from the client in the ordinary course of business and on an arm's-length basis and where the value involved is not material to either party.
- ▶ Are clearly inconsequential to both parties.

Employment-type relationships with an audited entity are relatively rare but in order to protect objectivity, approval procedures are in place before any such situation can be established.

Partners and staff members should report to the Ethics Partner where any member or persons closely associated with them, has an involvement with an audit client which they consider might create a threat to the firm's objectivity or a perceived loss of independence.

We monitor adherence to our policies through the annual declaration process which seeks confirmation from partners and staff that our policies surrounding financial, business, employment and personal relationships have been complied with, including those working on local public sector audits. All exceptions are reviewed and investigated by the Quality and Risk Management (QRM) Team and/or the Ethics Team. In addition, the QRM Team perform audits of financial interests held by our partners and staff. Partner's interests are audited on a three-yearly basis with 2% of our staff being subject to financial audits each year.

Where our monitoring procedures identify breaches, these are rectified as soon as possible and the individual is subject to our sanctions policy. Following each instance, a detailed review and a Root Cause Analysis (RCA) of the circumstances in each case is undertaken by the Ethics Team. No instances where the firm's independence was judged to be compromised was identified this year. Although the number of breaches is small in comparison to our partner and employee population one breach is one too many. The firm is in the final stages of implementing a new financial interest compliance system.

ETHICS AND INDEPENDENCE

LONG ASSOCIATION

Our policies are in accordance with the FRC's Revised Ethical Standard (Revised December 2019) notably that:

- ▶ The Audit Partner on a listed or Public Interest Entity (PIE) audit client rotates after five years except in exceptional circumstances, where rotation can be extended to occur after seven years. Where an extension of the rotation period occurs additional safeguards will be put in place and approval for the extension will be obtained from the Ethics Partner
- ▶ Local Public Sector auditors are appointed by the Public Sector Audit Appointments Limited (PSAA) on a five year basis
- ▶ 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
- ▶ For non-listed audited entities, the Audit Partner will normally rotate off the audit after ten years. Where rotation is extended beyond ten years, a rotation plan will be agreed with the firm's Ethics Partner and additional safeguards put in place

Rotation data is held on our firm's Audit Quality Database (AQD), which is reviewed periodically by the Responsible Individual and details confirmed or updated. Rotation in relation to PIE and other listed audited entities is also monitored by the Ethics Team.

NON AUDIT SERVICES (NAS) AND CONTINGENT FEES

Following the release of the Revised Ethical Standard 2019, the provision of all non-audit services, except for those on the permitted list as per paragraph 5.40 of the Standard, are prohibited for audited entities which meet the definition of a Public Interest Entity (PIE). Non-audit services proposed for all other types of audited entities must first be approved by the respective audit partner who, in consultation with the Ethics Team, will undertake a threats and safeguards assessment. Services and fees are approved via the firm's client take-on system and are also monitored monthly through the review of reports obtained from the firm's billing system. All non-audit services are assessed against the objective, reasonable and informed third party test. It is firm policy not to provide non-audit services to Local Public Sector audit clients. The firm's relationship risk review requires project partners to consider the impact of the prospective project's fees on the partners' portfolio.



ETHICS AND INDEPENDENCE

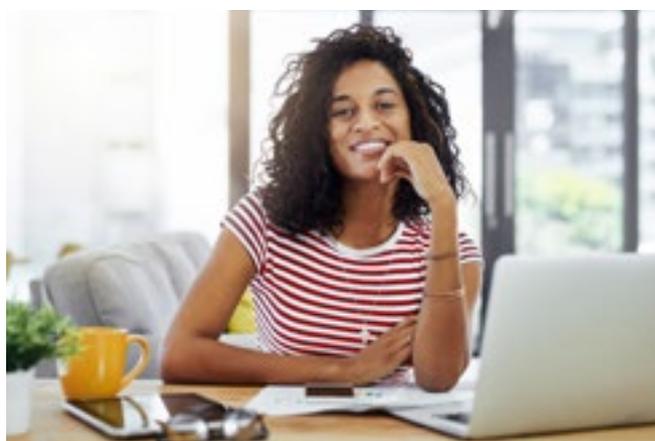
BRIBES, GIFTS AND HOSPITALITY

In accordance with The Bribery Act, partners, staff or anyone who performs services for or on behalf of the firm are not permitted to agree to anything that an objective reasonable informed third party might perceive to be a bribe.

The firm has specific policies regarding situations where a bribe might occur – gifts, hospitality and expenses, facilitation payments, political contributions, charitable contributions, sponsorship, commission payments, commission receipts and recruitment.

Partners, staff and persons closely associated with them may only accept a gift, favour, or other personal benefit from clients (or clients' officers or employees) or introducers of work to the firm or any other organisation or individuals including suppliers to the firm who may benefit or be seen to benefit from their relationship with the firm if it satisfies the criteria set out in the firm's gifts policy.

The annual declaration process seeks confirmation from partners and staff that the firm's policies surrounding gifts and hospitality have been complied with. A sample of annual declarations is reviewed by the QRM Team. In addition, all exceptions are reviewed and investigated by the QRM Team and, where these relate to audited entities, the Ethics Team. The firm introduced a gifts, hospitality and sponsorship register that is monitored by the QRM team. In addition to this the Ethics Team conduct monthly checks on the firm's expenses system to identify any undisclosed hospitality and conduct periodic reviews to ensure any gifts and hospitality to or from an audited entity is recorded in the Independence Workbook for that entity and the Audit Engagement Partner has concluded that the firm and the team's independence is not impacted.



CLIENT ACCEPTANCE AND CONFLICTS OF INTEREST

The firm's client acceptance procedures are completed for all new clients and projects. In respect of all non-audit services provided to audited entities, procedures require approval by the audit Responsible Individual (RI) to ensure that the audit RI (or their delegate) is informed about any proposed engagement and that he or she considers the implications for the auditor's objectivity and independence before the engagement is accepted. Further details on client take-on and conflicts of interest are given in the section Internal Quality Control Systems.

The provision and approval of non-audit services is specifically reviewed at an engagement level as part of our independent inspections programme conducted on a selection of audit files.

INDEPENDENCE OF INEs

To identify whether there are any conflicts of interest between the firm and the INEs, the Ethics Team undertake quarterly monitoring on the INE's personal and financial relationships against the firm's clients. Where a conflict is identified, appropriate safeguards are applied.

ETHICS AND INDEPENDENCE

REVIEW AND MONITORING

A review of independence practices, relevant to statutory audits including audits of local public sector entities, has been conducted as part of a series of monitoring and review activities, including:

- ▶ An annual declaration undertaken by all partners and staff, a sample of which are reviewed by the QRM Team. All exceptions are reviewed and investigated by the QRM Team
- ▶ Audit of partner and staff financial interests
- ▶ Monitoring completion of ethics training for all new joiners
- ▶ Bimonthly review of outstanding fees
- ▶ Monthly monitoring of NAS fees charged to PIEs
- ▶ Monthly monitoring of gifts and hospitality provided to PIEs against the expenses systems
- ▶ Quarterly reviews of the INE financial interests and business relationships
- ▶ Biannual monitoring of directors who can bind the firm
- ▶ The Independent Inspection programme examines a selection of audit files on an annual basis as explained in the section Internal Quality Control System.
- ▶ Regular and ad hoc monitoring activities targeting specific aspects of audit independence.

Where independence violations are identified, appropriate remedial action is instigated and a RCA undertaken. As a result of the RCA appropriate improvements are made to the firm's systems and processes and additional guidance and training is implemented. Independence breaches are reported to the QRM.

BDO GLOBAL INDEPENDENCE PRACTICES

BDO Member firms' independence and objectivity on assurance clients is achieved through policies and procedures designed to ensure compliance with the independence standards of the International Federation of Accountants (IFAC) Code of Ethics and the respective national regulatory organisations. The relevant ethics and independence rules for each member firm are posted on BDO's global intranet, which is accessible by all BDO partners and professionals. As noted above, earlier in the year the BDO Global Independence Team launched an Ethics Manual which was issued to every BDO Member Firm. This manual will further promote consistent application of ethical policies and procedures and enhance cross-border collaboration and communication between each firm.

All member firms have a designated Independence Champion, usually an experienced partner, who monitors compliance with the applicable independence policies and procedures, provides consultations regarding independence matters, and oversees independence training. This monitoring process is supported by the Independence Steering Group who conduct their own monitoring procedures and follow up on non-adherence.

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

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



INTERNAL QUALITY CONTROL SYSTEMS

As important as having policies and procedures to ensure the delivery of quality audits is the monitoring of adherence to those policies and procedures

Our internal control framework is designed to provide reasonable assurance that the firm, its partners and staff comply with professional standards and regulatory and legal requirements, this includes those relevant to Local Public Auditors. In doing so we ensure that work is performed to a consistently high standard and that reports issued by the firm are appropriate.

The Framework can be split into the following elements:

- ▶ Leadership responsibilities for quality
- ▶ Ethical requirements, as set out in the Ethics and Independence section
- ▶ Identification, evaluation and mitigation of risks, as set out in our section on Top Risks
- ▶ Acceptance and continuance of client relationships and specific engagements
- ▶ Human resources and development
- ▶ Engagement performance
- ▶ Monitoring and documentation of the system of quality control
- ▶ Internal audit.

LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN THE FIRM

Quality control is dependent upon an organisational structure which is inherently sound and which clearly defines the responsibilities of the various levels of management.

We have clearly established responsibilities for the Managing Partner, the Senior Partner and other senior personnel. The Managing Partner establishes various boards and committees, as detailed in the section on Governance Structure, to implement our strategy and manage operational issues.

Along with our management team, the Head of Quality and Risk Management (QRM) supported by the Ethics Partner reinforces the appropriate 'tone at the top' by instilling professional and ethical



values. The Audit Stream 'tone at the top' is set by the Head of Business Assurance, supported by the Audit Stream Executive (ASE).

The national Audit Stream is supported by the Technical Standards Group (TSG) and the QRM Team.

TSG, led by the Head of Technical, is inter alia responsible for the following:

- ▶ Maintaining technical manuals and communicating developments to partners and staff
- ▶ Helping maintain the quality of our assurance practice at the highest standards prevailing in the profession
- ▶ Consulting with local office partners and other professionals seeking technical advice and
- ▶ Overseeing our technical continuing professional education programmes.

The Head of QRM, who is also the Audit Compliance Partner, is responsible for the following:

- ▶ Monitoring of independence
- ▶ Monitoring the quality of our auditing work
- ▶ Evaluating our quality control policies and procedures.

INTERNAL QUALITY CONTROL SYSTEMS

ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

Robust client and engagement acceptance procedures play a pivotal role in our ability to deliver a professional and quality service.

Prior to the acceptance of any new audit engagement and consideration of continuance with that engagement, certain procedures to assess the risks associated with that engagement must be carried out. These will include:

- ▶ Consideration of the entity's business including its geographical spread and the industry it operates in
- ▶ Evaluation of information concerning the entity, its management and its owners including obtaining evidence of the identity of the owners and officers of the business
- ▶ Considering information regarding the character and reputation of the prospective client and key personnel
- ▶ Assessing the risks of money laundering or economic crime concerning the potential client
- ▶ Assessment of potential independence risks and potential conflicts of interest
- ▶ If relevant, inquiry of the previous auditor regarding the reasons for the change in auditor and if there is any reason why we should not accept the appointment
- ▶ Assessment of our ability to serve the prospective engagement
- ▶ Review filings of the company, including prior year financial statements.

The acceptance and continuation of all engagements requires an approval process that is appropriate to the perceived risk. 'High risk' assurance engagements require pre-approval by the Head of Business Assurance and in certain circumstances by the Client Acceptance Panel (a panel of experienced partners including a member of the Leadership Team, the Head of Economic Crime; the Head of Quality and Risk Management and when applicable one or more INEs).

