

# Transparency Report 2023

**BDO AUDIT**

January 2024

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# Introduction

## WELCOME TO BDO AUDIT'S TRANSPARENCY REPORT 2023

As we reflect on the past year, it is inspiring to see that our people have demonstrated great resilience by adapting to new ways of working whilst continuing to strive to deliver consistently high quality work.

Our business has faced unprecedented challenges, some of the same as our people and our clients: higher energy costs and wider inflation coupled with increased interest rates.

Despite these challenges, the Luxembourg economy continues to grow, and that growth is reflected in the performance of our clients, but also in the results of our business.

### Audit Quality

Quality is a strategic priority for our firm and for BDO Global. It is at the heart of everything we do and is our number one focus to remove redundancy. For audit, it is the bedrock for creating the trust and transparency that is demanded by our stakeholders. It is how we serve the public interest. As an audit firm, we are subject to regular inspections by BDO Global, the Commission de Surveillance du Secteur Financier (hereafter: 'CSSF') and the Institut des Réviseurs d'Entreprises (hereafter: 'IRE').

During the financial year, a significant focus was placed on enhancing the internal system of quality management in line with the requirements of the International Standard on Quality Management (hereafter: 'ISQM 1'), which came into effect on 15 December 2022. This endeavour aimed to ensure that the Firm followed a consistent and systematic approach, allowing for the development and implementation of firm-specific responses while maintaining overall consistency within the network.

Furthermore, our internal review process of completed audit engagements continued to highlight the positive impact on audit quality of the hard work and commitment of our engagement teams. The results of these internal reviews aligned closely with the Firm's policies and procedures. Looking ahead, the Firm anticipates a review by BDO Global in 2024 to further assess and validate its adherence to the established network standards and processes.



## People

While the demand for audit services is increasing, the key challenge for audit firms is the availability of appropriate resources both from a retention and attraction perspective. We have and continue to increase recruitment levels and investment in people at all levels. Growing our people is key to our purpose at BDO, and ensures that we deliver the audit quality expected by our clients and stakeholders. We are committed to ongoing investment in our training and processes.

We never forget the vital role that independent, high-quality audit plays in the capital markets, and the communities of which we belong to.

The past year has been one of achievement and success for our people, our clients and our business in challenging circumstances. A big thank you to all our stakeholders for your contribution.

BDO Audit

Cabinet de revision agréé represented by:



**Daniel Croisé**

Managing Partner

A stylized blue ink signature of Daniel Croisé.



**Christoph Schmitt**

Head of Audit

A stylized blue ink signature of Christoph Schmitt.







# About us - BDO Audit

## LEGAL STRUCTURE & OWNERSHIP

BDO Audit S.A. (hereafter: 'the Firm' or 'BDO' or 'BDO Audit') is a joint stock company under Luxembourg law ("S.A.") and is registered with the Luxembourg Trade and Companies register under number B 147.570. The share capital amounts to € 1.000.000.

BDO Audit is an approved audit firm (cabinet de révision agréé) under the supervision of the CSSF.

As of 30 September 2023 the majority of the shares with voting rights are held by shareholders ("Partners") who are authorised statutory auditors ("réviseur d'entreprises agréé") whereas the non-voting shares are held by the Luxembourg private limited company ("société à responsabilité limitée") Compagnie Fiduciaire Group registered with the Luxembourg Trade and Companies register under number B 142.417 (hereafter: 'BDO in Luxembourg').

## GOVERNANCE

BDO Audit is part of BDO in Luxembourg which refers to the group of operational subsidiaries owned by BDO in Luxembourg. BDO in Luxembourg is exclusively owned by shareholders who are individuals.

BDO Audit is governed by a Board of Directors having the overall responsibility for the business. The majority of the members of the Board are approved statutory auditors („réviseur d'entreprises agréé“).

The Managing Partner and several members of the Executive Committee of BDO in Luxembourg are also members of the Board of Directors of BDO Audit.

The operational management of the Firm lies with Partners of BDO Audit, all of them being approved statutory auditors. The Partners of BDO Audit meet on a weekly basis and more frequently if required. With regard to a more efficient governance the operational responsibilities are assigned to individual Partners.





# BDO Network

## BDO IN LUXEMBOURG

BDO Audit is a Member Firm of BDO International Limited. It is the only Member Firm of BDO International which operates in Luxembourg as an approved audit firm.





**Revenue**  
€13 billion



**Headcount**  
115.661



**Locations**  
166 countries &  
territories



**Offices**  
1.776

## DESCRIPTION OF THE NETWORK

The BDO network 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 (hereafter: 'BDO Member Firms'). BDO is the brand name for the BDO network and all BDO Member Firms.

A list of all EU/EEA countries in which BDO Member Firms are qualified as statutory auditor and their registered office is shown in appendix 3 to this report.

## LEGAL & STRUCTURAL ARRANGEMENTS IN THE NETWORK

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.

### Governance of the network

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

### Global Board

The Global Board, which is the Board of Directors of BDO International Limited, comprises the Managing Partners of at least the three largest firms of the EMEA region, the two largest firms of the Americas region and the two largest firms of the Asia Pacific region, whose appointment (each for a three-year term) is approved by the Council. The Global Board sets policies and priorities for the global organisation and oversees the work of the Executive. The Global Board meets at least four times a year.

### Council

The Council comprises one representative from each voting BDO Member Firm – generally the Managing Partner – and represents the members of BDO International Limited in general meeting. The Council approves BDO's global budget, appoints the Global Board and approves any changes to the Articles of Association and the Regulations of BDO International Limited.



