



Transparency statement for the financial year ended



BDO AB
31 August 2016

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1. Introduction

Audit quality is top priority in all of our offices across Sweden

I proudly present the 2016 Transparency Report. For us it is key to be transparent in our work and we believe that it will strengthen the quality of our audit processes and practices as well as our relationship with the stakeholders and business community.

Over the last couple of years we have expanded our work force from 400 to 600 employees and have opened several offices around the country. We will continue this ambitious growth plan. We are consistently evolving to maintain and improve our audit quality and business. Our aim is to deliver the best service of all audit and consulting firms.

As the mindset and skills of auditors are key to the quality of work we invest in our new hiring's, our culture and people. A result of this is that we year after year receive the highest rating from our clients in the Swedish audit industry (Svenskt Kvalitetsindex, SKI). Our employees understand and engages in the everyday challenges for our clients. For us this is an ongoing process and we are dedicated to keep up with and exceed our client expectations.

Thank you to all of you who have taken the time to engage and share your view with us. I look forward to continuing working with you and share our progress over the coming year. We invite you to explore our Transparency Report for 2016. It provides all of the relevant information required to enable you to assess our commitment to quality and transparency.

Carl-Johan Kjellman

Managing Partner/Verkställande Direktör
BDO AB

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The following pages set out how BDO have addressed the areas according to European and local law which require auditors of public interest entities to publish on their websites annual reports and set out minimum requirements that such report must meet, including information about themselves, their system of quality controls and independence procedures and practices. The following pages set out how BDO have addressed those areas.

2. Legal structure and ownership

BDO AB is a corporation, incorporated in Sweden and a chartered accounting firm which is owned by its partners. At August 31 2016 there were 55 partners. BDO AB is the parent Co of its wholly owned subsidiaries which hold the operating company structure in each region. The subsidiaries are based in four (4) regions: East, West, South and North. Details of the firm's company structure and group of companies are given in the firm's annual report which can be found at:

http://www.bdo.se/BDO_SE/media/bdo/Dokument/Rapporter/Arsredovisning_2014-2015.pdf

Business structure

Our Swedish business operates geographically from 24 offices divided into four regions (East, West, South and North) located in and around the major business areas in Sweden.

Our business line is structured along four service lines, Audit, Accounting, Tax and Advisory Services.

3. Network

BDO AB is a Member Firm of BDO International Ltd.

Description of the network

The BDO network is an international network of public accounting firms, the BDO member firms, which 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" and "BDO International" are trademarks of Stitching BDO.

Legal and structural arrangements in the network

Each BDO member firm is a member of BDO International Limited, a UK company limited by guarantee, either as a voting member (one per country) or a non-voting member.

The BDO network is governed by the Council, the Policy Board and the Executive (or Global Leadership Team) of BDO International Limited.

The Council comprises one representative from each voting member and represents the members of BDO International Limited at the general meeting. The Council approves budgets, appoints the Policy Board and approves any changes in the Articles and Regulations of BDO International Limited.

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

The Global Leadership Team is tasked with coordinating the activities of the network on a day-to-day basis. It is headed by the CEO and comprises the Global Heads of Audit & Accounting, Tax, People, Client Service, Network Development and the International Secretary.

Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a Belgian limited liability company with its seat in Brussels.

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 final figures of aggregated turnover for BDO member firms (including their exclusive Alliances) in 157 countries for the year ended 30 September 2016 was € 6.8 bn. Partner and staff were 67,729.

4. Governance structure of the Swedish firm

The audit stream is an integrated part of the firm and is subject to the same governance structure as all other business streams as follows:

Management Executive/The board

Managing Partner in BDO AB, 31 August 2016:

- Carl-Johan Kjellman, Senior Partner, CPA

The Board in BDO AB, 31 August 2016, comprises the following members:

- Torbjörn Lundh - Chairman of the Board, Senior Partner, CPA
- John Osser - Senior Partner, CPA
- Malin Nilsson - Senior Partner, CPA
- Peter Ericsson - Senior Partner, CPA
- Peter Westman - Head of Region North

One employee representative is permanently invited to board meetings. Risk Management Partner and Head of Compliance & Legal may be invited to board meetings.