HUMAN RESOURCES AND DEVELOPMENT

Human resources are a critical factor in our ability to provide professional services. In order to ensure that we have sufficient personnel with the capabilities, competence, and ethical behaviours necessary to provide quality audits in accordance with professional

and legal requirements, we have established clear and consistent policies and procedures addressing the following areas:

- ▶ Clear job description: tasks, responsibilities and expectations
- ▶ Recruitment
- ▶ Grades and levels: explanation and theoretical timeline, career path (specialism or upward)
- ▶ Workforce planning, succession management
- ▶ Continuous performance appraisal and engagement surveys
- ▶ Development plan and training policy.

Procedures and policies related to personnel are contained on our intranet and provide clarity and coherence on goals, structures, vision and accepted behaviours of BDO employees. In short, they cover the rules of engagement.

Non-compliance with policies and professional standards are addressed through additional training, delays in promotion or through dismissal for serious instances of non-compliance.

CLEAR JOB DESCRIPTION: TASKS, RESPONSIBILITIES AND EXPECTATIONS

A good job description is the basis for most personnel matters: recruitment, selection, coaching & mentoring, career development & mobility and performance evaluation.

A job description is a structured, written record of all facets of a position; it provides clarity on the tasks, scope of the function responsibilities and authorities, what we expect of the person and the standard of performance required.

The job description contains the following information:

- ▶ Purpose of a function
- ▶ Role of a function in the firm, reporting line, position in the structure, workflow
- ▶ Core tasks and specific activities
- ▶ Responsibilities / authority and scope
- ▶ Expectations
- ▶ Job requirements (knowledge, skills and behavioural competencies)
- ▶ Qualifications required for the role.

INTERNAL QUALITY CONTROL SYSTEMS

RECRUITMENT PROCEDURE

Policies and procedures for recruitment are designed to provide reasonable assurance that those employed possess the appropriate characteristics to enable them to deliver a high-quality service and perform their duties with professional competence.

We seek smart people with integrity, motivation, aptitude and leadership qualities appropriate to the role for which they are being hired.

GRADES AND LEVELS: EXPLANATION AND THEORETICAL TIMELINE, CAREER PATH (SPECIALISM OR UPWARD)

Competency management concerns 'the right person, in the right place, at the right time'. But the influence goes further:

- ▶ It enables the 'matching' of a potential employee to our culture
- ▶ It strives to tie the individual's career needs and aspirations to our needs
- ▶ It structures the HR processes and administration of:
 - new staff (recruitment and selection procedures)
 - existing staff (remuneration, appraisals, training and development); and
 - leaving staff (exit policy).

We provide a clear set of grades and levels with appropriate competencies explanation and timing guideline. Compensation matches the grade and the market benchmark. It is reviewed periodically to ensure market competitiveness.

Staff career development is addressed on both a national and regional basis. Staff are promoted to the next level only when they are prepared for the increased responsibilities that promotion entails.

Partner compensation, including those working on local public sector audits, is reviewed regularly which includes consideration of the partner's role, and the quality of the work, but is not directly related to the individual's financial performance. The appraisal and compensation of partners includes consideration of the findings from internal and external inspections of audit engagements.

WORKFORCE PLANNING, SUCCESSION MANAGEMENT

We recognise that ultimately it is the quality and commitment of the partners and staff that really makes a difference and enables us to deliver a quality audit. Given this, our ability to attract and retain the right number of high-quality people is of utmost importance. We predict personnel requirements so as to continue to service the audited entity and provide sufficient capacity to enable our partners and staff to develop the business.

Policies and procedures for assigning personnel to engagements are designed to provide reasonable assurance that only those persons having adequate technical training, proficiency and competence will perform the work.

A current profile of staff's technical proficiency is obtained by personal knowledge and by reviewing evaluation forms completed by his or her superiors on previous engagements. This profile is used to assess the suitability of the staff member for specific subsequent assignments.

In staffing an engagement, consideration is given to ensure that partners and staff have the necessary technical knowledge and other skills appropriate to the size, complexity and nature of the planned work.

Succession management enables BDO:

- ▶ To protect our present strengths and build for our future, ensuring sustainability and continuous strong leadership
- ▶ To reduce the risk of having leadership gaps for critical positions (either because of lack of talent or unprepared key successors)
- ▶ To engage the leadership in supporting the development of high-quality leaders and, in return, motivate, retain and engage key talents
- ▶ To anticipate and align resources with future needs and strategies and create a flexible business by responding faster to new leadership needs
- ▶ To counter the increasing difficulty and costs of recruiting employees externally.

Succession management enables the employee:

- ▶ To get opportunities to grow and develop skills necessary for future roles and meet career development expectations
- ▶ To remain committed, motivated and engaged
- ▶ To stay with us.

INTERNAL QUALITY CONTROL SYSTEMS



CONTINUOUS PERFORMANCE APPRAISAL AND ENGAGEMENT SURVEYS

All our partners and staff members are subject to formal performance appraisal, review and counselling on a regular basis, in order to evaluate the level of competence, monitor development and to help them reach their full potential. Performance appraisals include a review of an individual's contribution to the quality of the work in respect of the engagement.

Appraisals are completed on an assignment-by-assignment basis at certain levels and also at frequent intervals at all levels. The factors appraised (which may vary by level) include professional and technical competence (including analytical and judgement skills), personal and management skills, and client servicing skills.

We provide regular engagement surveys to monitor employee engagement to ensure the motivation to maximise our success.

DEVELOPMENT PLAN AND TRAINING POLICY

Our learning and development strategy ensures our ability to remain competitive and to motivate our staff.

It includes both the technical expertise and skills to meet the needs of the higher demands of the market; challenging auditors, financial analysts, communicators, negotiators and managers. At the same time integrity, objectivity, professional scepticism and willingness to take a firm stand are essential attributes of professionals.

We provide our individuals a clear career path and complementary development plan.

Our staff's integrity, honesty and moral character must be above reproach. While attributes of individual applicants may differ because of technical specialisation and years of experience, there are four basic attributes that all our staff possess:

- ▶ Technical competence in a chosen field of expertise
- ▶ Strong sense of what it means to act in the public interest
- ▶ Pride in self, the firm and the profession
- ▶ Strong personal skills in managing and engaging staff and in leading engagements.

These are mandatory requirements for partnership.

INTERNAL QUALITY CONTROL SYSTEMS

ENGAGEMENT PERFORMANCE IN THE AUDIT STREAM

COMMON METHODOLOGY

Our policies and procedures are designed to ensure that audits 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 and judgement 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 Standards on Auditing.

APT, BDO International's in-house state-of-the art audit software, remains BDO's single largest global project of its kind and its evolution continues. With further substantial audit methodology and IT investment, the next generation of APT was rolled out and utilised for December 2019 year ends. By designing APT to take advantage of recent technological advances, we will be able to:

- ▶ Safeguard the structural integrity of the tool for the future;
- ▶ Utilise a technologically advanced tool that reflects the latest interpretations of the auditing standards
- ▶ Enable teams to work efficiently on both large and small engagements.

BDO Advantage is our data analytics audit tool. It works by combining smart technology with our knowledge and understanding of entities' business to deliver information for in-depth interpretation.

This includes graphics that aid the exploration and understanding of data and make it easier to spot patterns and trends and crucially to identify anomalies. BDO Advantage has improved our awareness, provided valuable insights and delivered improvements to audit quality.

Financial Analyser was the first step in the BDO Advantage journey. Audit journal adjustments are a key part of the audit and are often difficult to cover. Advantage makes it easier for the audit team to identify the journals that are large or unusual and support the process of auditing them. Since developing the Financial Analyser the firm have issued a further four analysers: Customer Analyser; Supplier Analyser; Bank Analyser and Payroll Analyser.

SUPERVISION AND REVIEW

We require all professional work to be supervised by staff members who have appropriate knowledge and experience. It is the responsibility of the relevant partner, principal or director to ensure that related risks are identified and that decisions are taken by those with an appropriate level of authority. The relevant partner, principal or director must also ensure that professional work is carried out with appropriate professional scepticism, and that it meets our standards in all respects.

Our review procedures are designed to ensure effective control of the audit as it progresses. These policies are designed to ensure that:

- ▶ The work is performed in accordance with applicable standards and regulations
- ▶ Significant matters have been raised for further consideration and appropriately addressed
- ▶ Appropriate consultations have taken place
- ▶ The planned work has been reviewed and that the objective of all planned work has been achieved
- ▶ The work performed, and the evidence obtained, supports the conclusions reached
- ▶ The documentation present on the audit file enables an experienced auditor to understand the significant matters arising on the audit as well as the nature, timing and extent of the procedures undertaken, the results of those procedures and the evidence obtained.

An engagement quality control review is performed for audits of public interest entities, other listed entities and other high-risk engagements. The Engagement Quality Control Reviewer (EQCR) will be familiar with the auditing and reporting practices used during the engagement, and be knowledgeable and familiar with the audited entity's industry, but is not part of the audit engagement team. They will be an experienced Audit Partner and not likely to be unduly influenced by the views of a particular engagement partner. The EQCR will not be actively involved in making ongoing decisions relating to the engagement and will not be involved in performing the engagement. Engagement quality control reviewers are selected from a list of approved reviewers, as determined by the Head of QRM. The firm has a dedicated partner responsible for the selection and training of EQCRs.

INTERNAL QUALITY CONTROL SYSTEMS

CONSULTATION

Our culture encourages consultation with experienced partners and other specialists where appropriate. We have a process in place for audit partners and teams to follow when consulting and seeking a 'firm' opinion, support on a technical issue, judgement or risk.

TRAINING

The training of audit staff and partners is conducted by the firm's TSG with oversight from the ASE. The training programme is split between our Early in Careers (EiC) training and our Continued Professional Development (CPD) programme for qualified staff and partners.

In July 2020, the firm expanded its CPD programme to include the first ASE Summer School. There were 16 mandatory sessions covering financial reporting, auditing and judgement areas, including the introduction of the BDO Professional Judgement Framework.

Our CPD programme aims to bring alive key technical challenges and their application in practice including the practical impact of COVID-19 to reporting and the challenges that arise in the course of auditing entities. We continue to make use of our internal social media platform, Yammer, for knowledge sharing and hints and tips to get the most out of our technology and audit approach.

All partners and staff working on local public sector assignments receive specialist local audit work training on an annual basis to ensure they remain competent to work in this specialist area.

As result of COVID-19 all training has been converted to online platforms enabling those delivering our training to interact with the attendees and engage them in high-quality training. Feedback received from partners and staff has been positive in respect of the new platforms, especially in that it provided greater flexibility.

RESPONSIBILITY FOR AUDIT QUALITY

Our Leadership Team (LT) has overall responsibility for the quality of work across the firm including the quality of our audit work. Within this it has responsibility for the design of a system of internal monitoring to ensure that audit quality is maintained and improved. The LT has delegated the design and implementation of this system to the ASE, but the work of the ASE is subject to review and approval by the LT prior to implementation.

The Head of Business Assurance sits on the LT and the Head of Quality and Risk attends for agenda items regarding quality. Audit quality is a standing item on the agenda of every LT meeting. The Head of Business Assurance provides a monthly update on audit quality issues to the LT.

The Head of Business Assurance and the Head of QRM have regular communications with audit partners on audit quality issues.

In January 2020, the ASE approved the firm's Audit Quality Plan (AQP). The plan brings together the various inputs that form part of our cycle of continuous improvement, being findings from both external and internal reviews (including good practice), root cause analysis, as well as potential indicators of issues from live files identified by the AQR Elite Squad, set out overleaf, and EQCRs which go to identifying actions that we need to take to drive improvements in our audit quality. The actions required include the issue of, or amendments to, existing guidance as well as providing direction for the annual training programmes. In addition, the ASE also consider emerging topics which impact on the overall annual plan.

MONITORING AND DOCUMENTATION OF THE SYSTEM OF QUALITY CONTROL.

Our policies and procedures concerning monitoring activities are designed to give us reasonable assurance that our internal quality control system is operating effectively and is being complied with in practice.

Our quality control system includes an annual programme of inspections of audit files (the Audit Quality Assurance Review). This is designed by the ASE and approved by the QRMC and the LT. Its purpose is to monitor compliance with our policies, procedures and standards and to ensure that audit work carried out in order to arrive at an appropriate opinion, is properly documented and of high quality.

