BDO SWEDEN
TRANSPARENCY REPORT 2018
COUNTRIES AND TERRITORIES

GLOBAL HEADCOUNT
73,854
9% INCREASE YEAR ON YEAR

NUMBER OF OFFICES
1,500

GLOBAL AVERAGE PROFESSIONAL STAFF TO PARTNER RATIO OF 9 TO 1

INCREASE IN GLOBAL REVENUE
€7.4bn

TOTAL REVENUES OVER 40 MERGERS NETWORK-WIDE

REVENUE PERCENTAGE PER REGION
53% AMERICAS
33% EMEA
14% ASIA PACIFIC
BDO AB is a member of the BDO global network of public accounting, tax and advisory firms. The firms have representation in 162 territories, with over 73,000 people working out of over 1,500 offices. The fee income of the member firms in the BDO network, including the members of their exclusive alliances, was €7.4 billion as of 30 September 2017. 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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Audit quality and transparency is a fundamental goal of BDO’s services locally and globally. In this Transparency Report we aim to address how we achieve our regulatory obligations in respect of governance and risk.

We hope to contribute to a high level of confidence and public trust by demonstrating the strength and quality of our audit processes and practices. I am confident that our teams will continue to drive all aspects of quality in our business services; Advisory, Audit, Tax and Accounting.

We love to engage in our customers and help their business grow. What truly sets BDO apart is our commitment to exceeding expectations in every engagement, big or small, for every client, local or multinational. It’s about a firm-wide dedication to deliver service to every single client that is, without exception, exceptional. That is probably why we, for six consequential years, have received the highest rating from our clients in the Swedish audit industry according to the latest EPSI Industry Study.

I believe that BDO’s success lies in being agile and responsive in a rapidly changing market. The changes in society and our industry driven by technology has made transformation a key matter to BDO. We aim to develop client-focused solutions and provide a digital experience to exceed our clients needs and expectations by investing in technology and especially in our people. The mindset and skills of auditors are key to the quality of audits as well as the tools facilitates and supports the workflow for our employees.

We’ve seen growth especially in the southern and eastern region, the result of high-profile merger activity and consistent organic growth. Thanks to our continued client-centric focus, the revenue increase has also been felt across all our service lines.

Our work is important to gain trust in society and between business partners!
BDO AB is a corporation, incorporated in Sweden and a chartered accounting firm which is owned by its partners.

At August 31 2018 there were 66 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 www.bdo.se.

Business structure

Our Swedish business operates geographically from 25 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.
BDO Sweden is a Member Firm of BDO International Limited.

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.

Legal and 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.

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 COO (currently also acting as Global Head of Advisory), Global Heads of Audit & Assurance, Tax, HR & Development, Business Development & Marketing, IT, Transformation, the CEO EMEA, 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 162 countries for the year ended 30 September 2017 was in excess of € 7.4 billion. Partner and staff numbers at 30 September 2017 were some 73,000.
MEMBER FIRMS
ALL EU/EEA BDO AUDIT MEMBER FIRMS

Below you will find all of the EU/EEA BDO Member Firms

The countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business.

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<th>COUNTRY</th>
<th>TERRITORY</th>
<th>NAME OF THE AUDIT FIRMS IN YOUR TERRITORY</th>
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TURNOVER COVERING EU/EEA AUDITORS IN RELATION TO STATUTORY AUDITS

Combined turnover from statutory audits of the BDO EU/EEA audit firms:

€ 631,912,415

The total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements.

The BDO Global Office has prepared and consolidated this information.

Please note that Member Firms of the BDO network have different year ends. Therefore the total number that we have provided is a combination of the statutory audit turnovers of EU/EEA member firms for their latest financial year. For each firm using another currency than EUR, the average exchange rate for the period they reported has been used.

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<th>Country</th>
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<td>Italy</td>
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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:

Executive Board

Managing Partner in BDO AB, 2018/2019:
Malin Nilsson, Senior Partner, CPA

The Board in BDO AB, 2018/2019, comprises the following members:
Carl-Johan Kjellman – Chairman of the Board, Senior Partner, CPA
Anders Blovme, Senior Partner, CPA
Barbro Karlsson, Senior Partner, CPA
Daniel Johansson, Senior Partner, CPA
Olof Andersson, Senior Partner, CPA

It meets eight to ten times a year, and more frequently if required.

The Management Executive team sets business strategy and ensures its implementation. The Managing Partner and each team member also have specific areas of responsibility for operational management.

The Executive Board currently reports six times per year to partners, summarising the development of the business and setting out key objectives. The Managing Partner also makes an annual presentation to all 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 Managing Partner. Other members of the Executive Board meet throughout the year with employees to reinforce our key strategic messages.