### The Executive

The Executive comprises the Chief Executive Officer (hereafter: 'CEO'), who is appointed by the Global Board, and the members of the Global Leadership Team (hereafter: 'GLT'), who are appointed by the CEO. The CEO's powers and responsibilities are set out in the Regulations and as further determined by the Global Board.

The CEO is tasked with the day-to-day management of the affairs of BDO globally, as well as the development and implementation of the global strategy for the organisation. He recommends quality standards, policies and strategies to the Global Board. The CEO also acts as spokesperson for BDO at international forums and organisations and represents the global organisation in discussions with international regulatory bodies.

The members of the GLT are appointed by the CEO, who allocates and delegates responsibilities to them as he deems appropriate. The GLT comprises the regional CEO's, the Global Heads of service lines and of support services, as well as the Global Head of Risk, Quality & Governance and Secretary of BDO International Limited. All the members of the GLT are dedicated full-time to their role within BDO International Limited.

The coordination of the service provision within BDO is done by the Global Office, which includes the following departments:

- Advisory
- Audit & Assurance
- Business development
- Communications
- Finance & Accounting
- IT
- Legal & Privacy
- People & Culture
- Regulatory & Public Policy
- Risk & Compliance
- Sustainability
- Tax

To facilitate the communication and coordination of actions and the sharing of best practice, BDO is divided into three regions: EMEA (Europe, Middle East and Africa), Asia Pacific and Americas (Latin America, North America and Caribbean), each supported by a regional board.

Each region has its own regional CEO, who chairs the respective Regional Board and provides support and guidance regarding the strategic initiatives of firms in the region.

Within BDO there are a number of global committees, composed of professionals from our firms, who report to the respective member of the GLT and the CEO. These committees, which act in an advisory capacity for the benefit of our firms, are further supported by a number of sub-committees, task forces and working groups. The International Risk Management Committee and the Audit Steering Committee are key to our risk and quality management.



# System of quality management

ISQM 1 became effective 15 December 2022 and required all firms performing audits or reviews of financial statements, or other assurance or related services engagements, to have designed and implemented a System of Quality Management (hereafter: 'SoQM'). The overall objective of the Firm's SoQM is to provide the Firm with reasonable assurance that:

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

ISQM 1 requires the Firm to apply a risk-based approach in designing, implementing and operating the components of its SoQM in an interconnected and coordinated manner such that the Firm proactively manages the quality of engagements performed. The risk-based approach is embedded in the requirements of ISQM 1 through:

- establishing quality objectives for each component of the SoQM
- identifying and assessing risks to the achievement of the quality objectives
- designing and implementing responses to address the quality risks

The Firm's SoQM addresses the following eight components of ISQM 1:

1. risk assessment process
2. governance and leadership
3. relevant ethical requirements
4. acceptance and continuance of client relationships and specific engagements
5. engagement performance
6. resources
7. information and communication
8. monitoring and remediation process

ISQM 1 also requires evaluating, at least annually, the SoQM.

## 1. RISK ASSESSMENT PROCESS

In order to drive consistency while providing BDO Member Firms with an approach that is scalable and adaptable based on the fact and circumstances of each Member Firm, BDO Global developed a set of quality objectives, of quality risks to the achievement of the quality objectives and of responses to address the quality risks that each Member Firm was required to establish.

In addition, BDO Audit considered the nature and circumstances of the Firm, of its engagements, of its systems, processes, policies and procedures in order to establish additional quality objectives, quality risks and responses.

## 2. GOVERNANCE & LEADERSHIP

A SoQM is dependent upon a sound organisational structure that clearly defines the responsibilities of the various levels of management.

The following key responsibilities have been assigned for the Firm's SoQM:

- the Firm's Board of Directors is ultimately responsible for the Firm's SoQM. The majority of the Directors of the Board are approved statutory auditors („réviseur d'entreprises agréé"). The Managing Partner and several members of the Executive Committee of BDO in Luxembourg are also members of the Board of Directors. The Board:
  - decides on all key matters regarding the Firm (including approval of new policies and changes in existing policies)
  - directly reports to the Management Board (Conseil de Gérance) of the parent company of the Firm in Luxembourg
- the Firm's Head of Audit & Assurance Quality Management (hereafter: 'HAAQM') has the operational responsibility. The HAAQM is a statutory auditor ("réviseur d'entreprises agréé")
- The Ethics and Independence Leader (hereafter: 'EIL') of BDO in Luxembourg has the operational responsibility for the Firm's compliance with ethical and independence requirements. The EIL is a statutory auditor ("réviseur d'entreprises agréé")
- the Firm's Head of Monitoring and Remediation



(hereafter: 'HMR') has the operational responsibility for the Firm's monitoring and remediation process. The HMR is a statutory auditor ("réviseur d'entreprises agréé")

In addition, all audit partners of the Firm, who are all approved statutory auditors, participate in the operational management of the Firm through periodic meetings (Audit Partner Committee; (hereafter: 'APC')), each week and more frequently when required where SoQM matters are discussed (e.g.: design, implementation and operation of the Firm's procedures in relation with the SoQM).

The responsibility for the design and implementation of the risk management process lies with the Risk Management Committee. The Risk Management Committee meets regularly and is composed of the Managing Partner, the Risk Management Partners, the HAAQM and of other partners with specific internal responsibilities. The Committee is in particular responsible to ensure that quality, objectivity and independence of client service is maintained through well managed client and engagement acceptance procedures, that guidance is updated regularly and published on the conduct of professional services and that rigorous processes are in place to identify and resolve conflicts of interest.