INTERNAL QUALITY CONTROL SYSTEMS

INTERNAL INDEPENDENT REVIEW PROCESS

The review process differentiates between reviews of those entities that are within the scope of the AQR (including local public sector audit) and those within the scope of the Quality Assurance Department of the ICAEW (including local public sector audit not within scope of the AQR). We seek to replicate the depth of review of each regulator for the audits within their scope.

Those that are in-scope of the AQR are reviewed by a dedicated team of reviewers. Reviews of those that are in scope of the ICAEW's Quality Assurance Department (QAD) are overseen by an experienced independent Audit Partner.

Each set of reviews considers all matters from take-on, through planning and executing the assignment, to reporting and the role of the EQCR. It also considers the appropriateness of accounting policies and disclosures.

The sample is chosen to ensure that each audit Responsible Individual (RI) is subject to review at least once every two years, and to ensure that an average 60% of all RIs are reviewed in any one year with 100% of RIs covered in a two-year period. Each Strategic Business Unit (SBU), will have at least one RI subject to review each year with all Financial Services RIs reviewed annually. Newly appointed RIs are selected for review in their first year. The sample is weighted to include an appropriate number of Public Interest Entity (PIE) audits each year, including listed, Public Sector and US issuers.

Each review team is headed by an experienced Audit Partner. Where the sample includes a client in a specialised industry, appropriate internal specialists are involved in the review.

Independence of the reviewers is ensured through having each partner reviewed by a team from a business unit/ office other than the partner's own.

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 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 Business Assurance and the ASE and the results are reviewed by the QRMC and the Public Interest Committee. Root cause analysis of findings is carried out and appropriate action plans drawn up.

The Head of QRM is responsible for monitoring the implementation of, and compliance with, any corrective actions. The Head of QRM is also responsible for ensuring appropriate documentation of the operation of each element of the firm's quality control system.

TOTAL	2019	2018	2017	2016
Grade 1	67%	68%	48%	60%
Grade 2	20%	22%	34%	27%
Grade 3	13%	9%	18%	13%

Files are graded 1-3 with, 1 being good and 3 needing significant improvement (not satisfactory).

Detailed action plans have been developed to address the findings from our internal and external reviews. Key findings and learnings are anonymised and played back to the stream. This now includes good practice findings from the AQR so reinforcing good behaviour.

We continue with our programme of Root Cause Analysis (RCA), which we believe makes a valuable contribution to our drive to improve audit quality. We also note emerging themes and these are regularly fed back to the stream.

Over the last few years we have invested heavily in data analytics to provide greater insight into areas such as revenue, journals and valuations.

AQR ELITE SQUAD

The AQR Elite Squad performs in-depth reviews on a selection of AQR in-scope audits while they are in progress. These reviews focus on challenging, supporting and coaching audit teams to help enhance and improve audit quality, particularly in areas of significant risk or complexity. The Elite Squad had two full-time staff in the reporting period, which has subsequently increased to four, with a mandate to expand the team further.

Findings from the thematic nature of the reviews are collated and were fed back to members of the Audit Stream at AQR in-scope fora, which were held twice during the year, as well as at ad-hoc virtual feedback sessions. This provides additional training, support and feedback on audit quality matters with a particular focus on audits which are within the Regulator's scope.

INTERNAL QUALITY CONTROL SYSTEMS

INTERNAL AUDIT

Our internal audit function reports to the QRMC. The QRMC reviewed and approved the Internal Audit plan of activity for the year which is based on an overall three-year plan. The Internal Audit plan is based primarily on the firm's Top Risks and includes both service stream and PMD-specific reviews.

Reports setting out the recommendations raised to address any weaknesses identified in our system of internal control, along with quarterly updates of progress against the internal audit plan and implementation of actions in response to findings from reviews were considered by the Quality and Risk Management Committee. There were no significant findings in the period.



CONFLICTS OF INTEREST

The principle of objectivity imposes an obligation on all professional accountants not to compromise their professional or business judgement because of bias, conflict of interest or the undue influence of others. A threat can arise when two or more clients have conflicting interests in a matter and the services being provided relate to that matter. The Engagement Partner is responsible for the identification of potential conflicts of interest. Checks are carried out through a review of our systems, to identify relationships which could give rise to a potential conflict of interest. There is a facility to perform conflict checks confidentially where required. The Quality and Risk Management Team (QRMT) provides direction, oversight and a point of escalation to ensure that conflict checking is performed consistently and robustly.

International conflict of interest checks are performed using the network's computerised, conflict-checking system. The system initiates conflict checks for either separate countries, group of countries or worldwide, logs responses and keeps a detailed audit trail for future use.

Where potential conflicts of interest are identified, we either decline to accept an engagement or we put in place robust arrangements to make sure that the conflicts of interest are appropriately managed. Where appropriate, we seek informed consent from all parties and if required ensure that teams are separate and appropriate information barriers are in place. Where in our opinion, a conflict is not manageable, or where it cannot be managed to the satisfaction of all parties then we decline to act.

INTERNAL QUALITY CONTROL SYSTEMS

WHISTLEBLOWING

The whistleblowing policy has been designed to ensure that our people deal responsibly and in the interest of all concerned in the event of any malpractice.

By disclosing any information, our people will not be treated any differently. We will make every effort to ensure that there is no victimisation or harassment as a result of any disclosure and any appropriate disciplinary action may be taken against another individual in breach of this.

Wherever possible, we will discuss in confidence the disclosure of information and protect the identity of anyone disclosing information and, wherever appropriate, investigate the matter thoroughly. Any action taken as a result of whistleblowing will be dependent on the nature of the concern, and dealt with as we deem appropriate.

Under our policy it is a requirement that all actions arising out of incidents of whistleblowing, including reports from any investigations, be reported to the Head of QRM who reports on incidents to the PIC.

We would wish to deal with any disclosure internally by following our internal procedures. If, however, an individual remains concerned about an internal investigation, and reasonably believes that the appropriate action has not been taken, then he/she should report the matter to the proper authority.

If you wish to report a concern to us, please phone 0800374199, or complete our [online form](#) or download the SpeakingUp™ app using the access code: bdo

All concerns will be taken seriously and investigated and escalated as appropriate.

LEADERSHIP TEAM'S STATEMENT ON EFFECTIVENESS OF FUNCTIONING

These policies, procedures and monitoring activities have provided our LT with reasonable assurance that the firm, its partners and staff have materially complied with applicable professional, regulatory and legal requirements, including those relating to local public sector audits, that work has been performed to a consistently high standard and that appropriate reports have been issued. Our LT has inter alia considered the results of the annual regulatory inspections by the FRC in reaching this opinion.

The firm's policies and procedures are designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.



AUDIT QUALITY INDICATORS

The following metrics give an indication of audit quality. Although it would be overly simplistic to use these metrics as blunt 'benchmarks' in their own right, when combined with contextual descriptions, we are confident that they will provide additional valuable information to audit committees and other stakeholders. We set out the identified metrics below:

METRICS FROM PARTNER AND STAFF SURVEYS	2018	2016
1a. The leaders I work with act with integrity (2018)	97%	Not asked
1b. Delivering quality work is a priority for me (2016)	Not asked	98%
2. I have sufficient time and resource to do my job	69%	63%
3. The leaders I work with are committed to providing a high-quality service to external clients	97%	96%
4. The learning and development I receive from BDO has prepared me for the work I do	91%	90%



Due to the unprecedented times, this year's staff survey will now be conducted in November 2020.

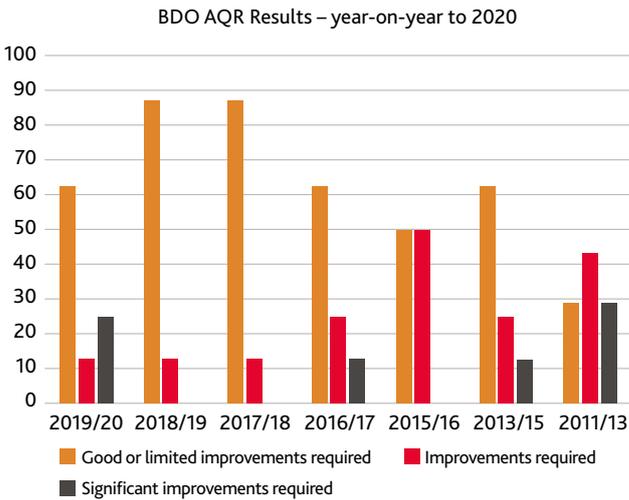
METRICS ON EXTERNAL INVESTIGATIONS	
Number of cases in the last 12 months in which the:	
5. FRC's conduct committee has found against the firm or one of its members	There has been one finding against the firm in the period; a copy of the report can be obtained from the FRC website.
6. Disciplinary committee of any other regulatory body has found against the firm or one of its members	We have no such findings against the firm and nine audit-related matters currently under investigation.
7. Results of firm's internal audit quality reviews	The results of our internal reviews along with a description of our Audit Quality Assurance Review process and a definition of the grades awarded are set out in the section on Internal Quality Control Systems.

AUDIT QUALITY INDICATORS

METRICS ON EXTERNAL INVESTIGATIONS

8. Results of the FRC's Audit Quality Review Team reviews on the firm

Our last review by the FRC's Audit Quality Review took place in 2019/20.



The full report can be downloaded from the FRC website via this [link](#). BDO is subject to annual reviews by the FRC's Audit Quality Review in line with the recommendations made by the Competition Commission.

9. FRC review of Public Sector Audits

The performance of all audit firms conducting public sector audits is monitored by the FRC. The results of their monitoring is not currently made public.

AUDIT QUALITY INDICATORS

METRICS ON EXTERNAL INVESTIGATIONS	
10. QAD (ICAEW) Biannual Quality Compliance review	The 2020 QAD Quality Compliance Review is currently ongoing.
METRICS ON INVESTMENT	
11. Annualised percentage of Responsible Individuals subject to firm's internal engagement performance reviews	Circa 60% of RIs are reviewed each year ensuring all RIs are reviewed every two years; those RIs receiving an unsatisfactory grading are reviewed annually.
12. The extent of training undertaken per person in the Assurance practice	<p>Our CPD programme covers technical competence; core competencies and personal development. Partners and qualified staff complete approximately 42 hours of mandatory training per annum, additional training is available to support our technical and core competencies.</p> <p>EiC trainees receive 10 days of in-house technical training in their first year with an additional 11 days of mandatory training to be completed at any point in their first three years. Alongside this they receive paid study leave to complete their professional qualifications.</p>
13. Investment in research and development on assurance	Our investment in BDO Advantage; our global audit methodology and tools and the investment we make in training our people and assurance research and development are reflected in the profitability figures set out in Appendix D.
METRICS ON INVESTOR LIAISON	
14. Qualitative description of investor liaison	As noted in our Public Interest Committee report we remain keen to develop communication with the investor community.



TOP RISKS

An important element of governing any firm is to identify and mitigate risk. At BDO we have identified our top risks and put in place key mitigation activities to minimise those risks.

Our top risks are reviewed and agreed by the Quality and Risk Management Committee (QRMC) combining both top-down and bottom-up perspectives and evidence. The top risks are then reviewed and agreed by the Leadership Team (LT). This year we have included several additional risks:

- ▶ that we fail to instil a culture appropriate to an audit and advisory firm of our scale and recognising we are a regulated firm;
- ▶ that we fail to manage resources effectively, placing an undue stress on our partners and staff and potentially leading to stress, illness and decreased quality of service delivery;
- ▶ that we have disruption to our business due to a failure in the introduction of new systems to streamline and improve our core practice management systems (Programme Switch); and

- ▶ that we fail to minimise the environmental impacts of our operations or that we work with entities which are seen to do significant environmental damage.