In addition, Johan Pharmanson, Senior Partner, CPA, serves as International Liaison Partner (ILP) with an overall responsibility for our international engagements and as country coordinating partner for the US. Thomas Näsfeldt, Senior Partner, CPA, serves as country coordinating partner for UK, Johan Pharmanson, Senior Partner, CPA, serves on a temporary basis as country coordinating partner for Germany. The ILP is appointed by the Board. The ILP appoints country coordinating partners.

The Leadership Team at 31 August 2016 comprised the following roles; Managing Partner, Head of Region East, Head of Region West, Head of Region South, Head of Region North, Director Human Resource, Marketing Director and Executive assistant / Project manager.

The Leadership Team meets monthly and more frequently if required and is chaired by the Managing Partner. Managing Partner maintains an ongoing dialogue with the wider firm through regular business updates on strategy and development to all partners and employees, giving individuals at

all levels the opportunity to raise questions and issues directly with the Managing Partner or appointed Heads/Directors in charge.

The Board sets business strategy and ensures its implementation.

The Board currently reports twice a year to partners, summarizing the development of the business and setting out key objectives. Financial information is monthly reported to the partners. During the year, The Head of Regions and/or the Managing Partner can also make presentations to all its employees in every business unit: this provides insights into the firm's strategy and operations and gives individuals the opportunity to raise questions and issues directly with the Head of Regions or Managing Partner. Other members of the Board and the Leadership Team meet throughout the year with employees to reinforce our key strategic messages.

The Board is appointed by the partners. The Board appoints the Managing Partner, who appoints the Leadership Team.

Head of Regions

Our offices are based in key business centers around Sweden and grouped into four regions. The four Heads of Region have direct responsibility for the performance of their units and work in conjunction with the heads of business streams in their respective region.

Stream Leaders

Stream Leaders representing Audit, Accounting, Tax and Advisory Services, with whom the Managing Partner meet on a regularly basis, are responsible for the development of high quality and profitable services in their own areas.

Partnership Council

The Partnership Council meets when needed during the year chaired by Chairman of the Partnership Council, to consider matters such as partner equity issues, profit sharing and new admissions to the partnership. It consists of six partners, each elected for one year.

5. Risk Management

The firm recognizes that risk is an inherent part of conducting businesses and that managing risk is a critical element of its operation.

The Board has delegated responsibility for the design and implementation of the risk management process to the Risk Management Partner, Jörgen Lövgren - Senior Partner, CPA. The Risk Management Team at 31 August 2016 comprised the following: Risk Management Partner, Head of Compliance & Legal, a Senior CPA and a Paralegal. Risk Management Partner reports to the Board. Operational risk management issues are reported on each board meeting.

The Risk Management Team meets monthly and is chaired by the Risk Management Partner. The Risk Management Team has particular responsibility to ensure that the quality, objectivity and independence of client service is maintained through well managed client acceptance and engagement procedures, that guidance is updated regularly and published on the conduct of all professional services. The Risk Management Team also handles the dealing with professional claims and complaints as well as to ensure that the firm is compliant with regard to AML regulations. Risk Managing Partner is also responsible for monitoring of independence.

Processes are in place to identify and resolve conflicts of interest. All partners and staff are required to submit annual confirmations of regulatory compliance which include statements of independence.

The firm recognizes that risk is an inherent part of conducting businesses and that managing risk is a critical element of its operations.

6. Internal Quality control system

The firm's system of internal quality control is designed to provide reasonable assurance that the firm, its partners and staff comply with professional standards and regulatory and legal requirements, that work is performed to a consistently high standard and that reports issued by the firm are appropriate. The firm considers that its systems are compliant with all mandatory standards. The Board has delegated responsibility for the design, implementation and monitoring of the quality control system to Head of Quality, Torgel Gjörde - Senior Partner, CPA. The Quality Committee now comprises the following: Head of Quality, one Senior Partner CPA, Senior Tax Partner, Senior Advisory Manager and Manager Accounting.