### 3. RELEVANT ETHICAL REQUIREMENTS

BDO Audit and its personnel understand, comply with and fulfil their responsibilities for relevant ethical requirements including, as a minimum, those set out in the Code of Ethics issued by the International Ethics Standards Board for Accountants


(hereafter: 'IESBA') in its version published in the Handbook of the International Code of Ethics for Professional Accountants – 2021 Edition (hereafter: 'IESBA Code') by the International Federation of Accountants (hereafter: 'IFAC') and the Luxembourg supplement thereon issued by the CSSF.

The EIL of BDO in Luxembourg is primary responsible for:

- maintenance of the ethics and independence policies
- identifying required policy changes as they relate to ethics and independence
- providing guidance and consultation on ethics- and independence related matters to partners and professionals (for example conflict of interest)
- maintenance of a client listing of all public interest entities (for independence purposes)
- monitoring compliance with policy and procedures on all ethics and independence matters for BDO in Luxembourg
- reporting instances of non-compliance with policies and procedures of BDO in Luxembourg to the APC
- coordinating ethics and independence related trainings with the partner in charge of training and/or the Human Resources function

The IESBA Code, the Luxembourg supplement issued by the CSSF as well as further guidance (notably the BDO Risk Management Manual and BDO Ethics & Independence Manual) are available to all





professionals on myBDO (BDO in Luxembourg's knowledge management tool).

Annual declarations are made by all partners and professionals to confirm their compliance with relevant ethical requirements.

#### **4. ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS**

Robust client and engagement acceptance procedures play a pivotal role in the Firm's ability to deliver a professional and qualitative service.

Prior to the acceptance of any new client and consideration of continuance with that client, certain procedures to assess the risks associated with that client must be carried out.

**These will include:**

- consideration of the client's business including its geographical spread and the industry it operates in
- evaluation of information concerning the client, its management and its owners including obtaining evidence of the identity of the beneficial owners and officers of the business
- compliance with anti-money laundering regulations
- considering information regarding the character and reputation of the prospective client and key personnel
- 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 the appointment should not be accepted

- assessment of our ability to serve the prospective client
- reviewing filings of the company, including prior year financial statements

The acceptance and continuation of all clients requires an approval process that is appropriate to the perceived risk. Acceptance and continuance of client relationships is confirmed by the acceptance committee (three audit partners, including the Risk Partner, and the Compliance Manager). "High risk" clients require an additional validation by the Firm's Risk Partner.

#### **5. ENGAGEMENT PERFORMANCE**

##### **Common methodology**

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

APT Next Gen, BDO International's in-house state of the art audit software, remains the single largest global project of its kind and it evolves with regular new releases and improvements.



By designing APT Next Gen to take advantage of recent technological advances, we will be able to:

- safeguard the structural integrity of the tool for the future
- provide us with a fully-integrated 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 our clients' business to deliver information for in-depth interpretation. These include 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 will improve our awareness, provide valuable insights and deliver improvements to audit quality. Journal Analyser is 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.

#### **Supervision & review**

We require all professional work to be supervised by professionals who have appropriate knowledge and experience. It is the responsibility of the relevant partner to ensure that related risks are identified and that decisions are taken by those with an appropriate level of authority. The relevant partner must also ensure that professional work is carried out with appropriate professional skepticism and that it meets the Firm's 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, where necessary, been reviewed and that the objective of all planned work has been achieved
- the work performed and evidence obtained support 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 review is performed for audits of public interest entities, listed entities and other high risk engagements. The engagement quality reviewer (hereafter: 'EQR') will be familiar with the auditing and reporting practices used during the engagement, and is knowledgeable and familiar with the client's industry, but is not part of the audit engagement team. The EQR will be an experienced audit partner and not likely to be unduly influenced by the views of a particular engagement partner. The EQR will not be actively involved in making ongoing decisions relating to the engagement and will not be involved in performing the engagement. EQRs

are selected from a list of approved reviewers and appointed by the Acceptance Committee of the Firm.

**Consultation**

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

**6. RESOURCES**

**6.1 HUMAN RESOURCES**

Human resources are a critical factor in our ability to provide professional services. In order to ensure that the Firm has sufficient personnel with the capabilities, competence, and ethical standards necessary to provide quality audits in accordance with professional and legal requirements we have established clear policies and procedures addressing the following areas:

- recruitment
- performance evaluation
- capabilities and competence
- career development, promotion and compensation
- forecasting of personnel requirements

The Partners in their meetings regularly review these policies and procedures to ensure that they are appropriate and are operating effectively.

**Recruitment**

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

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

**Continuous performance appraisal and engagement surveys**

All our professionals 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 includes a review of each individual's contribution to the quality of service(s) provided by our firm.

Appraisals are completed 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.



### Capabilities & Competence

Policies and procedures for assigning personnel to engagements are designed to provide a 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 mainly obtained by personal knowledge. 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 professionals have the necessary technical knowledge and other skills appropriate to the size, complexity and nature of the planned work.

### Career development, promotion and compensation

Staff grades at BDO are those of an assistant, senior, assistant manager, manager, senior manager and director. Employees are promoted only when they are deemed to have acquired the necessary knowledge, skills and experience to be prepared for the increased responsibilities. The decision for promotion is based on the result of the annual appraisal process.

Compliance with the policies and professional standards of BDO in Luxembourg are key criteria in the appraisal. Lack of compliance is addressed through additional training, non-promotion or, in case of serious and/or repeated instances of non-compliance, through dismissal.

In order to be considered for admission to partnership, a candidate's integrity, honesty and

character must be irreproachable. While attributes of individual applicants may differ because of technical specialisation and years of experience, there are three basic attributes that all candidates must possess:

- technical competence in a chosen field of expertise
- self-esteem, and pride in BDO in Luxembourg and the profession
- professional attitude

### Development plan & training policy


Our learning and development strategy ensures the Firm's ability to remain competitive and to motivate our professionals. It includes both the technical expertise and skills to meet the needs of the higher demands of the market; that is business advisers, 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.

