



2022/2021 BDO AUDIT QUALITY REPORT

PRESERVING TRUST THROUGH AGILITY AND INNOVATION



A Message to our Stakeholders



BDO Audit Quality Highlights



Audit Quality Centric – Structure, Resourcing and Perspective



Alignment of Audit Quality and Firm Strategy – People, Clients and Communities



Enhancements to Audit Execution



Our Role in the BDO Global Network



Our Role in Ensuring the Integrity of the Capital Markets



Final Thoughts



A Message to Our Stakeholders

As we continue to navigate significant change and disruption in the global economy and business environment, audit quality remains a priority. BDO USA, a growing firm of over 9,600¹ professionals, is committed to preserving trust through agility and innovation while providing forward-thinking and timely insight through the delivery of our audits. We are clear on our role and responsibility to support the integrity of reporting and disclosures that instill confidence in capital markets.

Our firm continues to be guided by our core values and our purpose of helping people thrive every day. In alignment with our core values, we have established an inclusive culture that is defined by a framework of:



Success in a changing business environment demands speed, agility and improved ways of working. In 2021 and early 2022, we made several significant enhancements in our approach to delivering high audit quality. We have chosen to focus this report as an update to our [2020 Audit Quality Report](#) to provide further clarity of purpose and examples of audit quality in action. From an audit quality-centric perspective, we detail our response to emerging domestic and global business issues, areas for improvement as identified in our audit inspection findings, additional resource deployment and technology-led audit execution in support of the broader reporting ecosystem.

¹ Approximate number of BDO USA, LLP employees as of December 2021.

We invite you to join us on this journey and learn more about our people, processes, innovations and quality management systems that support the seamless execution of client audits in compliance with professional standards while upholding stakeholder trust.



Wayne Berson
WAYNE BERSON
Chief Executive Officer



Bill Eisig
BILL EISIG
National Assurance Managing
Partner and Practice Leader



Phillip Austin
PHILLIP AUSTIN
Professional Practice and
Audit Leader



● A Message to our Stakeholders



● **BDO Audit Quality Highlights**



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OUR AUDIT PRACTICE

Approach to Audit Quality



96%

Engagement teams and leaders clearly communicate their expectations and commitment to executing high-quality work for our clients.

Client-Facing Staffing Leverage Ratios

1 to 1.8

Partner to Manager

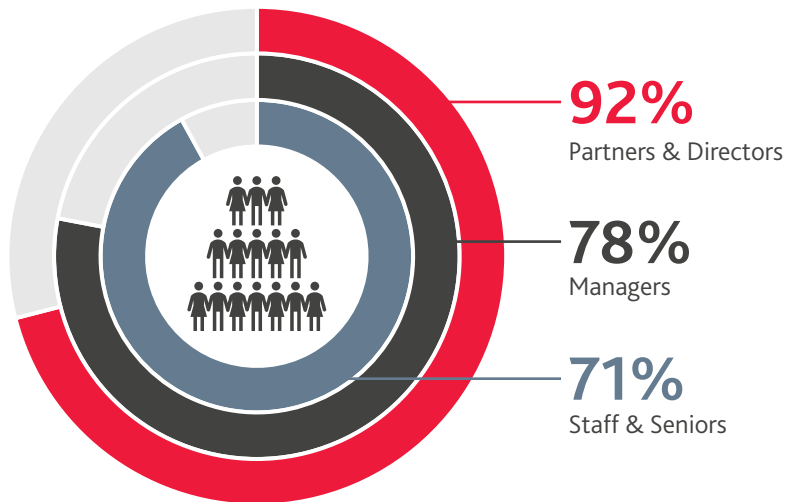
1 to 4.3

Partner to Staff

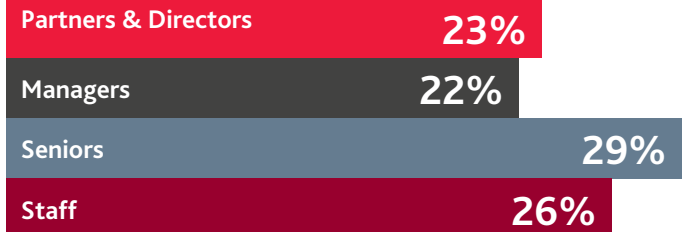
1 to 2.5

Manager to Staff

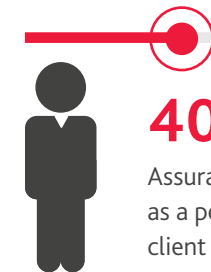
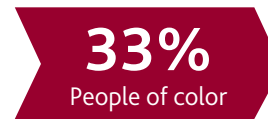
Average Retention Rates



From 5/1/20 to 12/31/21.