The firm's system of internal quality control can be split into the following elements:

- leadership responsibilities for quality within the firm
- ethical requirements
- acceptance and continuance of client relationships and specific engagements
- human resources
- engagement performance
- monitoring

a. Leadership responsibilities for quality within the firm

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

Our firm has clearly established responsibilities for the Board Members on individual basis, Head of Quality, Risk Management Partner, the Partnership Council and other senior personnel.

Along with the Board, the Risk Management Partner and Head of Quality, reinforces the appropriate "tone at the top" by instilling professional and ethical values in the firm. The Audit Stream "tone at the top" is set by the Head of Audit. Monitoring the auditing work is done by our Quality Committee.

The national Audit Stream is supported by Quality Committee and Risk Management Team.

The Head of Audit, John Osser - Senior Partner, CPA, Member of the Board, has the individual responsibility for the following:

- developing assurance methodology and guidance to ensure compliance with auditing standards

- maintaining the firm's technical manuals and communicating developments to the firm's partners and staff
- helping maintain the firm's assurance practice at the highest standards prevailing in the profession, including the supervision of the Firm's auditing work
- consulting with local office partners and other professionals seeking technical advice
- overseeing the firm's technical continuing professional education programs.

b. Ethical requirements

Our firm's electronic Conduct of Professional Standards Manual as well as employment agreements contains the principles and rules relating to ethical conduct. This is supplemented by helpsheets and complemented by a comprehensive training program designed to ensure compliance with both International and Swedish Ethical Standards. The ethical conduct guidance is available to all staff on our intranet.

c. 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 quality service.

Prior to the acceptance of any new 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 owners and officers of the business
- 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 we should not accept the appointment
- assessment of our ability to serve the prospective client
- reviewing filings of the company, including prior year financial statements.

The acceptance of all clients requires an approval process that is appropriate to the perceived risk. "High risk" assurance clients require pre-approval by the Head of each business stream.

d. Human resources

Human resource is 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.

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 ensure that diversity is embedded within the firm's culture, not just in principle but in practice. Inclusivity within the organization, 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 people with high levels of intelligence, stability, maturity, integrity, motivation, aptitude and leadership qualities appropriate to the role for which they are being hired.

The Director of Human Resources reviews these policies and procedures when needed to ensure that they are appropriate and are operating effectively.

Performance evaluation

All staff members are subject to formal performance appraisal, review and counseling on a regular basis, in order to evaluate the level of competence, monitor training and to help them reach their full potential. Performance appraisal includes a review of each individual's contribution to the quality of service(s) provided by the firm.

Evaluations are completed on an assignment-by-assignment basis at certain levels and also at yearly intervals at all levels. The factors evaluated (which may vary by level) include professional and technical competence, management skills and analytical and judgment skills.

Capabilities and 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 the 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.

Career development, promotion and compensation

Staff career development is addressed on both a national and regional basis. Generally there is staff progression from an introductory staff level to senior manager before a candidate will be considered for admission to partnership. Staffs are promoted to the next level only when they are prepared for the increased responsibilities that promotion entails.

Non-compliance with the firm's policies and professional standards is also recognized. Lack of compliance is reflected through additional training, delays in promotion or through dismissal for serious instances of non-compliance.

Forecasting of staff requirements

We recognize 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 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 staff to develop the business.

e. 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 the firm issues reports that are appropriate in the circumstances. To achieve this and to ensure consistency in the approach to auditing, 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 and where appropriate these common processes are used by BDO International member firms.

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 efficiently 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. At a granular level 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 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 and other high risk engagements. The Engagement Quality Control Reviewer will be familiar with the auditing and reporting practices used during the engagement, and is knowledgeable and familiar with the client's industry, but will be independent from the client's audit team. She/he will be an experienced audit partner and not likely to be unduly influenced by the views of a particular engagement partner. The Engagement Quality Control Reviewer cannot 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 engagement quality control reviewers, as determined by the Head of Audit.

Consultation

Our culture encourages consultation with experienced partners and other specialists where appropriate. Additionally, the firm has requirements for specific consultations in certain situations.

f. Monitoring of the Audit Stream

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

Our quality control system includes an annual review process of audit files to monitor compliance with the firm's policies, procedures and standards and to ensure that the work done to arrive at an opinion, or to support advice that has been given, is both adequate and properly documented.