### Forecasting of personnel requirements

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

## 6.2 TECHNOLOGICAL RESOURCES

BDO Audit ensures oversight for all organisational



decisions, technological, processes, suppliers matters with a focus over confidentiality, integrity, availability, cyber resilience and privacy.

BDO in Luxembourg obtained the ISO 27001 certification in March 2023, which reflects the adoption of a wide range of controls surrounding technological resources.

### 6.3 INTELLECTUAL RESOURCES

In order to operate its SoQM and promote consistency in the performance of engagements, BDO Audit and the BDO network have developed a number of written policies and procedures, methodologies, industry/subject matter specific guidance and tools.

Such intellectual resources, available to all Firm employees on myBDO, include the following topics:

- methodology and quality matters: BDO Audit Manual / BDO Audit SoQM Manual
- trainings / guidance / templates for assurance engagement letters, representation letters and reports, etc.
- ethics and Independence: BDO Ethics & Independence Manual, the IESBA Code of Ethics
- applicable professional standards and additional guidance
- Risk Management: BDO Risk Management Manual, BDO Third Party Risk Management Policy, client and engagement acceptance and continuance, Anti Money Laundering Policy
- industry specific documentation: banks, commercial companies, insurance and

reinsurance companies, investment funds, private equity, real estate, professionals of the financial sector, securitisation vehicles, non-profit organisations etc.

### 6.4 SERVICE PROVIDERS

In order to perform appropriate assessments to evaluate and approve the external service providers used by the Firm in the performance of engagements or the operation of its SoQM, BDO in Luxembourg has designed and implemented the Third-Party Risk Management & Outsourcing Policy, a framework for ongoing operationalised risk management for critical third-party service providers.

## 7. INFORMATION & COMMUNICATION

The information and communication component is a new ISQM 1 component to obtain, generate, use or communicate information to support the design, the implementation and the operation of the SoQM.

The objectives are to ensure an efficient two-way-communication between the Firm and:

- its employees
- the BDO Member Firms
- external parties (clients, service providers, etc...)

An effective two-way communication is essential to the operation of a SoQM. BDO Global and BDO Audit have set requirements to effectively communicate internally and externally on the SoQM.



## 8. MONITORING & REMEDIATION PROCESS

The monitoring and remediation process is the key element for BDO Audit to monitor its SoQM. The objectives of monitoring and remediation process are:

- to provide the Firm with reliable and timely information about the design, the implementation and the operation of its SoQM
- to timely identify deficiencies
- take appropriate corrective actions if a deficiency is identified

Information gathered through the monitoring and remediation process is evaluated to conclude on the effectiveness of the Firm's SoQM.

BDO Audit monitoring activities include:

- internal inspections
- external inspections
- test of responses designed, implemented and operated in order to address the identified quality risks
- Audit Quality Indicators
- other monitoring activities such as:
  - quality criticism made by external regulators relevant to the SoQM
  - complaints and allegations reported to the Firm



### Internal inspections by BDO Audit

The inspection of completed engagements is one of the monitoring activities conducted each year by the Firm ("Engagement Inspection Programme"). The inspection programme is focused on the quality of engagements and assists the Firm in monitoring, among other things, whether engagement partners have complied with the Firm's policies, procedures and standards in order to issue an adequate opinion that is appropriately documented.

The inspection programme consists in reviewing, on a sample basis, the working papers and reports of selected assurance engagements. The sample is selected to ensure that at least one audit carried out by each audit partner is selected on a cyclical basis every three years.

Each inspection team is headed by an experienced Luxembourg audit partner. Where necessary for a specialised industry, appropriate internal specialists are involved in the inspection.

To ensure independence and objectivity, "cross-reviews" between two partners are not allowed.

Instructions are issued to the reviewer in advance of the inspection, setting out the objectives of the process, a checklist, appropriate guidance and reporting templates.

A conclusion is drawn on each engagement inspected as to whether the work was acceptable or required improvement.

At the conclusion of the annual engagement inspection programme, the findings and statistics are presented and discussed with the Head of Audit and the APC.

The HMR is responsible for monitoring and

documenting the implementation of, and compliance with, any required corrective actions.

### Quality Monitoring Programme by BDO Global

BDO Global also periodically (at least every three years) conducts inspection of the Firm's completed assurance engagements and a review of quality control policies and procedures of the Firm in order to assess the quality of the functional areas of the audit business line and test the effectiveness in practice. The actual frequency and extent of the inspection depends on the results of previous inspections, feedback on the Firm and/or a risk assessment of the Firm by BDO Global.

The inspections are conducted by a team of dedicated reviewers comprising active or recently retired experienced partners or directors of BDO Member Firms. Where required the dedicated reviewers are assisted by partners and directors/senior managers of other BDO Member Firms. The last inspection completed by BDO Global was conducted in December 2021.

### External inspections by the CSSF

BDO Audit, as a Luxembourg approved audit firm ("cabinet de revision agréé") is also subject to periodic inspections conducted by the Luxembourg audit regulator, the CSSF. The CSSF inspections include both a review of completed statutory audit engagements and a review of the Firm's compliance with quality professional standards (ISQM 1 and previously ISQC 1).

The last inspection completed by the CSSF was conducted in the first and second quarter of 2022.

### Test of responses

In order to address its quality risks not to meet its quality objectives, BDO Audit designed, implemented and operated, in accordance with the instructions received from BDO Global, a number of responses and determined whether additional responses needed to be established.