43%
Women



FY21 Revenues



23%

Public company engagements as a percentage of Assurance practice revenues.



Technical and Subject Matter Specialist Support



48 to 53

hours of required CPE delivered to Assurance professionals.



275,000+

Audit Quality hours contributed by Professional Practice.
A 15% increase over the previous year.

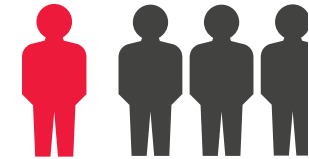


Approximately **14%** of total public company engagement hours were contributed by Advisory, Assurance and Tax subject matter specialists.



1 to 21

National technical professional resources to client-facing practitioners.



1 to 2.8

National technical professional resources to client-facing partners.

Innovation, Capacity and Audit Execution



9% audit capacity increase through integration of BDO centralized service centers.



75% of audit engagement teams are expanding usage of audit analytics, up from 50% in the previous year.



100% of audit engagement teams are leveraging our audit process technology, APT Next Gen.

CONTRIBUTIONS TO THE PROFESSION AND COMMUNITY



50+ Assurance partners and professionals actively contribute to
180+ significant initiatives within the audit profession that have a direct impact on advancing audit quality.



14% of experienced BDO professionals are serving as directors or officers of charitable and nonprofit organizations.

MONITORING AUDIT QUALITY



141 engagements internally inspected in FY21.



92% of private company inspections conforming without a material defect in the current inspection cycle.



9 out of 10 inspections (private and public) are considered conforming in the current year inspection cycle.





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Audit Quality Centric – Structure, Resourcing and Perspective

Audit Quality includes effective, efficient, technology-enabled and technically compliant audits that are highly valued and relied upon by intended users of financial statements performed by skilled professionals doing evaluative, insightful and impactful work.

In our [prior audit quality reports](#), we emphasized certain actions that were implemented to enhance firm-level audit quality matters:

- ▶ Tone and governance.
- ▶ Adequacy of resources within our Professional Practice groups.
- ▶ Effectiveness of firm-level processes, including inspections, remediation, independence and other systemic opportunities.

These actions, which we believe are resulting in positive outcomes, were designed to address previously identified quality management issues — both at the firm and engagement level — involving public and private audit engagements. However, we recognize we have more work to do.

Sustained investments made in quality management since 2017.

Since 2017, we have been investing significantly in the firm's system of quality management in areas such as technology to support engagement execution and in the technical infrastructure of the firm.

In 2021, BDO undertook an audit quality assessment to review our current Assurance practice structure and further evolve it to improve quality outcomes at the engagement level. This action specifically took into account our firm's continued significant growth — organic and expansion activity — along with the operational transition of our middle market client base comprising more national and transnational organizations.

Through this process, four clear priorities emerged:



Extending our accountability model and further aligning our Professional Practice group with our Assurance operations.



Ongoing recruitment of experienced professionals with proven success in audit engagement execution.



Deploying additional resources at the engagement level to improve the effectiveness of our audit procedures.



Relentlessly executing on our risk assessment, design of audit procedures and supervision and review.

Our firm's role in providing audit quality remains at the forefront of all we do. As such, our CEO Wayne Berson, Chair of BDO's Board of Directors Kelly Johnson and Assurance Services Leader Bill Eisig have pledged to direct resources and activities to achieve a best-in-class outcome on delivering the highest level of quality in our audits.



In 2021, we implemented a new leadership model and extended accountability structure to align identified leadership priorities with audit quality actions:

Established an Assurance Services Executive Committee to align operational and professional practice actions and priorities.




Established an Audit Quality Advisory Council to provide insight regarding the Assurance Quality Management function and the Assurance Services practice.




Implemented organizational structure enhancements to move national office resources who directly interface with engagement teams into the Professional Practice group, led by a senior partner.



Deployed additional subject matter resources to engagements, along with additional resource deployment to the regional technical function and SEC services group.



Dedicated an experienced senior partner to focus on driving effective implementation of our strategic actions and a former PCAOB Associate Chief Auditor to serve as Audit Quality and Quality Management Leader.