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

Lead Partners

Our offices are based in key business centres around Sweden. The Managing Partner and her team meet with the Lead Partners of each office to review performance and consider upcoming issues. The business unit leaders have direct responsibility for the performance of their units and work in conjunction with the heads of business streams.

The Leadership Partners at 31 August 2018 comprised the following roles; Managing Partner, Head of Region East, Head of Region West, Head of Region South, Head of Region North.

The Lead Partners meet approximately once a month and more frequently if required and is chaired by the Managing Partner. Director Human Resource, Marketing Director and Executive Project manager are supporting the Lead Partners as part of the Leadership Team. 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.

Stream Leaders

Stream Leaders representing e.g. Audit, Corporate Finance, Business Restructuring, Forensics, Tax, Investment Management and Business Services Outsourcing, with whom the Managing Partner and his team also meet on a monthly basis, are responsible for the development of high quality profitable services in their own areas.
Partnership Council

The Partnership Council usually meets eight to ten times a year, chaired by the Chairman, to consider matters such as partner equity issues, profit sharing and new admissions to the partnership. It consists of seven partners, each elected for one year by the partner meeting. Its composition is designed to ensure appropriate representation of partners across the country.

Risk Management Committee

The Executive Board has delegated responsibility for the design and implementation of the risk management process to the Risk Management Committee.

The Risk Management Committee meets bi-monthly and is chaired by the Risk Management Partner. It is made up of appointed individuals within risk including Head of the Risk Management Unit and Head of Compliance and Legal. The Risk Management Committee is responsible for dealing with professional claims and complaints. The committee 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, and that rigorous 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.
INTERNAL QUALITY CONTROL SYSTEM

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

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, work is performed to a consistently high standard and that reports issued by the firm are appropriate.

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 and development;
- engagement performance;
- monitoring and documentation of the system of quality control.

1) 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 performed by our Quality Committee.

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

The Head of Audit, Niclas Nordström – Partner, CPA together with Technical Partner John Osser – Partner, CPA, has the 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.
2) Ethical requirements

Our firm’s Quality Manual as well as employment agreements contains the principles and rules relating to ethical conduct. This is supplemented by templates 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.

Annual declarations are made by all partners and staff to ensure compliance with relevant ethical requirements and policies have been implemented for resolution of issues.

3) 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 high-quality 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:

- 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 of auditor and if there is any reason why we should not accept the appointment;
- assessment of our ability to serve the prospective client; and
- 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. “High risk” assurance clients require pre-approval by the Head of Audit and in certain circumstances by the Risk Management Partner.
4) Human resources and development

Human resources 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 policies and procedures addressing the following areas:

- Clear and consistent policies and procedures
- Clear job description: tasks, responsibilities and expectations
- Recruitment procedure
- 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

Clear and consistent policies and procedure

Procedures, policies and personnel manuals provide clarity and coherence on goals, structures, vision and accepted behaviours of the BDO Member Firm employees. In short, they cover the rules of play within our organisation.

A personnel manual is written in order to support our management and staff with their need to have a clear and consistent set of rules.

The result of the Annual Employee Survey showed a positive index

| SATISFACTION | 67 |
| ENGAGEMENT   | 76 |
within our organisation; what is acceptable and not and what is expected from all. The manual can easily be updated when new procedures are designed. Every employee must have a copy, or be able to get a copy when desired, so people can refer to the manual when needed. Equally, every employee should be expected to know the policies. Our manual is available on the intranet or other common drive enabling easy access by all and with amendments allowed by authorised editors only.

Non-compliance with the firm’s policies and professional standards is reflected 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 in our firm: 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 you clarity on the tasks, scope of the function responsibilities and authorities, what we expect of the person and the standard of performance required.

You will find the following information:

• 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

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 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.

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 the firm.
• It strives to tie the individual’s career needs and aspirations to the needs of the firm.
• 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. Generally, there is staff progression from an introductory staff level to supervisor, to manager and then to senior manager. Staff are promoted to the next level only when they are prepared for the increased responsibilities that promotion entails.

Partner compensation is reviewed regularly which includes consideration of the partner’s role in the firm, 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 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 firm’s clients and provide sufficient capacity to enable its partners and staff to develop the business.

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 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.

What does succession management mean to the BDO Member Firm?

• To protect the firm’s present strengths and build for its 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-potential 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.
The technical platform Catalyst One, also offers an overall LMS, Learning Management System, where we can make sure that the training we offer internally, in hours, are located in the staff members' resumes. The external trainings that staff members attend are registered by the staff themselves in the system. With the LMS the firm are able to make sure that we offer the correct hours of training so that the staff members in long term can become authorized advisors within the different work areas of the firm.