The objectives of the testing include determining whether the responses:

- were designed, implemented and operated as expected
- were operated on a timely basis
- resulted in a timely resolution of any matters identified
- were based on reliable information

The testing of the responses was conducted during the third quarter of 2023 by a team of professionals who are not involved in the operation of the tested response.

### Audit Quality Indicators

As part of the BDO network's commitment to quality, a set of ten Audit Quality Indicators (**hereafter: 'AQIs'**) has been developed to:

- support the Firm's proactive management of quality
- deepen the discussion on audit quality between auditors and clients
- facilitate local/global discussions on audit quality between audit regulators and the audit profession



Analysing AQIs is a critical action in proactively managing quality at the Firm level through setting benchmarks, following trends, and creating real-time monitoring of the effectiveness of policies and procedures put in place to support quality objectives.

The AQIs are monitored by the Firm's HMR.

### Complaints & allegations

BDO in Luxembourg recognises the authority of the Head of Audit or the Audit Risk Management Partner to handle all matters concerning complaints and allegations that the work performed by the Firm fails to comply with professional standards and applicable legal and regulatory requirements, and allegations of non-compliance with the Firm's quality control system.

BDO in Luxembourg maintains a defined policy with accompanying procedures that details the process to be followed in a complaint or if allegation arises. The investigation of such matters will be assigned to the Head of Audit or the Audit Risk Management Partner in case of complaints or allegations raised against BDO Audit.

The process provides that all partners and professionals are free to raise concerns without fear of reprisal.

If the investigation reveals deficiencies in the design or operation of the Firm's quality control policies and procedures or non-compliance with the Firm's system of quality control by one or more individuals, the Firm shall take appropriate action including one or

more of the following:

- take appropriate remedial action in relation to the individual engagement or member(s) of personnel
- communicate the findings to the APC
- amend the quality control policies and procedures
- take disciplinary action

### Issues, findings & deficiencies

In the context of its monitoring activities (internal and external inspections, AQIs, test of responses, complaints and allegations) and other relevant sources (e.g.: results of internal audit reviews relevant to the SoQM), the Firm gathers and identifies issues. Such issues are accumulated to determine if they are findings, which individually or in combination with other findings, give rise to a system deficiency that needs to be subject to a Root Cause Analysis (**hereafter: 'RCA'**) in order to design and implement relevant remedial actions.

### EFFECTIVENESS OF THE SoQM FOR THE PERIOD

The Board of Directors is required to evaluate the SoQM on an annual basis and to conclude on its effectiveness. The evaluation is based on whether the SoQM of BDO Audit provides reasonable assurance that:

- the Firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory





requirements, and conduct engagements in accordance with such standards and requirements

- engagement reports issued by the Firm or engagement partners are appropriate in the circumstances

The evaluation of the effectiveness of the SoQM utilises information gathered from monitoring activities conducted over a period.

Professional judgement is used in evaluating the results of the monitoring activities, including in determining whether issues and findings, individually or in combination with other issues and findings, give rise to a deficiency of the SoQM that needs to be remediated.

### **BOARD OF DIRECTORS ANNUAL EVALUATION CONCLUSION**

On the basis of the results of the monitoring activities, the annual evaluation conclusion of the Board of Directors of BDO Audit is that the SoQM of BDO Audit provides reasonable assurance that the objectives of the SoQM of BDO Audit S.A. are being achieved for the period from 15 December 2022 to 15 November 2023.



# Independence, ethics & additional disclosures

Our independence and objectivity on assurance clients is achieved through policies and procedures designed to ensure compliance with the independence standards of the IFAC and the respective national regulatory organisations (i.e. the CSSF). The relevant ethics and independence rules for each member firm are posted on BDO World (intranet of the BDO network), which is accessible by all partners and professionals.

We have a designated EIL who monitors compliance with the applicable independence policies and procedures, provides consultations regarding independence matters, and oversees independence training and maintenance of a restricted entity database.

We also maintain a database of all our firm's restricted entities, including listed companies and other public interest entities.

This is available on a BDO Global intranet and its objective is to prevent the performance of prohibited non-assurance services or investment in these entities. The database is continuously updated.

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

There is also an independence declaration per audit engagement signed by all partners and professionals that have been involved in the performance of the audit engagement.

Furthermore an annual declaration is undertaken by all partners and professionals.





## Continuing professional education

The Firm has a policy of facilitating and encouraging continuing education as an important means of developing knowledge, maintaining and improving the quality of its services and of motivating and retaining its personnel.

For audit partners and professionals, the Firm requires partners and professionals to participate in appropriate continuing professional development programmes and monitors the fulfilment of programme obligations.

The continuing professional education programme (hereafter: 'CPE') is comprised of training sessions organised by the Firm specifically designed to meet its needs, by the Firm as well as external training by relevant professional bodies or other training organisations. Certain courses are mandatory and others are optional. All statutory auditors, approved statutory auditors and professional trainees follow the trainings as required by the CSSF according to the amended Law of 23 July 2016 concerning the audit profession and the CSSF Regulation N°16-10 organising the continuing education of approved statutory auditors.

Extensive training is given to all new recruits on the BDO audit methodologies, tools and processes. More experienced personnel and partners are encouraged to update and deepen their technical knowledge. Developing management and interpersonal skills are also very important for this group.

CPE is a factor taken into account for the yearly evaluation of audit professionals and the assessment of their career potential within the Firm. We are

committed to developing and maintaining the highest possible standards of technical competence through our own development programmes. As part of an individual's performance appraisal, professional development needs are assessed and courses or other training opportunities are identified.

We have developed a curriculum providing technical training for our professionals throughout their careers. For all new audit professionals, there is an orientation programme covering the Firm's audit approach and procedures and its organisational structure.