We also closed one top risk, following the successful integration of the Moore Stephens business. The QRMC receives periodic updates from business units as well as regular updates on internal compliance reviews, internal audit reviews, information security risks, engagement acceptance and economic crime matters, regulatory inspections, claims and other risk events. Our Crisis Management Team, in conjunction with the LT, has led our ongoing risk mitigation measures in response to the COVID-19 pandemic, and we continuously identify and assess the effects of COVID-19 on our business risks both in the immediate term and in relation to our longer term risk exposures

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Our appetite for change	<p>Accelerating pace of change due to the demands of external conditions</p> <p>Our appetite is inadequate and we fail to deliver the changes we require</p> <p>Failure to develop opportunities arising in the PIE audit market following CMA review</p> <p>Failure to adapt effectively to structural changes imposed following CMA, Kingman, BEIS and Brydon reviews.</p>	<ul style="list-style-type: none"> ▶ Overall governance and reporting ▶ A strategy and performance review system that incorporates the importance of change ▶ Business transformation and change management regularly discussed by the LT and with BDO International ▶ Head of Integration and Transformation appointed and dedicated resources to assist with the implementation of change programmes ▶ CMA, Kingman and BEIS Future of Audit reviews a priority focus for the Audit Stream Executive ▶ ISQM1 programme.

TOP RISKS

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Changing external environment and business models for professional services firms	<p>Risk that professional service firms such as ours fail to attract and develop new business due to:</p> <ul style="list-style-type: none"> ▶ Competitors innovating faster than us ▶ New disruptive technology transforming markets (including platforms for providing professional services becoming IT-driven) and the cost of providing services ▶ New skills and expertise being required to deliver services ▶ Existing methodologies, processes and IT becoming obsolete ▶ Our property portfolio becomes inflexible/obsolete ▶ Failure to manage operational and financial operation of audit and advisory to achieve public interest objectives. <p>Risk that significant external geopolitical events have a major direct adverse impact on our business and/or economic conditions.</p>	<ul style="list-style-type: none"> ▶ Forward horizon scanning by the Leadership Team and management ▶ Digital Board established to oversee the implementation of new digital solutions ▶ Dedicated resources to assist with the implementation of change programmes ▶ Business continuity planning and testing.
Failure to instil a culture appropriate to an audit and advisory firm of our scale and recognising we are a regulated firm	<p>Our behaviour is under continuous scrutiny and perceived or actual failings can result in damage to reputation.</p>	<ul style="list-style-type: none"> ▶ Overall firm governance and reporting ▶ Focus on values, culture and Quality, Independence and Ethics within the strategic framework ▶ Ongoing monitoring including Listening Programme and exit surveys ▶ Unifying Culture Board responsible for managing and driving culture strategy.
Information security (including cyber security)	<p>Failure to protect confidential client or personal data.</p> <p>Failure to prevent and recover from cyber attacks</p> <p>Failure to identify and manage emergent cyber risks.</p>	<ul style="list-style-type: none"> ▶ IT policies and processes, including access controls and appropriate disaster recovery and business continuity plans. Linked to BDO International information security risk mitigation programme ▶ Use of appropriate software tools to help protect against cyber threats ▶ Extensive data protection policies and processes ▶ Control of sensitive data through limited access ▶ Ongoing training to alert partners and staff to cyber and other risks of data loss and the behaviours necessary to minimise such risks ▶ Monitoring by the LT, QRMC and management on an ongoing basis.

TOP RISKS

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Failure of our IT infrastructure	Major IT failure or major data loss results in our inability to carry out business as usual. This may be due to our internal controls or due to the failure of a third-party IT provider (including cloud services).	<ul style="list-style-type: none"> ▶ IT policies and processes, including access controls and appropriate disaster recovery and business continuity plans ▶ Relationships with outsourced providers managed and maintained, with regular performance reviews and contractually agreed SLAs.
Regulation	<p>Risk of significant sanctions, e.g. restrictions on operations or loss of license to trade.</p> <p>Failure to maintain quality standards to the required regulatory standard or deal with any adverse findings from regulatory inspections to the regulator's satisfaction. (NB: This risk is, therefore, also influenced by the risk of failure to deliver quality work.)</p> <p>Failure to recognise changing regulation and/ or to invest in enhancing quality to meet new requirements.</p> <p>Changes to the FRC following Kingman review leading to uncertainty in the regulatory regime.</p> <p>Increased focus from regulators on economic crime and data privacy.</p> <p>Failure to adequately plan for the costs and resources to address robust challenge from our regulators and increasing regulatory information requirements.</p>	<ul style="list-style-type: none"> ▶ Partner involvement with professional institutes and regulatory bodies (identifying change and influencing where possible) ▶ Maintaining an appropriate level of interaction and relationships with regulatory authorities ▶ Regular review of anticipated regulatory changes and assessment of their impact ▶ Comprehensive quality control systems, methodologies and guidance ▶ Dedicated technical support services.
Client acceptance and continuance, and scope of work	<p>Failure to identify engagement risks, social responsibility risks, or other commercial risks associated with a potential entity or project.</p> <p>Working with the wrong entity could damage our reputation and lead to litigation and/or regulatory investigation.</p> <p>Failure to identify risks and comply with economic crime laws and regulations (including anti-money laundering regulations).</p> <p>Failure to define the scope of projects with sufficient clarity, or engage those who have the right knowledge and skills to deliver the scope of work.</p>	<ul style="list-style-type: none"> ▶ Rigorous acceptance policies and procedures ▶ Support and levels of approval of potential appointments or engagements with higher risk characteristics ▶ Dedicated technical support services. ▶ Maintaining adequate professional indemnity insurance (PII) ▶ Annual Quality and Risk assessment for all partners.

TOP RISKS

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Resource management	<p>Taking on or continuing work where we lack the capacity, competence or capability to deliver (lack of resources).</p> <p>Failure to manage resources optimally leading to inability to service work and/or decreased service quality.</p> <p>Failure to adjust our pricing to account for dynamic market conditions, increasing demand for our services and increasing costs.</p> <p>Placing undue stress on our partners and staff, potentially leading to stress and illness and decreased service quality.</p>	<ul style="list-style-type: none"> ▶ Selectivity and scrutiny in our acceptance processes ▶ Ongoing review of project pricing and profitability ▶ Regular reviews of management accounts and KPIs to identify signs of over-trading and to respond ▶ Dedicated recruitment and people development teams in the HR function to support the firm in meeting resource demands ▶ Continued expansion of the support provided by the Shared Service Centre and through offshoring ▶ Technological innovation, substituting technology to reduce demands on people.
Failure to deliver quality work	<p>Major service failure resulting in litigation and/or regulatory action, with the potential to impact the reputation of the firm.</p> <p>Failure to deliver the right quality of service to meet stakeholder expectations.</p>	<ul style="list-style-type: none"> ▶ Excellence in quality is at the heart of our strategy and is embedded in our activities ▶ Comprehensive quality control systems, methodologies and guidance ▶ Dedicated technical support services ▶ Significant technical and commercial training to enhance the skills of our people and to ensure they remain up to date ▶ Performance systems to ensure our people are, and remain, competent ▶ Controls to ensure that partners and staff with the right specialist knowledge and skills are assigned to engagements ▶ Internal inspections to review the quality of work and clear action plans to address the findings from internal and external reviews ▶ Established Risk Reporting procedures for claims, complaints or potential concerns about our work ▶ Maintaining adequate professional indemnity insurance (PII).

TOP RISKS

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Failure to attract, retain and develop our people and look after their well-being	Failure to recruit, retain and develop skilled and experienced people leading to service failure, inefficiency, loss of our people, stress and illness, demotivation of our people and increased recruitment and other costs.	<ul style="list-style-type: none"> ▶ Significant technical and commercial training, development and on the job coaching ▶ Structured career discussions, performance reviews and feedback to help the development of partners and staff ▶ Employee Value proposition and recruitment initiatives for Early in Careers and experienced hires with the right skills and experience ▶ Quality cornerstones to guide professional behaviour ▶ Strong and robustly implemented health, safety, well-being and travel policies, fully reviewed and updated in response to COVID-19.
Implementation of Programme Switch	<p>Disruption to our business in the event of a failure or poor implementation of Programme Switch, with impacts including billing, cash collection, financial control, take-on and continuance, and workforce support and management processes.</p> <p>Disruption to our operations due to failure of our people to appropriately adopt new systems and processes post-implementation, e.g. due to inadequate provision of, and completion of, training.</p> <p>Programme Switch fails to deliver the expected benefits.</p>	<ul style="list-style-type: none"> ▶ Dedicated and appropriately resourced project team ▶ Phased implementation plan ▶ Project switch training plans ▶ Overall review by Programme Switch Steering Committee, LT and operational management.
Environment and sustainability	<p>Working with entities which are seen to do significant damage to the environment, leading to damage to our reputation.</p> <p>Failure to minimise the environmental impact of our firm's operations.</p> <p>Risk that we make statements but lack authenticity, leading to damage to our reputation.</p>	<ul style="list-style-type: none"> ▶ Annual Carbon Report published, in compliance with the Streamlined Energy & Carbon Reporting (SECR) framework ▶ BDO LLP is a signatory to the UN Sustainable Development Goals, and has committed to becoming carbon neutral from 2020 ▶ Monitoring of internal and external environmental activity ▶ ISO:14001 Environmental Management System Accreditation.

TOP RISKS

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Financial Resilience of the firm – COVID-19 Pandemic	Slowdown in payment from engagements impacting our own cash flow, IT capacity to support remote working, reduction in productivity whilst homeworking, physical access to premises restricted at key times.	<ul style="list-style-type: none"> ▶ Close monitoring by LT of financial performance, including cash flow, and rolling forecasts and scenarios ▶ Measures implemented to conserve cash ▶ Bank facilities extended ▶ Measures implemented to deliver audits remotely and maintain quality ▶ Focus on looking after the well-being of our people.
BDO Global risk and reputation	<p>Significant litigation, service failure or inappropriate conduct by a firm resulting in a loss of reputation to BDO as a whole. Failure of BDO Global to develop an effective quality and risk management function and to implement sufficient, adequate quality controls (in particular in respect of audit) resulting in criticism by regulators and loss of reputation.</p> <p>Failure of BDO Global or a BDO firm to protect confidential client or personal data and/or failure to prevent and recover from cyber attacks resulting in a loss of reputation to BDO as a whole.</p> <p>Risk that BDO (Global and firms) fails to identify, recognise, plan and deliver the strategic and operational changes required.</p>	<ul style="list-style-type: none"> ▶ Methodologies and supporting tools applied globally, including our global audit methodology and electronic Audit Process Tool ▶ International quality inspection programme ▶ Strong collaboration between member firms ▶ BDO LLP participation in and influencing of BDO Global initiatives. ▶ Crisis Management Committee equipped with plans and tools to rapidly respond to a significant BDO Global risk event.

APPENDICES



APPENDIX A

LEGAL STRUCTURE AND OWNERSHIP

BDO LLP

BDO LLP is a limited liability partnership, incorporated in the UK and is owned by its members (who are often referred to as partners).

At 3 July 2020 there were 262 members.

A service company, BDO Services Limited, employs people, contracts with suppliers and provides services to the LLP and third parties.

BDO Northern Ireland is an independent partnership, which operates within BDO LLP's territory.

BDO is an international network of independent public accounting, tax and advisory firms, which are members of BDO International Limited and perform professional services under the name and style of BDO. BDO is the brand name for the BDO network and all BDO Member Firms.

BDO INTERNATIONAL

Each BDO Member Firm is a member of BDO International Limited, a UK company limited by guarantee, as either a voting member (one per country) or a non-voting member. BDO International Limited is the governing entity of the BDO network and sets the membership obligations of the BDO Member Firms in the Regulations.

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

The Council comprises one representative from each voting member and comprises the members of BDO International Limited in general meeting.

The Council approves the network's central budget, appoints the Global Board and approves any changes in the Articles and Regulations of BDO International Limited.

The Global Board, which is the Board of Directors of BDO International Limited, comprises a representative of the BDO network's seven largest member firms, whose appointment, each for a three-year term, is approved by the Council. The Global Board sets priorities for the BDO network and oversees the work of the Global Leadership Team. The Global Board meets at least four times a year.