During 2018/2019 we will review and analyse in what way we can create an even more efficient and value adding common training and development organisation for our member firms.

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 three basic attributes that all our staff possess:

•technical competence in a chosen field of expertise;
•pride in self, the firm and the profession; and
•strong personal skills in managing and engaging staff and in leading engagements.

This is a mandatory requirement for partnership.

What does this mean to 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 the firm.

Continuous performance appraisal and engagement surveys

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

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.

Our firm provides regular engagement surveys to monitor employee engagement to ensure the motivation to maximise the success of the firm.

Development plan and training policy

Our learning and development strategy ensures the firm’s 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; 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.
5) 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 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 supports the conclusions reached; and
- the documentation present on the audit file enables an experienced auditor to understand the significant matters arising during 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 be knowledgeable and familiar with the client’s industry, but is not part of the audit engagement team. This 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 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 Audit.

Consultation

Our culture encourages consultation with experienced partners and other specialists where appropriate. The firm 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) Monitoring and documentation of the system of quality control

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 a review process of audit files to monitor compliance with the firm’s policies, procedures and standards and to ensure that the audit work carried out in order to arrive at a proper opinion is properly documented and of high quality.

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 sample is selected to ensure that at least two audits carried out by each audit partner is selected on a cyclical basis every three years.

Each review team is headed by an experienced audit partner. Where the sample includes a client in a specialized 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, required improvement, required significant improvement or is failed.

At the conclusion of the annual program the results are discussed with the Head of Audit and the Risk Management Group.

Complaints and allegations: The firm has established a channel via email for firm’s personnel to raise any concerns that the work performed by the firm fails to comply with professional standards and applicable legal and regulatory requirements or non-compliance with the firm’s system of quality control.

The Risk Management Partner is responsible for monitoring and documenting the implementation of, and compliance with, any corrective actions. The Risk Management Partner is also responsible for ensuring appropriate documentation of the operation of each element of the firm’s quality control system.

Executive Board statement on effectiveness of functioning

These policies, procedures and monitoring activities have provided the firm’s Executive 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 Executive Board have inter alia considered the results of the annual regulatory inspections by the Supervisory Board of Public Accountants in reaching this opinion.
THE LAST QUALITY ASSURANCE REVIEW ACCORDING TO ARTICLE 26

The last external inspection of the firm by The Supervisory Board of Public Accountants took place on the fourth quarter of 2016. The firm received the final copy of the quality assurance review report on 5 May 2017.

PUBLIC INTEREST ENTITIES

Public interest entities that are audit clients in Sweden:

- Havsfrun Investment AB
- Sportamore AB
- Medicover AB
- Sensys Gatso Group AB
- Svea Bank AB
- Svea Ekonomi AB (publ)
- Nordiska Kreditmarknadsaktiebolaget (publ)
- S:t Erik Försäkrings AB
- S:t Erik Livförsäkring AB
- Försäkringsaktiebolaget Portea
- Bohlinsgruppen i Sverige Försäkring AB
### REVENUES

#### STATUTORY AUDIT | NASs

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<tr>
<th>STATUTORY AUDIT</th>
<th>REVENUES IN 2017 €M</th>
<th>REVENUES IN 2018 €M</th>
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*Note: All disclosures are unaudited.*
INDEPENDENCE

Ethics and independence are of fundamental importance to the firm as a whole. During the past year BDO have expanded the ethics and independence function, supporting the business in the implementation of important reforms to the independence of auditors.

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.
- documentation in each audit engagement that all partners and staff that have been involved in the performance of the audit engagement are independent.
- 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 complemented 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 fulfilment of program obligations.

We have a designated Independence Champion, an experienced partner, who monitors compliance with the applicable independence policies and procedures, provides consultations regarding independence matters.

We also maintain a database of all our firm’s restricted entities, including listed companies and other public interest entities. This is available on our intranet and its objective is to prevent the performance of prohibited non-assurance services or investment in these entities. The database is continuously updated.

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.
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 the same in the four geographic regions. Each region elects 4-5 partners which forms the Compensation Committee and decides about the remuneration in respective region.

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. 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.

ROTATION OF ROLES

The firm's policies with respect to rotation of key audit partners and staff (i.e., those other than the engagement partner and EQCR, who are specifically covered by statute/regulation) is principles-based, depending on the facts and circumstances of the engagement. We follow the ethical standard ”EtikU 14 EUs förordning om revision av företag av allmänt intresse – revisorns opartiskhet och självständighet”, issued by FAR. Typically, such ‘key audit partners and staff’ include audit partners and senior managers/managers performing a significant portion of the work. The rotation period for these professionals is three years.