All audit professionals, including managers and partners, attend regular technical update courses. These courses are complemented by on the job coaching which provides a significant aspect of their professional development.

All audit professionals are personally responsible for keeping up to date with the requisite knowledge, skills and professional competence which they will need to successfully carry out the roles to which they are assigned.



# Partner remuneration

The delivery of high quality audits is expected for all professionals and is embedded throughout the BDO network. Audit quality is built into performance standards at every level, against which professionals' overall appraisals are measured.

The partner remuneration package consists of a fixed income amount (salary) and a variable bonus. The variable bonus is defined in the Partnership agreement which include a firm component (result and development of the Firm) and a personal component. The personal component includes consideration of the partner's role in the Firm, and the quality of work, but is not directly related to the individual's financial performance.

In this way, our firm ensures the quality of its services and maintains its independence. Under no circumstances are audit partners remunerated for selling non-audit services to audit clients.

In addition, the results of practice reviews and external reviews of the engagement are taken into account in the evaluation of the performance of our audit partners.



# Policy concerning the rotation of audit partners and professionals

## **Long Association of Senior Personnel (Including Partner Rotation) on Audit Engagements for Public Interest Entities in the meaning of the Regulation (EU) No 537/2014 (hereafter: 'EU PIE')**

When the audit client is an EU PIE, and an individual has been the engagement partner for a period of seven years, this individual shall not participate in the engagement until five years have elapsed.

If an individual has been a key audit partner (other than the engagement partner) or the EQR, for a period of seven years, this individual shall not participate in the engagement until three years have elapsed.

Assessing independence of the other members than Partner of the assurance team is an important part of client acceptance and continuance procedures.

When the assessment concludes that rotation of any individual is necessary, the matter must be referred to the EIL. When a matter is referred to the EIL, it is presumed that rotation of some kind is required. After reviewing the circumstances and consulting other partners, the EIL will provide a decision in writing as soon as possible, on whether rotation is necessary. If rotation is deemed necessary, the APC will assign the new party and specify the length of the stand-down period and any other relevant requirements.

## **Long Association of Senior Personnel (Including Partner Rotation) on Audit Engagements for Public Interest Entities other than those referred to in the Regulation (EU) No 537/2014 ("non EU PIE")**

The partners and professionals must follow Parts 4A and 4B of the IESBA Code as adopted in Luxembourg

by the CSSF, regarding mandatory rotation of engagement partners, EQR, and any other partners on the engagement team who make key decisions or judgments on significant matters with respect to all audit engagements for public interest entities (definition of PIE according IESBA code).

In accordance with the IESBA Code, when the audit client is a non EU PIE, and an individual has been the engagement partner for a period of seven years, this individual shall not participate in the engagement until five years have elapsed. If an individual has been a key audit partner other than the engagement partner respectively the EQR for a period of seven years, this individual shall not participate in the engagement until two respectively three years have elapsed. Some degree of flexibility may be permitted







in rare cases due to unforeseen circumstances outside of the Firm's control and where the individual's continuity on the audit engagement is especially as a key audit partner important to audit quality. In these cases, equivalent safeguards will be applied to reduce any threats to an acceptable level. Such safeguards, at a minimum, will include an additional review of the work performed by another partner or alternate EQR who has not been associated with the audit team. The circumstances under which rotation would not be recommended or required should be compelling. When a significant independence threat involving the engagement partner or EQR is recurring, rotation would be the primary safeguard necessary to reduce the threat to an acceptable level.

Assessing independence of the assurance team is an important part of client acceptance and continuance procedures. When the assessment concludes that rotation of any individual is necessary, the matter must be referred to the EIL.

When a matter is referred to the EIL, it is presumed that rotation of some kind is required.

After reviewing the circumstances and consulting other partners, the EIL will provide a decision in writing as soon as possible, on whether rotation is necessary. If rotation is deemed necessary, the APC

will assign the new party and specify the length of the stand-down period and any other relevant requirements.

#### **Rotation of Personnel on Audit Engagements for Non Public Interest Entities**

For other entities, if rotation is deemed necessary, the EIL will identify the replacement and specify the period for which the individual shall not participate in the audit of the entity and other safeguards necessary to comply with any other relevant requirements.

BDO Audit Policy defines the following:

- "Senior personnel" includes the engagement partner, the EQR and the director, the senior manager or manager responsible for the engagement
- A "long period of time" is defined as a minimum of eight consecutive years
- Hence a familiarity threat exists if the team of engagement partner/ EQR/director/senior manager/manager is working together on a file for more than eight consecutive years

In order to reduce this threat, the following procedures are applicable:

- In case the same senior personnel is working on an engagement since eight years: consider

changing the partner and/or engagement manager

- If not possible or considered not appropriate, a second partner review or other measures will be considered and decided in the Acceptance Committee for the file

The EIL of BDO Audit prepares once a year an inventory of all potential familiarity threats in order for the APC to decide which safeguards are put in place (rotation of senior personnel, second partner review or other safeguard). The APC will decide on the safeguards to implement before the start of the audit season.

# Appendices

## APPENDIX 1: PUBLIC INTEREST ENTITIES

During the financial year ended on 30 September 2023 the following EU PIE's as referred to in article 1 (20) of the Law on the Audit Profession of 23 July 2016 were audited by the Firm:

- Eleving Group
- exceed Group S.C.A.
- Fotex Holding
- Koromo S.A.
- Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.
- IMC S.A.
- TREVA Equipment Finance S.A.