The Global Leadership Team is tasked with coordinating the activities of the BDO network. It is headed by the CEO and comprises the

Global Heads of Audit & Accounting, Tax, HR & Development, Business Development & Marketing, IT, the CEO EMEA (currently also acting as Global Head of Advisory), the CEO Americas, the CEO Asia Pacific and the International Secretary.

The Global Leadership Team is supported by the Global Office at Brussels Worldwide Services BVBA. Brussels Worldwide Services BVBA, a Belgian limited liability company, provides services to assist in the coordination of the BDO network.

BDO International Limited and Brussels Worldwide Services BVBA do not provide any professional services to clients. This is the sole preserve of the BDO Member Firms.

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

The global aggregated turnover for BDO member firms (including their exclusive Alliances) in 167 countries for the year ended 30 September 2019 was in excess of \$9.6bn. Partner and staff numbers at 30 September 2019 were some 88,120 working out of 1809 offices worldwide.

Appendix H sets out the name, operating country of statutory auditors within the EU; the combined turnover achieved by those firms is set out in Appendix E.

KEY FEATURES OF THE MEMBER FIRM NETWORK AGREEMENT

Each BDO Member Firm is an independent legal entity and profits are not shared between member firms. All BDO Member Firm client engagements – whether for domestic work, referred work from other firms in the network, or international work sourced from non-BDO sources – are conducted in the name of the local BDO Member Firm.

Membership of the network confers certain rights on BDO Member Firms, as well as certain obligations. Rights include the use of the BDO brand, including the network name and logo, the ability to refer work to and from other BDO Member Firms and a wide range of resources.

Obligations include the capability to offer the minimum core services, including accounting and auditing, taxation and specialist advisory services.

APPENDIX B

AUDIT FIRM GOVERNANCE CODE STATEMENT OF COMPLIANCE

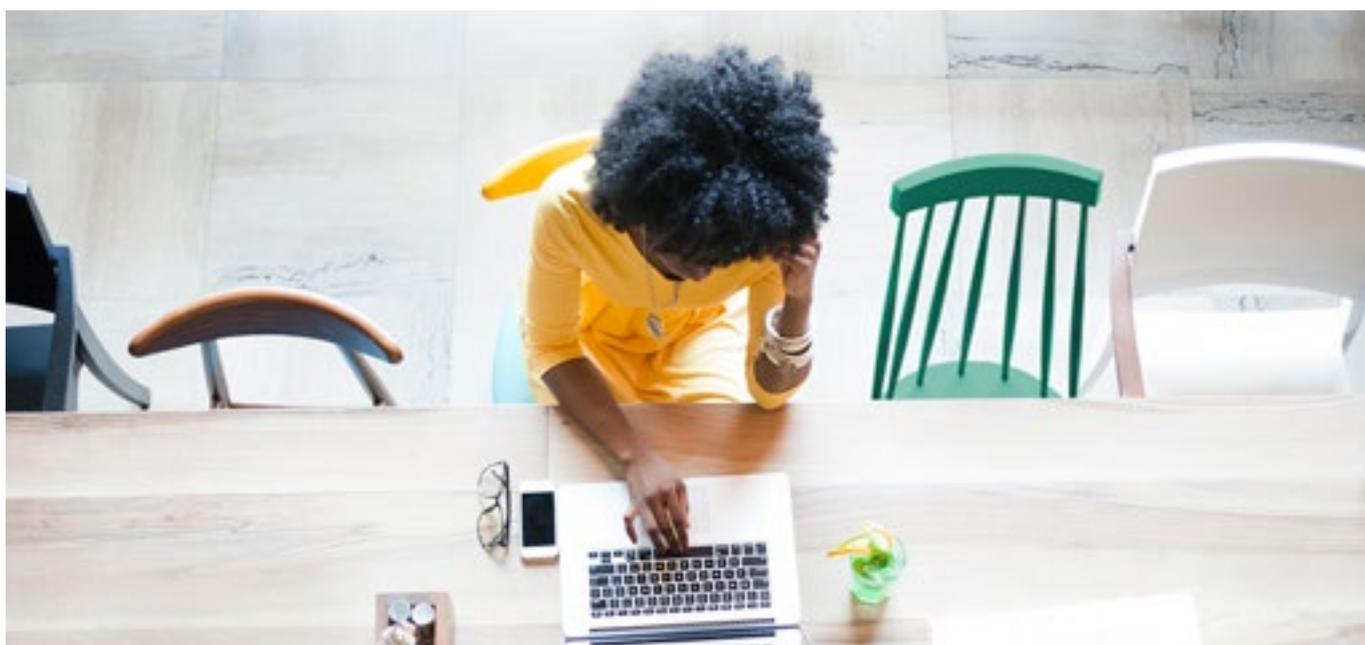
In accordance with Audit Firm Governance Code ('the Code') principle E.2: Governance Reporting we make the following statement with regards to the application in practice of each of the principles of the Code on which we are required to report.

REQUIREMENT	SECTION REF
<p>A.1.2</p> <p>The firm should state in its transparency report how its governance structures and management operate, their duties and the types of decisions they take. In doing so the firm should explain how its governance structure provides oversight of both the audit practice and the firm as a whole with a focus on ensuring the Code's purpose, is achieved. If the management and/or governance of the firm rests at an international level it should specifically set out how management and oversight of audit, is undertaken and the Code's purpose achieved in the UK. Formal processes for on-going performance evaluation of the firm's governance structures and management team and their members.</p>	Governance Structure
<p>A.1.3</p> <p>The firm should state in its transparency report the names and job titles of all members of the firm's governance structures and its management, how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details.</p>	Governance Structure Appendices E & F
<p>B.1.2</p> <p>Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports.</p>	Governance Structure
<p>C.1.2</p> <p>The firm should disclose on its website and in its transparency report information about the appointment, retirement and resignation of independent non-executives; their remuneration; their duties and the arrangements by which they discharge those duties; and the obligations of the firm to support them. The firm should report on why it has chosen to position its independent non-executives in the way it has (for example, as members of the main Board or on a public interest committee). The firm should also disclose on its website the terms of reference and composition of any governance structures whose membership includes independent non-executives.</p>	Governance section
<p>C.1.3</p> <p>The independent non-executives should report in the firm's transparency report on how they have worked to meet the purpose of the Code defined as:</p> <ul style="list-style-type: none"> ▶ Promoting audit quality. ▶ Helping the firm secure its reputation more broadly, including in its non-audit businesses. ▶ Reducing the risk of firm failure. 	Report by Chair of the Public Interest Committee
<p>C.2.1</p> <p>The firm should state in its transparency report its criteria for assessing the impact of independent non-executives on the firm's independence as auditors and their independence from the firm and its owners.</p>	Governance Structure

APPENDIX B

AUDIT FIRM GOVERNANCE CODE STATEMENT OF COMPLIANCE

REQUIREMENT	SECTION REF
<p>D.1.3 The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.</p>	Ethics and Independence
<p>D.2.2 The firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarise the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.</p>	Internal Quality Control Systems
<p>E.2.2 In its transparency report the firm should give details of any additional provisions from the UK Corporate Governance Code which it has adopted within its own governance structure.</p>	Appendix C
<p>E.3.1 The firm should confirm that it has carried out a robust assessment of the principal risks facing the audit firm, including those that would threaten its business model, future performance, solvency or liquidity. The firm should describe those risks and explain how they are being managed or mitigated.</p>	Top Risks



APPENDIX C

CORPORATE GOVERNANCE CODE ADOPTION

Within BDO the responsibilities of the Board, set out in the Corporate Governance Code, are carried out by the Partnership Council, that has overall responsibility for governance matters and acts as the firm's 'nomination committee', and the Leadership Team whom are responsible for strategic leadership. The role of the Chairman is performed by the Senior Partner, supported by the Partnership Council, and the role of Chief Executive is performed by the Managing Partner. Details required to be included in the Annual Report are contained within this Transparency Report.

CORPORATE GOVERNANCE CODE	REFERENCE
<p>Role of the Board Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.</p>	
<p>A.1.1 The board should meet sufficiently regularly to discharge its duties effectively. There should be a formal schedule of matters specifically reserved for its decision. The annual report should include a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management.</p>	<p>Details of the number of meetings and attendance at those meetings is included in Appendix F.</p> <p>Details of the matters specifically reserved for the Partnership Council and Leadership Team are set out in the Governance Structure section of this report.</p> <p>Commentary on the working of the various boards and committees is set out in the section Governance Structure.</p>
<p>A.1.2 The annual report should identify the chairman, the deputy chairman (where there is one), the chief executive, the senior independent director and the chairmen and members of the board committees. It should also set out the number of meetings of the board and those committees and individual attendance by directors.</p>	<p>The identity of the Senior Partner, Managing Partner and Senior Independent Non Executive is set out in the section Governance Structure and Appendix F.</p> <p>Details of meeting attendance is set out in Appendix G.</p>
<p>A.1.3 The company should arrange appropriate insurance cover in respect of legal action against its directors.</p>	<p>The firm maintains D&O cover for its directors and INEs.</p>

APPENDIX C

CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE
<p>Division of responsibilities There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.</p>	
<p>A.2.1 The roles of chairman and chief executive should not be exercised by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established, set out in writing and agreed by the board.</p>	<p>The roles of the Senior Partner and Managing Partner are set out in writing and approved by the Partnership Council.</p>
<p>The Chairman The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.</p>	
<p>A.3.1 The chairman should on appointment meet the independence criteria set out in B.1.1 below. A chief executive should not go on to be chairman of the same company. If exceptionally a board decides that a chief executive should become chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.</p>	<p>The Senior Partner is an internal appointment in that it can only be held by an existing BDO partner. As such, the independence criteria required of the Senior Partner matches that of all partners.</p> <p>The Managing Partner cannot go on to be the Senior Partner.</p>
<p>Non-executive directors As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.</p>	
<p>A.4.1 The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate.</p>	<p>Simon Figgis is the Senior INE and Chairs the Public Interest Committee. His report is set out in the section Report from the Chairman of the Public Interest Committee.</p> <p>Simon Figgis is available to meet with members and other stakeholders and is supported in this by Russell King and Jeff Randall.</p>
<p>A.4.2 The chairman should hold meetings with the non-executive directors without the executives present. Led by the senior independent director, the non-executive directors should meet without the chairman present at least annually to appraise the chairman's performance and on such other occasions as are deemed appropriate.</p>	<p>All INEs, led by Simon Figgis, meet with the Senior Partner and the Partnership Council at least annually and on other occasions as are deemed appropriate, further details are contained in the section Governance Structure.</p>

APPENDIX C

CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE
<p>A.4.3</p> <p>Where directors have concerns which cannot be resolved about the running of the company or a proposed action, they should ensure that their concerns are recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chairman, for circulation to the board, if they have any such concerns.</p>	<p>Details of our resolution procedure is set out in the section Governance Structure.</p>
<p>Composition of the Board</p> <p>The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.</p>	
<p>B.1.1</p> <p>The board should identify in the annual report each non-executive director it considers to be independent. The board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:</p> <ul style="list-style-type: none"> ▶ Has been an employee of the company or group within the last five years; ▶ Has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company; ▶ Has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance related pay scheme, or is a member of the company's pension scheme; ▶ Has close family ties with any of the company's advisers, directors or senior employees; ▶ Holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; represents a significant shareholder; or ▶ Has served on the board for more than nine years from the date of their first election. 	<p>Each individual INE identified in the report, being Simon Figgis, Jeff Randall and Russell King are considered to be independent.</p> <p>None of the INEs have:</p> <ul style="list-style-type: none"> ▶ Been an employee of the firm in the last five years or at all ▶ Held a material business relationship with the company or of a body that has a relationship with BDO in the last three years ▶ Close family ties with the firm's advisers, leadership, members or senior employees ▶ Held cross-directorships or has significant links with other members of the leadership. As a LLP there is no significant shareholder ▶ Served on the board for more than nine years.
<p>B.1.3</p> <p>Except for smaller companies, at least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent. A smaller company should have at least two independent nonexecutive directors.</p>	<p>The composition of the Partnership Council and the Leadership Team is set out in the section Governance Structure.</p>
<p>Appointments to the Board</p> <p>There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.</p>	