"We have taken a hard look at what has been successful, what has been partly successful and, frankly, what has not achieved our desired outcome. Our focused strategy is designed to provide swift and measurable progress toward these audit quality objectives."



BILL EISIG
National Assurance Managing Partner and Practice Leader, BDO USA, LLP

ASSURANCE SERVICES EXECUTIVE COMMITTEE (ASEC)

Defined by the common goals of selecting the right clients to be served by the right people generating the right audit outcomes, the ASEC aligns the responsibility for operational execution of audits with the activities of our Professional Practice professionals.

Operation objectives related to:



Client acceptance and retention



Resourcing and development of our people



Interaction with our clients



Quality of work performed

Professional Practice objectives related to:



Development of audit policies and procedures



Design and implementation of evolving audit methodology



Innovation and adoption of technology



Technical resources to aid in reaching the right audit conclusions

The committee meets on a bi-weekly cadence and is composed of the Assurance Services Leader (team lead who reports directly to the CEO), the Assurance Operations Leader, the Special Operations, Clients, Markets and Pricing Leader and the Professional Practice and Audit Leader.

AUDIT QUALITY ADVISORY COUNCIL (AQAC)

To preserve objectivity and implement the best practice of bringing in outside perspective, we have established an Audit Quality Advisory Council (AQAC) to advise BDO's Board of Directors on our audit quality actions. The AQAC is chaired by a member of our Board and includes the Assurance Services Leader, the Professional Practice and Audit Leader, an additional Board member and an external, independent member.



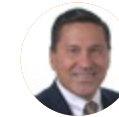
MARIA KARALIS
Chair and BDO Board Member (Assurance)



STEVEN SHILL
BDO Board Member (Assurance)



BILL EISIG
Assurance Services Leader



JIM BRADY
Independent Member



PHILLIP AUSTIN
Audit and Professional Practice Leader

The AQAC is designed to enhance the level of board engagement and provide input in the assessment of our quality functions, inspections and other functional areas, including appropriate deployment of resources and engagement execution.

"Jim Brady, independent AQAC member, has extensive experience in audit quality matters and has served in a variety of leadership roles including chief operating officer and vice chairman at a professional services middle market firm, and as a regional managing partner at one of the largest global audit firms. He was also a member of that firm's audit quality leadership group responsible for developing tools and methods to address PCAOB findings. The experience he brings to the AQAC will provide independent insight and further enhance BDO's capabilities in assessing and responding to audit quality-related matters."

MARIA KARALIS
Audit Quality Advisory Council Chair and BDO Board Member (Assurance)



ORGANIZATIONAL STRUCTURE ENHANCEMENTS

Since May 2020, we have hired approximately **15** experienced national Professional Practice team members and **57** Assurance partners, and we promoted another **30** Assurance professionals to partner to improve insight, oversight and supervision of our Assurance practice.