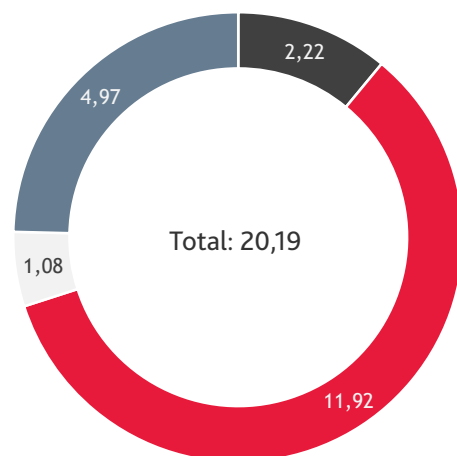


## APPENDIX 2: FINANCIAL INFORMATION

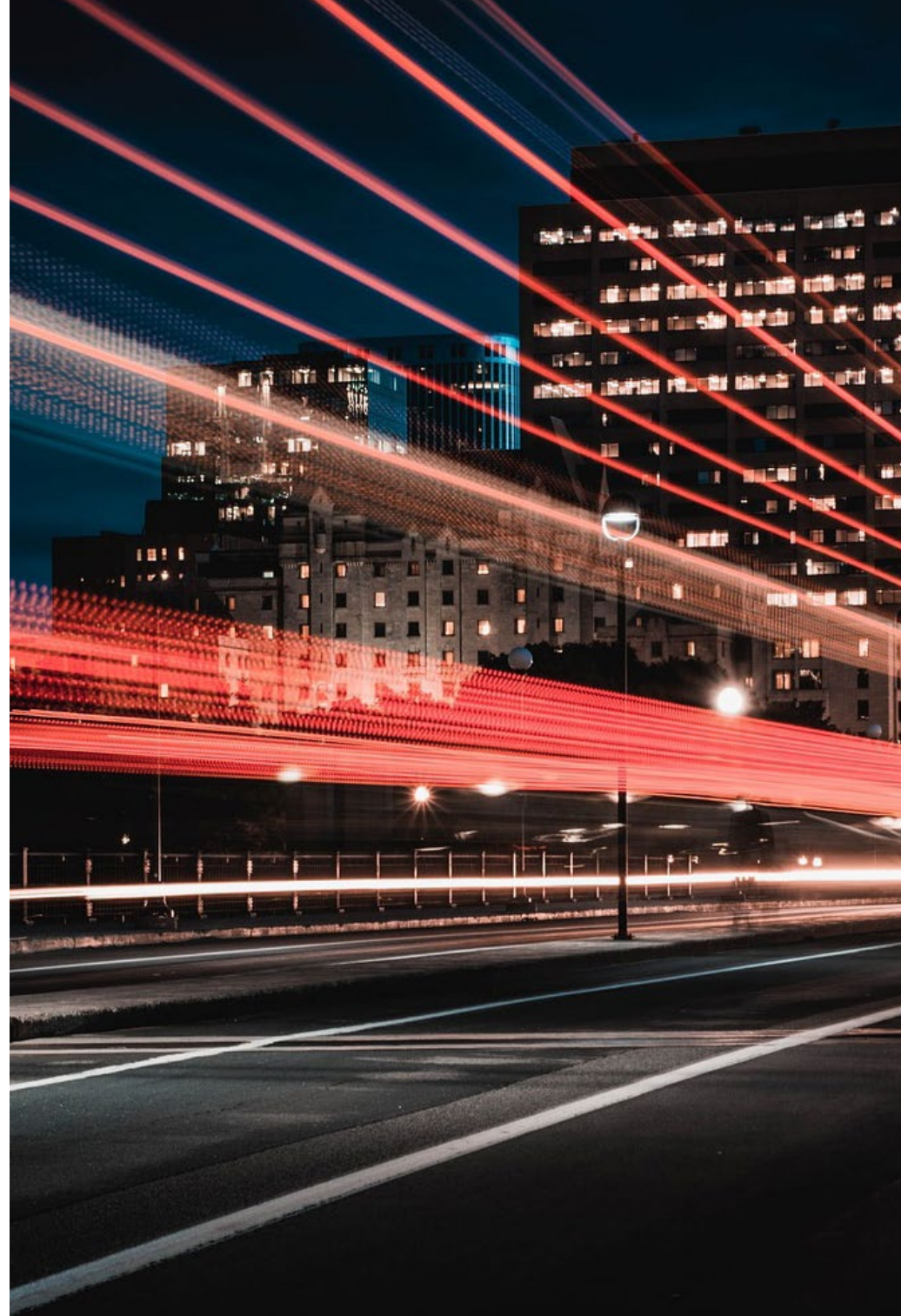
The global aggregated turnover for BDO member firms (including their exclusive Alliances) in 166 countries and territories for the year ended 30 September 2023 was in excess of € 13 billion. Partner and professionals numbers at 30 September 2023 were 115,661. Combined turnover from statutory audits of the BDO EU/EEA audit firms amounts to € 630 million.

The financial statements of BDO Audit for the year ending 30 September 2023 are still in the process of being finalised. The unaudited turnover for the financial year going from 1 October 2022 until 30 September 2023 can be split as follows:

Turnover for the period from 1 October 2022 until 30 September 2023  
(in € million - unaudited)



- Revenues from the statutory audit of annual and consolidated financial statements of PIE and entities belonging to a group of undertakings whose parent undertaking is a PIE
- Revenues from the statutory audit of annual and consolidated financial statements of other entities
- Revenues from permitted non-audit services to entities that are audited by BDO Audit
- Revenues from non-audit services to other entities



### APPENDIX 3: LIST OF ALL EU/EEA COUNTRIES IN WHICH BDO MEMBER FIRMS ARE QUALIFIED AS A STATUTORY AUDITOR

#### Austria

BDO Salzburg GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft  
BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft  
BDO Steiermark GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft  
BDO Oberösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft  
BDO Assurance GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

#### Belgium

BDO Bedrijfsrevisoren BV / Réviseurs d'Entreprises SRL

#### Bulgaria

BDO AFA OOD

#### Croatia

Territory Croatia: BDO Croatia D.O.O.  
Territory Albania: BDO Albania Sh.P.K.  
Territory Sarajevo: BDO BH d.o.o. Sarajevo

#### Cyprus

BDO Limited

#### Czech Republic

BDO Audit s.r.o.  
BDO Group s.r.o.  
BDO Czech Republic s.r.o.