APPENDIX C

CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE
<p>B.2.1</p> <p>There should be a nomination committee which should lead the process for board appointments and make recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors. The chairman or an independent non-executive director should chair the committee, but the chairman should not chair the nomination committee when it is dealing with the appointment of a successor to the chairmanship. The nomination committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.</p>	<p>Nominations for Senior Partner and Managing Partner are approved by the Partnership Council and elections are held amongst the members for the appointment of both positions. As set out above 85% of the Partnership Council are drawn from the membership and are independent from the Leadership Team.</p> <p>The Senior Partner is not involved in the appointment of a successor as this is decided on a vote by the members.</p> <p>The terms of reference applicable to nominations are contained within the terms of reference of the Partnership Council.</p>
<p>B.2.2</p> <p>The nomination committee should evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.</p>	<p>The Partnership Council evaluate the experience, balance of skills and independence when considering appoints including drawing from all areas of the business.</p>
<p>B.2.3</p> <p>Non-executive directors should be appointed for specified terms subject to reelection and to statutory provisions relating to the removal of a director. Any term beyond six years for a non-executive director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the board.</p>	<p>INEs are appointed for a period of one year, renewable at the end of the period. INEs who have been in office for a period of six years are subject to rigorous review and are required to rotate no later than nine years in office. See Governance section for further details.</p>
<p>B.2.4</p> <p>A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments. This section should include a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director. Where an external search consultancy has been used, it should be identified in the annual report and a statement made as to whether it has any other connection with the company.</p>	<p>Details of the elections of the Senior Partner and Managing Partner are set out in the Governance Structure section.</p> <p>The board's policy on diversity is set out in the Unifying Culture Report available on the BDO website.</p> <p>The appointment of Senior Partner is an internal one. To be considered the candidate must be an existing equity partner of the firm. External search agencies are used to identify suitable candidates for INE roles. The agencies used are not connected with BDO.</p>

APPENDIX C

CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE
<p>Commitment All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.</p>	
<p>B.3.1 For the appointment of a chairman, the nomination committee should prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises. A chairman's other significant commitments should be disclosed to the board before appointment and included in the annual report. Changes to such commitments should be reported to the board as they arise, and their impact explained in the next annual report.</p>	<p>The job specification for the Senior Partner is set by the Partnership Council. Candidates proposing themselves for election by the members must disclose their existing commitments and how they will meet the time and other commitments required of the Senior Partner.</p> <p>On election by the members the Senior Partner meets with representative(s) from the FRC to discuss the importance of the role, the commitment needed and their vision for their tenure.</p>
<p>B.3.2 The terms and conditions of appointment of non-executive directors should be made available for inspection. The letter of appointment should set out the expected time commitment. Non-executive directors should undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the board before appointment, with a broad indication of the time involved and the board should be informed of subsequent changes.</p>	<p>Terms and conditions for the appointment of INEs are available to the FRC for inspection. The letter of appointment sets out clearly the time commitment needed and other commitments are taken into account on appointment. INEs are required to confirm their independence quarterly and notify any other appointments accepted.</p>
<p>Development All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.</p>	
<p>B.4.1 The chairman should ensure that new directors receive a full, formal and tailored induction on joining the board. As part of this, directors should avail themselves of opportunities to meet major shareholders.</p>	<p>An induction was held for all new members of the Partnership Council led by the Senior Partner and drawing on the firm's experts as required.</p>
<p>B.4.2 The chairman should regularly review and agree with each director their training and development needs.</p>	<p>The INEs are subject to appraisal when their training and development needs are considered. INEs are required to complete the firm's mandatory training on ethics, data protection and anti-money laundering.</p>

APPENDIX C

CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE
<p>Information and support The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.</p>	
<p>B.5.1 The board should ensure that directors, especially non-executive directors, have access to independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their duties.</p>	<p>Details of information and support provided to INEs are set out in the section on governance structure.</p>
<p>B.5.2 All directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are complied with. Both the appointment and removal of the company secretary should be a matter for the board as a whole.</p>	<p>The firm does not have a company secretary but is instead supported by an Executive Office. This office is available to all board members including the INEs.</p>
<p>Evaluation The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.</p>	
<p>B.6.1 The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.</p>	<p>KPIs relating to the board's performance and achievement of their strategic objectives is included in the section on Strategy, Culture and KPIs.</p>
<p>B.6.2 Evaluation of the board should be externally facilitated at least every three years. The external facilitator should be identified in the annual report and a statement made as to whether they have any other connection with the company.</p>	<p>Members of the LT participated in an externally facilitated review of the executive team in early 2020 to build on good practice and further improve board performance.</p>
<p>B.6.3 The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of executive directors.</p>	<p>As a result of changes to the definition of Covered Person within the FRC Ethical Standard, INE involvement in the appraisal and remuneration of senior members has been restricted to the provision of feedback on performance.</p>
<p>Re-election All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.</p>	<p>Details of re-election are set in the section Governance Structure.</p>

APPENDIX C

CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE
<p>Financial and business reporting The board should present a fair, balanced and understandable assessment of the company's position and prospects.</p>	Our annual report is available on the BDO website.
<p>C.1.1 The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy. There should be a statement by the auditor about their reporting responsibilities.</p>	Our annual report is available on the BDO website.
<p>C.1.2 The directors should include in the annual report an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company.</p>	An explanation of the firm's strategy and delivery of objectives including maintaining value in the longer term and the tops risks are included in the Transparency Report in the section Strategy, Culture and KPIs and the section Top Risks.
<p>C.1.3 In annual and half-yearly financial statements, the directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.</p>	Our annual report is available on the BDO website.
<p>Risk management and internal control The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.</p>	
<p>C.2.1 The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.</p>	Details of our risk assessment and top risk are set out in the section Top Risks.

APPENDIX C

CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE
<p>C.2.2 Taking account of the company's current position and principal risks, the directors should explain in the annual report how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate. The directors should state whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.</p>	<p>Our annual report is available on the BDO website.</p>
<p>C.2.3 The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.</p>	<p>The Quality and Risk Management Committee monitor our risk management and internal control systems. Details of the review of the risk management and internal controls system is set out in the section Internal Quality Control Systems and Top Risks.</p>
<p>Audit committee and auditors The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.</p>	
<p>C.3.1 The board should establish an audit committee of at least three, or in the case of smaller companies two, independent non-executive directors. In smaller companies the company chairman may be a member of, but not chair, the committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chairman. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.</p>	<p>Our Audit Committee is comprised of four members of the Partnership Council, whom are independent of the Leadership Team. They are responsible for the relationship with the external auditors.</p> <p>The INEs form the majority of the Public Interest Committee whom met with the audit committee annually.</p>

APPENDIX C

CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE
<p>C.3.2 The main role and responsibilities of the audit committee should be set out in written terms of reference and should include:</p> <ul style="list-style-type: none"> ▶ To monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them; ▶ To review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the company's internal control and risk management systems; ▶ To monitor and review the effectiveness of the company's internal audit function; ▶ To make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor; ▶ To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; ▶ To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and ▶ To report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and ▶ To report to the board on how it has discharged its responsibilities. 	<p>The terms of reference for the Audit Committee are available on BDO's website.</p>
<p>C.3.3 The terms of reference of the audit committee, including its role and the authority delegated to it by the board, should be made available.</p>	<p>The terms of reference for the Audit Committee are available on BDO's website.</p>
<p>C.3.4 Where requested by the board, the audit committee should provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.</p>	<p>The Audit Committee provides advice to the Leadership Team that the annual report and accounts taken as a whole are fair balanced and understandable. Providing sufficient information, to assess the company's position and performance, business model and strategy.</p>

APPENDIX C

CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE
<p>C.3.5 The audit committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.</p>	<p>The firm operates an internal whistleblowing process managed by the Head of Quality and Risk.</p>
<p>C.3.6 The audit committee should monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.</p>	<p>The Audit Committee monitors and reviews the effectiveness of internal audit activities supported by the Quality and Risk Management Unit.</p>
<p>C.3.7 The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. FTSE 350 companies should put the external audit contract out to tender at least every ten years. If the board does not accept the audit committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the audit committee explaining the recommendation and should set out reasons why the board has taken a different position.</p>	<p>The Audit Committee is responsible for appointing the auditors.</p>
<p>C.3.7 A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report should include:</p> <ul style="list-style-type: none"> ▶ The significant issues that the committee considered in relation to the financial statements, and how these issues were addressed; ▶ An explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted; and ▶ If the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded. 	<p>We do not at present include an Audit Committee report within the annual report.</p>



APPENDIX D

LOCAL AUDIT TRANSPARENCY REPORT COMPLIANCE

In accordance with the Local Auditors (Transparency) Regulations 2020 we make the following statement with regards to the application in practice of each of the principles of the Code on which we are required to report.

REQUIREMENT	SECTION REFERENCE
1. A description of the legal structure, governance and ownership of the transparency reporting local auditor.	Legal Structure and Ownership and Governance Structure
2. Where the transparency reporting local auditor belongs to a network, a description of the network and the legal, governance and structural arrangements of the network.	Legal Structure and Ownership
3. A description of the internal quality control system of the transparency reporting local auditor and a statement by the administrative or management body on the effectiveness of its functioning in relation to local audit work.	Internal Quality Control Systems
4. A description of the transparency reporting local auditor's independence procedures and practices including a confirmation that an internal review of independence practices has been conducted.	Ethics and Independence
5. Confirmation that all engagement leads are competent to undertake local audit work and staff working on such assignments are suitably trained.	All staff receive specialist local audit work training on an annual basis and are competent to conduct the work
6. A statement of when the last monitoring of the performance by the transparency reporting local auditor of local audit functions, within the meaning of paragraph 23 of Schedule 10 to the Companies Act 2006, as applied in relation to local audits by Section 17 and paragraphs 1, 2 and 28(7) of Schedule 5 to the Act, took place.	Audit Quality Indicators
7. A list of major local audits in respect of which an audit report has been made by the transparency reporting local auditor in the financial year of the auditor; and any such list may be made available elsewhere on the website specified in regulation 4 provided that a clear link is established between the transparency report and such a list.	A list of major local audits audited by BDO is included in Appendix I.
8. A statement on the policies and practices of the transparency reporting local auditor designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.	The policies and procedures are designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.
9. Turnover for the financial year of the transparency reporting local auditor to which the report relates, including the showing of the importance of the transparency reporting local auditor's local audit work.	Appendix E
10. Information about the basis for the remuneration of partners.	Internal Quality Control Systems

APPENDIX E

FINANCIAL INFORMATION

STATUTORY AUDIT	REVENUES 2019/20 £M	REVENUES 2018/19 £M
PIEs and Entities within a PIE group	20	13
Other Entities than above	226	204
Total audit fees	246	217

PERMITTED NAS	REVENUES 2019/20 £M	REVENUES 2018/19 £M
Audit clients	93	92

NAS	REVENUES 2019/20 £M	REVENUES 2018/19 £M
Other Entities	322	268

Note: All disclosures above are unaudited
Audit Comprises statutory audit work and directly related services.

The annual combined turnover from statutory audits of the BDO EU/EEA audit firms was €784,884,996 (reported as at 15 October 2020). To access a copy of the BDO Global Transparency Report for 2019/20 please follow [this link](#).

The turnover representing the audit of local public bodies is £4.2m (PY£7m); it is the firm's policy not to provide non-audit services to local public bodies that we audit.



APPENDIX F

MEMBERS OF THE FIRM'S GOVERNANCE STRUCTURE AT 3 JULY 2020

LEADERSHIP TEAM

The executive members of the Leadership Team at 3 July 2020 are:



PAUL ENGLAND

MANAGING PARTNER

Paul was elected as Managing Partner, starting his first four-year term in October 2016. He has been re-elected to serve a second four-year term commencing October 2020. Paul and his Leadership Team are responsible for the overall strategic direction of the firm, its financial performance and business model.

Paul has served on the Leadership Team since 5 July 2008. Paul is also a member of BDO International's Global Board which sets and monitors strategy for the International network.