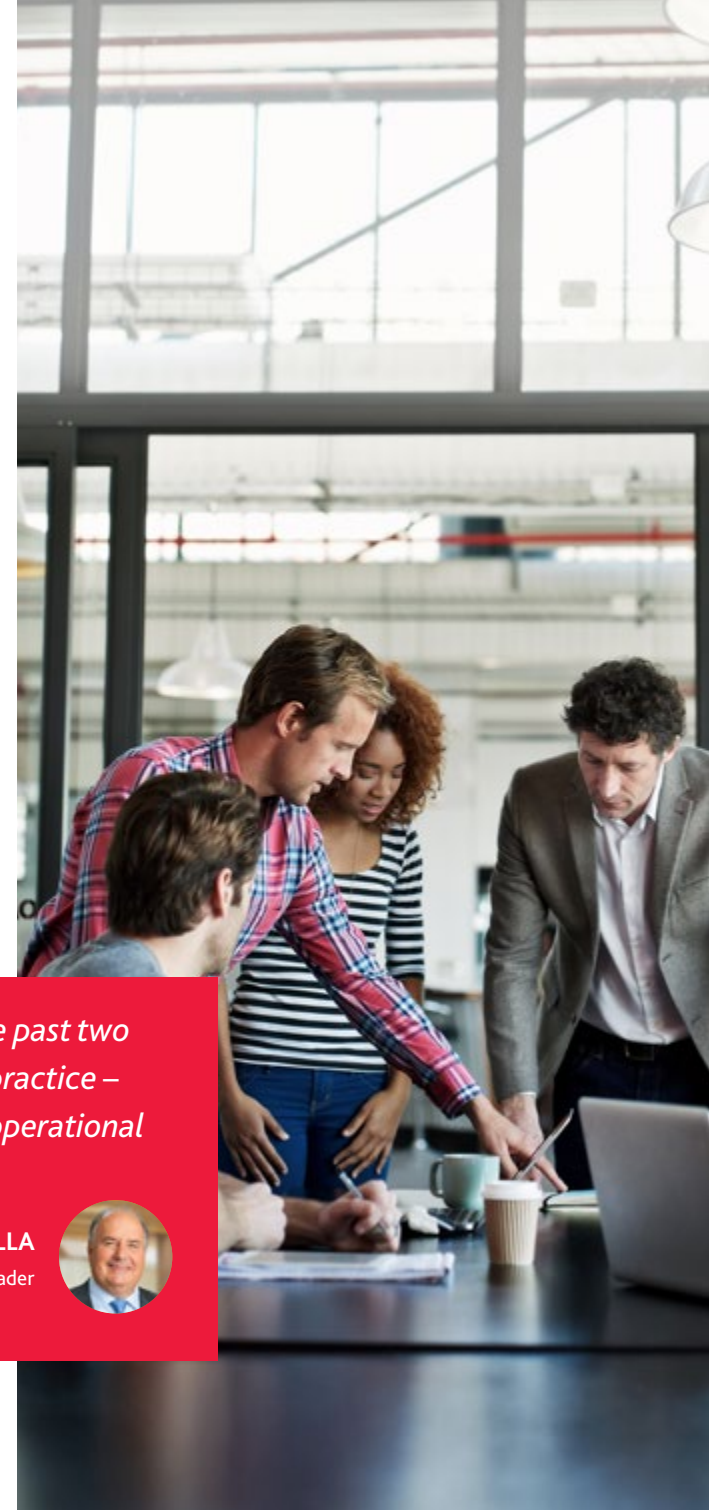
Additionally, [Chris Swanson](#), an experienced large firm audit and operational leader, was brought into the firm to drive the operational implementation and execution of our focused audit actions within Assurance Services as the Assurance Special Operations, Clients, Markets and Pricing Leader.

We have further revised our Assurance practice structure such that the Quality and Risk Management, Independence, Inspections and Monitoring functions remain distinct from Assurance operations, report to the Audit Quality and Quality Management Leader and are advised by the AQAC. Our Assurance Chief Risk Officer dually reports into both the firm's Risk Management Committee as well as to the Assurance Services Leader.