#### Denmark

BDO Statsautoriseret revisionsaktieselskab  
BDO Holding VI, Statsautoriseret Revisionsaktieselskab

#### Estonia

Aktsiaselts BDO Eesti

#### Finland

BDO Oy  
BDO Audiator Oy

#### France

BDO France  
BDO PARIS ENTREPRISES  
BDO PARIS AUDIT PME  
BDO ATLANTIQUE  
BDO RENNES  
BDO LYON AUDIT  
BDO IDF  
BDO LES HERBIERS  
BDO FONTENAY LE COMTE  
BDO NANTES  
BDO LES ULIS  
BDO Paris Audit & Advisory  
BDO Méditerranée

#### Germany

BDO AG Wirtschaftsprüfungsgesellschaft  
BDO Oldenburg GmbH & Co KG  
Wirtschaftsprüfungsgesellschaft  
BDO DPI AG

BDO Dr. Daiber Audit GmbH (until 24th April 2023)  
BDO Concunia GmbH Wirtschaftsprüfungsgesellschaft

#### Gibraltar

BDO Limited

#### Greece

BDO CERTIFIED PUBLIC ACCOUNTANTS S.A.  
BDO Services SA

#### Hungary

BDO Hungary Audit Ltd

#### Iceland

BDO ehf.

#### Ireland

BDO

#### Italy

BDO Italia S.p.A.

#### Latvia

BDO Assurance, LLC

#### Liechtenstein

BDO (Liechtenstein) AG

#### Lithuania

BDO Auditas ir Apskaita, UAB

#### Luxembourg

BDO Audit



**Malta**

BDO Malta CPAs

**Netherlands**

BDO Audit & Assurance B.V.

**Norway**

BDO AS

**Poland**

BDO Spółka z ograniczoną odpowiedzialnością Sp.K.

**Portugal**

BDO & Associados, SROC, Lda

**Romania**

BDO Audit SRL

BDO Auditors & Accountants SRL

BDO Auditors and Business Advisors SRL

**Slovak Republic**

BDO Audit, spol. s r.o.

**Slovenia**

BDO Revizija d.o.o.

**Spain**

BDO Auditores, S.L.P.

BDO Audiberia Abogados y Asesores Tributarios, S.L.P.

**Sweden**

BDO AB

BDO Göteborg AB

BDO Göteborg Intressenter AB

BDO Göteborg KB

BDO Mälardalen AB

BDO Mälardalen Intressenter AB

BDO Norr AB

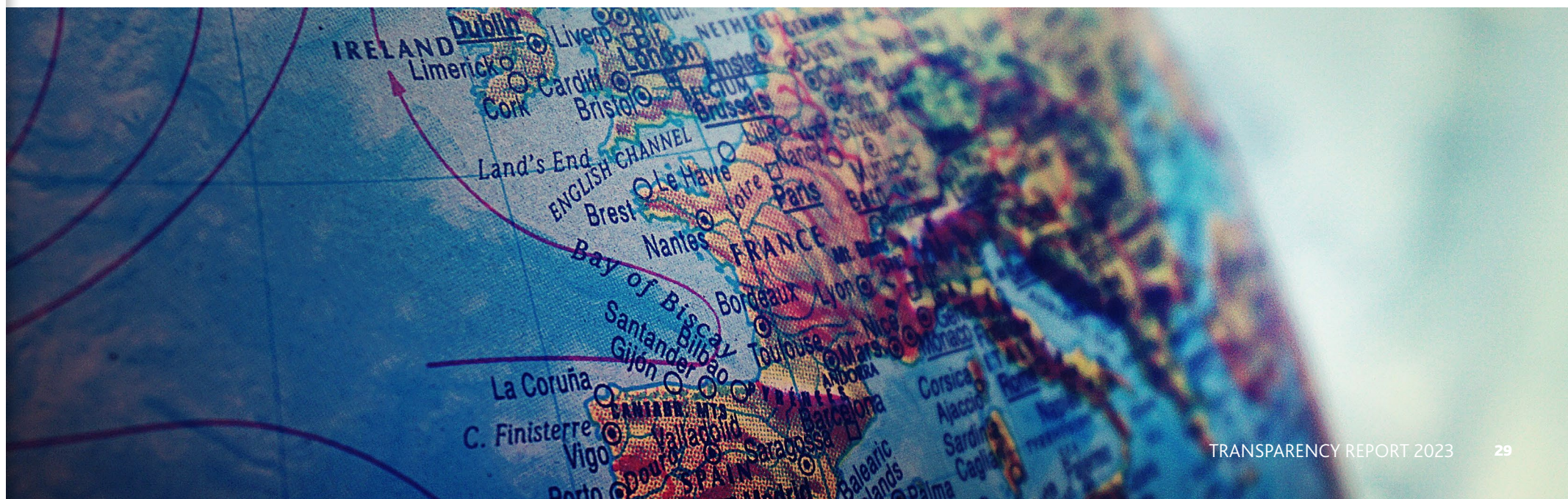
BDO Norr Intressenter AB

BDO Stockholm AB

BDO Sweden AB

BDO Syd AB

BDO Syd Intressenter AB







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