GERVASE MACGREGOR

LEADERSHIP TEAM, RISK AND REPUTATION

Gervase is responsible for setting the firm-wide risk framework and policies, provision of education and ensuring adherence.

He is responsible for all claims and regulatory matters involving the firm. He is also the firm's MLRO and MLCP.

He is a forensic services partner and has served on the Leadership Team since 5 July 2008.

APPENDIX F

MEMBERS OF THE FIRM'S GOVERNANCE STRUCTURE AT 3 JULY 2020

LEADERSHIP TEAM

(Continued)



SCOTT KNIGHT
HEAD OF BUSINESS ASSURANCE

Scott has responsibility for the development and delivery of Audit and Assurance strategy, including sales and people plans, risk and quality, technical/knowledge sharing/best practice and business model/P&L. He is a Business Assurance Partner and was appointed to serve on the Leadership Team on 1 April 2014. Scott also serves on the Quality and Risk Management Committee.



CHRIS GROVE
HEAD OF TRANSACTION SERVICES

Chris leads the Transaction Services team, having previously worked in Business Recovery. Chris is a past Chair of BDO's International Corporate Finance Group and a past member of the firm's Partnership Council; he was appointed to the Leadership Team in October 2016. Chris also chairs the firm's U Board.

APPENDIX F

MEMBERS OF THE FIRM'S GOVERNANCE STRUCTURE AT 3 JULY 2020

LEADERSHIP TEAM

(Continued)



ANDY BUTTERWORTH

CHIEF OPERATING OFFICER AND HEAD OF TAX

Andy works alongside the Managing Partner and Finance Partner in the operational running of the firm. He also chairs our Operations Board and is responsible for PMD budgets and performance. He is also a member of our Quality and Risk Management Committee. Andy has served on the Leadership Team since October 2016.



WENDY WALTON

HEAD OF GLOBAL PRIVATE CLIENT SERVICES

Wendy is the Head of Global Private Client Services specialising in the taxation of high net worth individuals. She has been with BDO for 33 years, joining as an A level trainee in 1987. Wendy joined the Leadership Team on 1 October 2016 and has specific responsibility for our Partner Engagement Strategy and Partner Development.

APPENDIX F

MEMBERS OF THE FIRM'S GOVERNANCE STRUCTURE AT 3 JULY 2020

LEADERSHIP TEAM

(Continued)



SIMON GALLAGHER
HEAD OF ADVISORY SERVICES

Simon leads the Advisory Services Stream having joined as a result of the merger with Moore Stephens in February 2019. Before joining BDO, Simon was Managing Partner of Moore Stephens LLP. Simon has over 20 years' professional experience of insurance both within and outside the accounting profession, including the role of head of corporate accounting and control at a major insurance group. Simon also serves on the Quality and Risk Management Committee.



JON RANDALL
HEAD OF TRANSFORMATION

Jon has served on the Leadership Team since he joined BDO following the merger with Moore Stephens in February 2019. Jon led the team working on the integration of Moore Stephens and BDO. Jon is now focused on BDO's transformation agenda and leads the firm's transformation team. Jon chairs the Digital Board as well as being a member of the firm's Operations Board.

Jon was formerly the Chief Operating Officer at Moore Stephens and prior to that at RSM (Baker Tilly) where he also undertook roles as London Regional Managing Partner and National Head of Tax.

APPENDIX F

MEMBERS OF THE FIRM'S GOVERNANCE STRUCTURE AT 3 JULY 2020

INDEPENDENT NON-EXECUTIVES

Please see below for details of the INE members of the Leadership Team:



SIMON FIGGIS

INDEPENDENT NON-EXECUTIVE

Simon is a former partner of KPMG, where he was Head of Business Assurance Quality and Risk Management, overseeing quality in 19 countries across Europe and the Middle East. Simon chairs the Public Interest Committee and is a member of the QRMC.

Simon was until recently a member of the Executive Committee of the Army Board, where he chaired the Audit and Risk Committee. He is a trustee of the Marine Society and Sea Cadets. Simon is also a trustee of a multi-academy trust, Creative Education Trust, responsible for 17 schools.

Simon was appointed as an INE on 1 October 2013.



RUSSELL KING

INDEPENDENT NON-EXECUTIVE

Russell brings a broad experience in business strategy/development, human resources, government relations, and sustainable development.

His specialties include experience in mining and consumer goods.

Russell holds non-executive posts at FTSE firms, Spectris, as well as AiM-listed Hummingbird Resources where he is Non Executive Chairman. Russell is also a Fellow at Windsor Leadership.

Russell joined the firm as an INE on 1 July 2017.



JEFF RANDALL

INDEPENDENT NON-EXECUTIVE

Jeff Randall, a former business journalist, is an iNED at Fundsmith, the fund management company, and a member of CVC Rugby's advisory board. He is also a visiting fellow at Oxford University's business school and an honorary professor at Nottingham University's school of economics.

Jeff was a director of Babcock International (2014-20), where he chaired the remuneration committee for six years. Before retiring in 2014 from a 35-year career in financial journalism, Jeff was a business presenter on Sky News and editor-at-large for the Daily Telegraph.

Jeff joined the firm as an INE on 1 July 2017.

APPENDIX G

LEADERSHIP AND GOVERNANCE MEETING ATTENDANCE IN THE PERIOD 6 JULY 2019 TO 3 JULY 2020

STATUTORY AUDIT		LEADERSHIP TEAM	PARTNERSHIP COUNCIL	PUBLIC INTEREST COMMITTEE	AUDIT COMMITTEE	QUALITY AND RISK MANAGEMENT COMMITTEE
NUMBER OF MEETINGS HELD SINCE 6 JULY 2019		11	9	8	4	12 (including one "away day")
NAME	POSITION					
Paul Eagland	Managing Partner	11	9 in attendance	6 In attendance		
Andy Butterworth	Chief Operating Officer and Head of Tax	11				12
Wendy Walton	Head of Global Private Client Services	7				
Scott Knight	Head of Business Assurance	11		7 in attendance		12
Simon Gallagher	Head of Advisory	8	8 in attendance			7
Jon Randall	Head of Transformation	10		1 in attendance		2 in attendance
Gervase MacGregor	Leadership Team, Risk and Reputation	11		3 in attendance		1 in attendance
Chris Grove	Head of Transaction Services	10				
Simon Figgis	INE	7	1 in attendance	8	1 in attendance	11
Jeff Randall	INE	8	1 in attendance	8	1 in attendance	2 in attendance
Russell King	INE	8	1 in attendance	8	1 in attendance	2 in attendance
Jeff Harris	Corporate Finance Partner		6		2	

APPENDIX G

LEADERSHIP AND GOVERNANCE MEETING ATTENDANCE IN THE PERIOD 6 JULY 2019 TO 3 JULY 2020

STATUTORY AUDIT		LEADERSHIP TEAM	PARTNERSHIP COUNCIL	PUBLIC INTEREST COMMITTEE	AUDIT COMMITTEE	QUALITY AND RISK MANAGEMENT COMMITTEE
NUMBER OF MEETINGS HELD SINCE 6 JULY 2019		11	9	8	4	12 (including one "away day")
NAME	POSITION					
Matthew White	Senior Partner	8 in attendance	9	3 in attendance	4	1 in attendance
Nick Carter-Pegg	Audit Partner		9		4	
Ian Bingham	Tax Partner		9			
Iain Henderson	Audit Partner		6			
Stuart Collins	Audit Partner	3 in attendance	2		1 plus 3 in attendance	
Jo Gilbey	Tax Partner		9			
Russell Field	Audit Partner		9			
Geraint Jones	Audit Partner		9			
David Pooler	Tax Partner		9			
Julien Rye	Audit Partner		9			
Andrew Viner	Audit Partner		9			
David Isherwood	Ethics Partner	1 in attendance		7 in attendance		3 In attendance
Iain Lawson	Head of Quality and Risk Management	11 in attendance	2 in attendance	7 in attendance	3 in attendance	12
Tony Spillett	Tax Partner		2			
Nicole Kissun	Head of Technical Standards Group					11
Angela Foyle	Head of Economic Crime	6 in attendance		1 in attendance		7

1 Stuart Collins attended LT in his capacity as incoming Finance Partner.

APPENDIX G

LEADERSHIP AND GOVERNANCE MEETING ATTENDANCE IN THE PERIOD 6 JULY 2019 TO 3 JULY 2020

STATUTORY AUDIT		LEADERSHIP TEAM	PARTNERSHIP COUNCIL	PUBLIC INTEREST COMMITTEE	AUDIT COMMITTEE	QUALITY AND RISK MANAGEMENT COMMITTEE
NUMBER OF MEETINGS HELD SINCE 6 JULY 2019		11	9	8	4	12 (including one "away day")
NAME	POSITION					
Mark Sherfield	Finance Partner	6 in attendance			4 in attendance	1 in attendance
Matthew Tait	Business Restructuring Partner					6
Kaley Crossthwaite	Forensic Accounting Partner				1	
Sarah Rayment	Business Restructuring Partner		9			
Suk Aulak	Business Advisory Partner		9			
Michael Simms	Audit Partner		9			
Tim West	Audit Partner		9		4	
Yvonne Deprez	Finance Director				4 in attendance	
Pauline McGee	Partner Quality and Risk Management				3 in attendance	
Louisa Wiles	Financial Controller				2 in attendance	

- 1 The Managing Partner attends Public Interest Committee meetings by invitation. During the year, he attended six Public Interest Committee meetings.
- 2 The Senior Partner is invited to all Leadership Team meetings and sits 'in attendance'.
- 3 Due to COVID-19 Governance arrangements were altered, with effect from April 2020 INEs stopped attending Leadership Team (LT) meetings and Gervase MacGregor and Matthew White started attending PIC meetings. The INEs were therefore invited to 8 LT meetings in the period.
- 4 With effect from April 2020 meetings of the Public Interest Committee were held more frequently, initially fortnightly moving to monthly.



APPENDIX H

EU MEMBER FIRMS AS AT 15 OCTOBER 2020

COUNTRY	TERRITORY	NAME OF THE AUDIT FIRMS IN YOUR TERRITORY
AUSTRIA	Austria	BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Steiermark GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Salzburg GmbH Wirtschaftsprüfungs - und Steuerberatungsgesellschaft
	Austria	BDO Oberösterreich GmbH Wirtschaftsprüfungs - und Steuerberatungsgesellschaft
BELGIUM	Belgium	BDO Bedrijfsrevisoren - Réviseurs d'Entreprises CVBA
BULGARIA	Bulgaria	BDO Bulgaria OOD
CROATIA	Croatia	BDO Croatia D.O.O.
	Croatia	BDO ALBANIA LLC
	Croatia	BDO KOSOVO
CYPRUS	Cyprus	BDO Limited
CZECH REPUBLIC	Czech Republic	BDO Audit s.r.o
	Czech Republic	BDO Group s.r.o.
	Czech Republic	BDO Czech Republic s.r.o.
DENMARK	Denmark	BDO Statsautoriseret revisionsaktieselskab
	Denmark	BDO Holding V, Statsautoriseret Revisionsaktieselskab
ESTONIA	Estonia	BDO Eesti AS
FINLAND	Finland	BDO Oy
	Finland	BDO Audiator Oy
	Finland	Finnpartners BDO Oy
FRANCE	France	BDO France
	France	BDO IDF
	France	BDO RHONE-ALPES
	France	BDO 2AS
	France	BDO LES HERBIERS
	France	BDO FONTENAY LE COMTE
	France	BDO ST GILLES CROIX DE VIE
	France	BDO NANTES
	France	BDO ARRAOU
	France	VINCENT RUSE CONSEIL
	France	BDO LES ULIS
	France	FIDENT AUDIT
	France	3APEXCO
	France	3A CORPORATE
	France	BDO Paris Audit & Advisory
France	BDO Méditerranée	