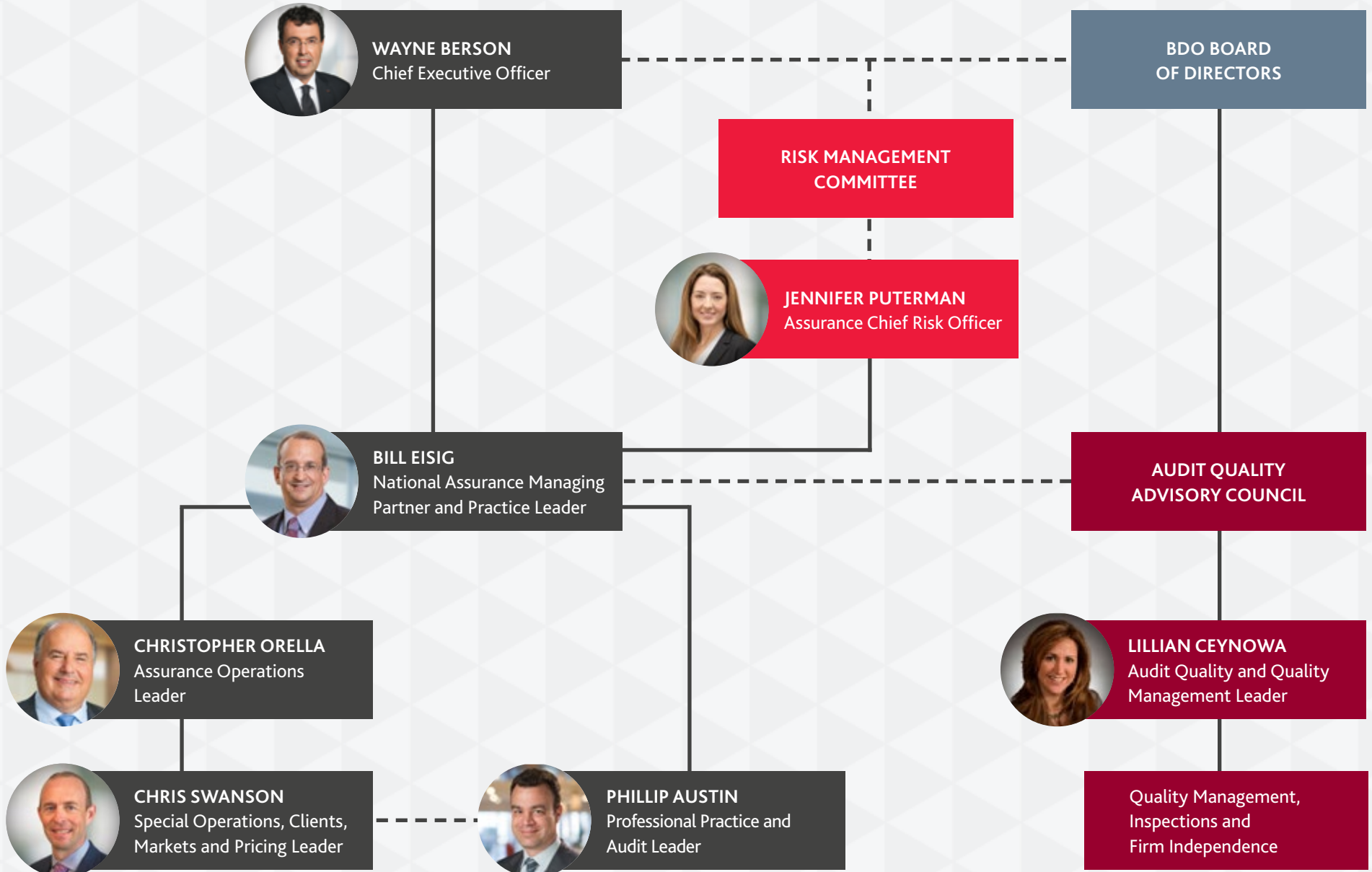
In 2022, Lillian Ceynowa, former PCAOB Associate Chief Auditor, joined BDO in the role of Audit Quality and Quality Management Leader. This role was formerly held by BDO Executive Team Member Christopher Tower, who was recently appointed to serve as BDO's first Environmental, Social and Governance (ESG) Strategy and Services Leader. Lillian brings over 30 years of significant public and private accounting and auditing experience, having spent more than a decade with the PCAOB and having prior experience working for the Center for Audit Quality, the AICPA and one of the largest global auditing firms.

"We have been highly intentional in the structural enhancements we have implemented over the past two years. We are already reaping the benefits that these seasoned professionals are making to our practice – both in their leadership as well as in the sharing of their experience in support of our Assurance operational and professional practice teams."

CHRIS ORELLA
Assurance Operations Leader



OVERALL ASSURANCE STRUCTURE



PROFESSIONAL PRACTICE LEADERSHIP TEAM



BILL EISIG
Assurance Services Leader



PHILLIP AUSTIN
Professional Practice and Audit Leader



TIFFANY PRUDHOMME
Quality in the Regions and Industry



JIM WEBER
Audit Quality Team



AMY ROJIK
Governance and External Communications



SERGEY STARYSH
Global Offering Support Services



ADAM BROWN
Accounting



STEVE MANIACI
Tax Audit and Accounting



PATRICIA BOTTOMLY
Audit Methodology and Consultation



MICHAEL BECKER
Assurance Learning and Development



ANGELA NEWELL
Accounting



JAMES GERACE
Private Company, Expansions & Alliance



TIM KVIZ
SEC Services

Our expanding Professional Practice group operates under a common set of execution goals and service delivery objectives shared with our Assurance Services professionals. Professional Practice functions are led by experienced managing partners and professional teams under the oversight and direction of Phillip Austin.

Ratio of Professional Practice, Quality, Compliance, Independence and Risk Management professionals to Assurance professionals:

1:21
FY 2021

1:23
FY 2020

1:23
FY 2019

1:26
FY 2018



275,000+

Audit Quality Hours contributed by Professional Practice professionals. An **increase of 15%** from FY2020.