The review consists of reviewing, on a sample basis, the working papers and reports of selected assurance engagements and documentation of compliance with our quality control policies and procedures in other areas.

The Heads of Regions are responsible for monitoring and documenting the implementation of, and compliance with, any corrective actions, in their respective region; all in accordance with directives from Head of Audit.

Each review team is headed by an experienced audit partner. Where the sample includes a specialist client, 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.

Management Executive statement on effectiveness of functioning

These policies, procedures and monitoring activities have provided the firm's Board with reasonable assurance that the firm, its partners and staff have materially complied with applicable professional, regulatory and legal requirements, that work has been performed to a consistently high standard and that appropriate reports have been issued. The firm's Board has inter alia considered the results of the regulatory inspections by the Supervisory Board of Public Accountants and other inspections in reaching this opinion.

7. Monitoring of Quality Control

The last completed quality assurance of the firm by The Supervisory Board of Public Accountants took place the third and fourth quarter of 2013. The firm received the final copy of the quality assurance review report on 11 June 2014.

8. Public interest entities on regulated markets

In the financial year that ended on 31 August 2016, the firm's major subsidiary BDO Mälardalen AB, performed statutory audits of the following public entities that had issued transferable securities admitted to trading on a regulated market. A list of public interest entities as at 31 August 2016 is set below:

Havsfrun Investment AB
Sportamore AB

9. Independence

The firm's independence policies and processes are designed to enable the firm and our professionals to comply with the independence standards of the International Ethics Standards Board for Accountants (IESBA) of the International Federation of Accountants (IFAC) and of the professional institute for authorized public accountants and other highly qualified professionals in the accountancy sector in Sweden (FAR). In relation to independence, the firm's Risk Management Policy complemented by a suite of training programs targeting the needs of the individual partners and staff contain the backbone of the policies and procedures.

Compliance with the policies and procedures is ensured by a series of monitoring and review activities. These include:

- an annual declaration undertaken by all partners and staff
- audit file quality control reviews examining a selection of audit files covering all Responsible Individuals on an annual basis
- other monitoring activities targeting specific aspects of audit independence.

All of these monitoring and review activities were operational during the past financial year.

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

The continuing training program is comprised of training sessions organized by the firm specifically designed to meet its needs, by the BDO International network as well as external training by relevant professional bodies. Certain courses are mandatory and others are optional. The CPE requirements for professional auditors in Sweden are also factored in to the program.

Extensive training is given to all new recruits on the BDO audit methodologies, tools and processes.

More experienced personnel and partners are encouraged to constantly update and deepen their technical knowledge. Developing management and interpersonal skills are also very important for this group.

Continuing professional education is also a factor taken into account for the yearly evaluation of audit staff 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 programs.

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

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

All staff members 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.

As part of an individual's performance appraisal, professional development needs are assessed and courses or other training opportunities are identified

For professional staff, the firm requires participation in appropriate continuing professional development programs and monitors the fulfillment of program obligations.

10. Financial Information

Financial information below stated for BDO refers to the financial year ended on August 31 2015. Revenue amounts disclosed herein include revenues from both audit and non-audit clients.

Analysis of National Turnover	2016 €t
Audit	26 666
Accounting	19 262
Tax Advisory	8 972
Management Consulting	0
Other Non Audit	4 526

Note: All disclosures above are unaudited

11. Partner remuneration

The general principles of compensations to partners are regulated under a framework set out in the partners' Agreement.

The detailed partner remuneration and evaluation systems are composed differently in the four geographic regions.

In region East quality is one of the key components of the evaluation system where partner's compensation is based on criteria which include factors with regard to quality and risk management, covering actions as well as results. An equivalent evaluation system has been developed for region West, South and North. For professional staff, quality performance measures have since long been a part of the appraisal system.

The remuneration of partners is mainly in form of profits and salary. The total remuneration is influenced by factors such as amount of work performed, client base, profit and other performance factors which are to be evaluated as described above and below.

Profits to partners in each region are based on each regions profit. Each partner in the audit firm receives a share in the net profits of the audit firm to be distributed, in proportion to his or her respective shareholding in the audit firm.