COUNTRY	TERRITORY	NAME OF THE AUDIT FIRMS IN YOUR TERRITORY
GERMANY	Germany	BDO AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Oldenburg GmbH & Co KG Wirtschaftsprüfungsgesellschaft
	Germany	BDO DPI AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Dr. Daiber Audit GmbH Wirtschaftsprüfungsgesellschaft
GIBRALTAR	Gibraltar	BDO Limited
GREECE	Greece	BDO CERTIFIED PUBLIC ACCOUNTANTS S.A.
HUNGARY	Hungary	BDO Hungary Audit Ltd
ICELAND	Iceland	BDO ehf.
IRELAND	Ireland	BDO
ITALY	Italy	BDO Italia S.p.A.
LATVIA	Latvia	SIA BDO ASSURANCE
LIECHTENSTEIN	Liechtenstein	BDO (Liechtenstein) AG
LITHUANIA	Lithuania	BDO Auditas ir Apskaita, UAB
LUXEMBOURG	Luxembourg	BDO Audit
MALTA	Malta	BDO Malta CPAs
NETHERLANDS	Netherlands	BDO Audit & Assurance B.V.
NORWAY	Norway	BDO AS
POLAND	Poland	BDO Spółka z ograniczoną odpowiedzialnością Sp. K.
	Poland	BDO Legal Latala i Wspólnicy Sp.K.
PORTUGAL	Portugal	BDO & Associados, SROC, Lda
ROMANIA	Romania	BDO Audit SRL
	Romania	BDO Auditors & Accountants SRL
	Romania	BDO Auditors and Business Advisors SRL
SLOVAK REPUBLIC	Slovak Republic	BDO Audit, spol. s r.o.
SLOVENIA	Slovenia	BDO Revizija d.o.o.
SPAIN	Spain	BDO Auditores, S.L.P.
	Spain	BDO Audiberia Abogados y Asesores Tributarios, S.L.P.
SWEDEN	Sweden	BDO AB
	Sweden	BDO Göteborg AB
	Sweden	BDO Göteborg Intressenter AB
	Sweden	BDO Göteborg KB
	Sweden	BDO Mälardalen AB
	Sweden	BDO Mälardalen Intressenter AB
	Sweden	BDO Norr AB
	Sweden	BDO Norr Intressenter AB
	Sweden	BDO Stockholm AB
	Sweden	BDO Sweden AB
	Sweden	BDO Syd AB
	Sweden	BDO Syd Intressenter AB
	Sweden	BDO Syd KB
	SWITZERLAND	Switzerland
UNITED KINGDOM	United Kingdom of Great Britain and Northern Ireland	BDO LLP
	Northern Ireland	BDO Northern Ireland

APPENDIX I

PUBLIC INTEREST AUDIT CLIENTS

A list of public interest entities as at 3 July 2020 is set out below. For the purposes of this transparency report, public interest entities are defined by The Statutory Auditors and Third Country Auditors Regulations 2016 as:

- a) an issuer whose transferable securities are admitted to trading on a regulated market,
- b) a credit institution within the meaning given by Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council (f), other than one listed in Article 2 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and investment firms(g), or
- c) an insurance undertaking within the meaning given by Article 2(1) of Council Directive 1991/674/EEC of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings.



A2D FUNDING II PLC	BISICHI MINING PLC
A2D FUNDING PLC	BRAEMAR SHIPPING SERVICES PLC
A2DOMINION HOUSING GROUP LIMITED	BRITISH FRIENDLY SOCIETY LIMITED
ALBION DEVELOPMENT VCT PLC	BRITISH SMALLER COMPANIES VCT 2 PLC
ALBION ENTERPRISE VCT PLC	BRITISH SMALLER COMPANIES VCT PLC
ALBION TECHNOLOGY & GENERAL VCT PLC	CADOGAN PETROLEUM PLC
ALBION VENTURE CAPITAL TRUST PLC	CAFFYNS PLC
ALTYN PLC	CALCULUS VCT PLC
AMATI VCT 2 PLC	CATALYST HOUSING LIMITED
AMEY ROADS NI FINANCIAL PLC	CHRYSALIS VCT PLC
AMINEX PLC	CIRENCESTER FRIENDLY SOCIETY LIMITED
ANGLO EASTERN PLANTATION PLC	CLEARBANK LIMITED
ANGLO LONDON LIMITED	CONNECT GROUP PLC
ASTUTE CAPITAL PLC	CQS NATURAL RESOURCES GROWTH AND INCOME PLC
AUGMENTUM FINTECH PLC	CREIGHTONS PLC
AVI JAPAN OPPORTUNITY TRUST PLC	CROWN PLACE VCT PLC
AXIS BANK UK LTD	DEBUSSY DTC PLC
BAILLIE GIFFORD EUROPEAN GROWTH TRUST PLC	DENTISTS' PROVIDENT SOCIETY LIMITED
BAR MUTUAL INDEMNITY FUND LIMITED	DOWNING FOUR VCT PLC
BARING EMERGING EUROPE PLC	DOWNING ONE VCT PLC
BEAUFORT INSURANCE COMPANY LIMITED	DOWNING STRATEGIC MICRO-CAP INVESTMENT TRUST PLC
BHSF GROUP LIMITED	DOWNING THREE VCT PLC
BIOTECH GROWTH TRUST PLC	DOWNING TWO VCT PLC

APPENDIX I

PUBLIC INTEREST AUDIT CLIENTS

DRAPER ESPRIT VCT PLC	INTEGRAFIN HOLDINGS PLC	MITIE GROUP PLC	RELIANCE BANK LIMITED
EARL SHILTON BUILDING SOCIETY	INTERNATIONAL GENERAL INSURANCE COMPANY (UK) LIMITED	MOAT HOMES LIMITED	RESIDENTIAL SECURE INCOME PLC
EMPIRIC STUDENT PROPERTY PLC	INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED	MOBEUS INCOME & GROWTH 2 VCT PLC	RICHMOND HOUSING PARTNERSHIP
ENDEAVOUR SCH PLC	JKX OIL & GAS PLC	MOBEUS INCOME & GROWTH 4 VCT PLC	RIVER AND MERCANTILE GROUP PLC
FHW DALMORE (SALFORD PENDLETON HOUSING) PLC	JUTURNA (EUROPEAN LOAN CONDUIT NO.16) PLC	MOBEUS INCOME & GROWTH VCT PLC	ROBERT WALTERS PLC
FUTURES HOUSING GROUP	KEELE RESIDENTIAL FUNDING PLC	MUSTANG ENERGY PLC	S4B (HOLDINGS) LIMITED
GAMESYS GROUP PLC	KINGS ARMS YARD VCT PLC	NATS HOLDINGS LIMITED	SAFFRON BUILDING SOCIETY
GREENCOAT UK WIND PLC	LAW DEBENTURE FINANCE P.L.C.	NMCN PLC	SHEPHERDS FRIENDLY SOCIETY LIMITED
GRESHAM HOUSE ENERGY STORAGE FUND PLC	LENDINVEST LIMITED	NOTTING HILL GENESIS	SOLGOLD PLC
GRESHAM HOUSE RENEWABLE ENERGY VCT 1 PLC	LIFE SETTLEMENT ASSETS PLC	NRG VICTORY REINSURANCE LIMITED	SOVEREIGN HEALTH CARE
GRESHAM HOUSE RENEWABLE ENERGY VCT 2 PLC	LMS CAPITAL PLC	OCTOPUS AIM VCT 2 PLC	SPORTECH PLC
GRESHAM TECHNOLOGIES PLC	LONDON STEAM-SHIP OWNERS' MUTUAL INSURANCE ASSOCIATION	OCTOPUS AIM VCT PLC	STANDARD LIFE PRIVATE EQUITY TRUST PLC
HARGREAVE HALE AIM VCT 1 PLC	LXI REIT PLC	OCTOPUS APOLLO VCT PLC	STARR INTERNATIONAL (EUROPE) LIMITED
HASTOE HOUSING ASSOCIATION LTD	MANAGEMENT CONSULTING GROUP PLC	OCTOPUS TITAN VCT PLC	STONEWATER LTD
HEALTH SHIELD FRIENDLY SOCIETY	MARKET HARBOROUGH BUILDING SOCIETY	OPTIVO	SUECIA RE & MARINE INSURANCE COMPANY LIMITED
HENDERSON OPPORTUNITIES TRUST PLC	MCCOLL'S RETAIL GROUP PLC	PACIFIC HORIZON INVESTMENT TRUST PLC	SUPERMARKET INCOME REIT PLC
HOUSING & CARE 21	MELTON MOWBRAY BUILDING SOCIETY	PACIFIC QUAY FINANCE PLC	SUSTAINABLE COMMUNITIES FOR LEEDS LIMITED
HSS HIRE GROUP PLC	MERIDIAN HOSPITAL COMPANY PLC	PALACE CAPITAL PLC	SWISS RE SPECIALTY INSURANCE (UK) LIMITED
IMPACT HEALTHCARE REIT PLC	METROPOLITAN FUNDING PLC	PETERBOROUGH (PROGRESS HEALTH) PLC	THE ANCIENT ORDER OF FORESTERS FRIENDLY SOCIETY
IMPAX ENVIRONMENTAL MARKETS PLC	METROPOLITAN THAMES VALLEY	PHILIPPINE NATIONAL BANK (EUROPE) PLC	THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION LIMITED
INDEPENDENT OIL AND GAS		PROVEN GROWTH AND INCOME VCT PLC	
INLAND ZDP PLC		PROVEN VCT PLC	
		RADIAN GROUP LIMITED	

APPENDIX I

PUBLIC INTEREST AUDIT CLIENTS

THE BRITISH AVIATION INSURANCE COMPANY LIMITED	TRIPLE POINT INCOME VCT PLC
THE DENTISTS' & GENERAL MUTUAL BENEFIT SOCIETY LIMITED	TRIPLE POINT SOCIAL HOUSING REIT PLC
THE INCOME & GROWTH VCT PLC	TRIPLE POINT VCT 2011 PLC
THE LAW DEBENTURE CORPORATION PLC	TRITAX BIG BOX REIT PLC
THE MERCHANTS TRUST PLC	ULIVING@ESSEX HOLDCO LIMITED
THE SALVATION ARMY INTERNATIONAL TRUST	ULIVING@ESSEX2 HOLDCO LIMITED
THE SCOTTISH LION INSURANCE COMPANY LIMITED	ULIVING@GLOUCESTERSHIRE HOLDCO LIMITED
THE STANDARD CLUB UK LIMITED	UNICORN AIM VCT PLC
THE UK MUTUAL STEAM SHIP ASSURANCE ASSOCIATION (EUROPE) LTD	UNION BANK UK PLC
THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED	UNITED KINGDOM FREIGHT, DEMURRAGE & DEFENCE ASSOCIATION
TIPTON & COSELEY BUILDING SOCIETY	UP GLOBAL SOURCING HOLDINGS PLC
TOC PROPERTY BACKED LENDING TRUST PLC	URBAN&CIVIC PLC
TOGETHER HOUSING GROUP LIMITED	VENTUS 2 VCT PLC
TOWN & COUNTRY HOUSING GROUP	VENTUS VCT PLC
TOWN CENTRE SECURITIES PLC	WALKER CRIPS GROUP PLC
TRANSPORT FRIENDLY SOCIETY LIMITED	WESTFIELD CONTRIBUTORY HEALTH SCHEME LIMITED
TRIAD GROUP PLC	WHITE CITY PROPERTY FINANCE PLC
	WREN INSURANCE ASSOCIATION LIMITED (THE)
	XPS PENSIONS GROUP PLC
	YARLINGTON TREASURY SERVICES PLC

Major Local Public Audits for which BDO was appointed Statutory Auditor for the year 2019/20

CITY OF LONDON	NHS BRENT CLINICAL COMMISSIONING GROUP
ESSEX COUNTY COUNCIL	NHS EALING CLINICAL COMMISSIONING GROUP
LONDON BOROUGH OF BARKING AND DAGENHAM	NHS EAST AND NORTH HERTFORDSHIRE CLINICAL COMMISSIONING GROUP
LONDON BOROUGH OF BARNET	NHS HERTS VALLEYS CLINICAL COMMISSIONING GROUP
LONDON BOROUGH OF ENFIELD	
LONDON BOROUGH OF HARINGEY	



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