DEPLOYMENT OF TECHNICAL RESOURCES

Leveraging the foundation we built over the past several years, inclusive of methodology, technology and tools as the base from which audits are performed, putting technical professionals in closer proximity to engagement execution emerged as the next critical element to drive quality outcomes. We have increased the assignment of technical resources that include Regional Technical Partners (RTPs), Assistant RTPs and our Audit Quality Director (AQD) network to work directly with engagement teams to enhance their access to deep technical and subject matter knowledge.

We further aligned professional practice and quality management functions under the leadership of Tiffany Prudhomme to oversee three superregional cohorts and industry groups to align deployment of resources with the objective of delivering the best technical outcomes.

We provided additional subject matter specialists from our Accounting, SEC and other Professional Practice groups to assist engagement teams in the risk assessment, audit and control response for areas of increasing complexity and judgment.

For example, in response to inspection finding trends, we are continuing to increase specific subject matter resources in the areas of:

- ▶ Business combinations
- ▶ Revenue recognition
- ▶ Issuer internal controls over financial reporting (ICFR)
- ▶ ASC 740 and income tax considerations
- ▶ Valuation matters
- ▶ Going concern
- ▶ Impairments

Angela Newell has been appointed Deputy Managing Partner of National Accounting to enhance oversight and resource allocation of our expanding national consultative group of accounting technical professionals.

Recognizing that information systems (IS) knowledge, skills and experience are critical for audit execution, we continue to make significant investments in, and enhance access to, our deep bench of IS Assurance professionals. In 2021, Jeff Ward was appointed as the executive leader for oversight of our nationalized Information Systems Assurance practice, and Thomas Furnari has joined the firm as the practice lead for IS Assurance with responsibility for aligning the deployment from a regional approach to a prioritized approach based on complexity, systems, industry and geography.

"I welcome the opportunity to lead our growing group of technical practice professionals who provide the direct access for our engagement teams and our clients to the knowledge, skillsets and resources necessary to address the industry-specific and subject matter issues we surface at our respective clients."

TIFFANY PRUDHOMME

Quality in the Regions and Industry Leader, BDO USA, LLP



"As regulators continue to deliver on promises to enhance transparency and accountability to public markets, BDO is taking appropriate steps to increase experienced technical resources and protocols to assist our engagement teams in meeting their increasing financial reporting and auditing obligations."

TIM KVIZ

SEC Services Leader, BDO USA, LLP



"Our business combination subject matter specialist was critical to enhancing our overall understanding and audit documentation in this audit area. Furthermore, the enhancement of our risk assessment judgments allowed us to demonstrate our knowledge of the transaction and, holistically, of the business. The engagement team was able to focus on meaningful audit procedures that allowed us to easily articulate our risk and response during inspection. Perhaps even more valuable than our successful inspection was the education of our team members in efficiently and effectively auditing this area."

SEAN CONTI

Assurance Engagement Partner, BDO USA, LLP



HUMAN CAPITAL PERSPECTIVE ON AUDIT QUALITY

First and foremost, audit quality is driven by skilled people, doing evaluative, insightful and impactful work. Our culture reflects our core value of people first. While we are well informed by our professional performance reviews, internal and external inspections and our client satisfaction processes, in order to truly understand and meet our professionals where they are, we need to understand their mindset. Annually, we conduct two separate surveys: Our firmwide *Pulse Survey* and our *Audit Quality and Operational Excellence Survey*. The results of both are used to inform firmwide and Assurance-specific investments and actions aimed at enriching our culture, enhancing employee satisfaction and retention, achieving strategic objectives and delivering on our promise to provide the highest quality service to our clients.

ASSURANCE PRACTICE PERSPECTIVES ON AUDIT QUALITY

Our annual survey of Assurance professionals was conducted in September 2021 to see their views on delivering exceptional client service and high-quality audits. While we continue to be pleased with our trendlines, we are proactively addressing common themes, including the most prevalent ones regarding resourcing, reflected in the over 1,400 qualitative comments and suggestions provided by our people. The information gathered through this initiative provides further data points used to inform continual improvements and innovations to enhance the following areas:

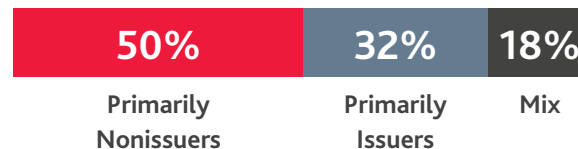
- ▶ Our audit methodology, tools, technologies, policies and guidance.
- ▶ How we engage and interact within our teams and across our practices through dedicated technical resourcing.
- ▶ Our capacity and ability to work smarter.

SURVEY RESPONDENT DATA

Tenure with BDO



Engagement Type Served



“Prioritizing culture means prioritizing a people-first approach to growth and development. That means balancing investments in critical infrastructure, technology and operations with the investments made toward the well-being, technical skills and professional growth of our professionals. It is the people who will be able to ‘activate’ the operational investments for the benefit of delivering high-quality work.”

CATHY MOY

Chief People Officer, BDO USA, LLP



OUR ASSURANCE PROFESSIONALS RATE BDO AS "VERY GOOD" TO "EXCELLENT" ON THE FOLLOWING:

	2021	2020	2019	2018	2017
I believe I am personally responsible for our delivery of audit quality.	4.7	4.8	4.7	4.7	4.7
I believe I personally can have impact on executing on our audit quality commitments.	4.7	4.6	4.5	4.6	—
I believe my most direct supervisor demonstrates an effective commitment to audit quality.	4.6	4.7	4.5	4.6	4.5
I understand what is expected of me with respect to audit quality.	4.4	4.5	4.5	4.5	4.4
I believe the teams I supervise demonstrate an effective commitment to audit quality.	4.4	4.4	4.4	4.4	4.3
I am supportive of the direction we are heading with respect to audit quality and effective audits.	4.2	4.3	4.3	4.3	4.1

Results are based on a 5.0 scale. All ratings are rounded, thus a 0.1 change may be statistically inconsequential.

BDO FIRMWIDE PULSE ON PROFESSIONAL ALIGNMENT WITH QUALITY

Annually, we conduct a pulse survey of our professionals firmwide to recognize their views on areas that drive audit quality — leadership, communication, development, empowerment and team engagement:

SAMPLE SURVEY QUESTIONS	RESPONSE RATE			
	2020	2019	2018	2017
Engagement teams and leaders clearly communicate their expectations and commitment to executing high-quality work for our clients.	4.8	4.7	4.6	4.6
With rare exception, my coworkers perform their jobs at a high level.	4.7	4.7	4.7	4.7
At least one of the leaders in my practice or department cares about my development.	4.7	4.7	4.7	4.7
Firm and office leadership communicate clearly and often to our staff about BDO's commitment to quality.	4.6	4.6	4.6	4.5
I know the expectations of my performance.	4.7	4.6	4.5	4.5

Results are based on a 5.0 scale. The 2021 pulse survey was launched in late 2021.



AUDIT QUALITY BEHAVIORS AND MONITORING ACTIVITIES

We continue to emphasize to our professionals, at all levels, proven behaviors that drive audit quality:

Encouraging Behaviors That Drive Audit Quality



Seek appropriate level of audit, accounting and industry knowledge and experience.



Perform robust risk assessment and link to focus areas of audit execution.



Demonstrate professional skepticism and apply our Professional Judgment Framework.



Align appropriate audit resources with significant identified risks.



Apply appropriate level of supervision and review in alignment with perceived risk.



Exhibit appropriate audit mindset.



Be independent in both fact and appearance.



Conduct work ethically and morally.



Gather appropriate and reliable audit evidence.



Remain current on emerging areas of risk and opportunity.



Comply with laws and regulations.



Be a mentor and a coach.



Project manage the necessary sequencing and timing of audit work.



Comply with professional standards and firm guidance.



Evaluate and challenge assumptions, estimates and assessments.



Use firm templates, practice aids and tools to document work and conclusions reached.



Continually assess resource management and deployment.



Evidence appropriate review controls and control design.



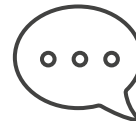
Sufficiently leverage capacity and resource allocation.



Embrace emerging technology, data analytics and automation.



Integrate information systems, valuation and tax professionals.



Appropriately consult on audit, accounting and reporting matters.



Provide timely feedback and audit insights.



Communicate and address audit issues as soon as they arise.

In the remainder of our report, we shall emphasize certain of these focal behavioral areas for 2021/2022 audit quality in action.



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Alignment of Audit Quality and Firm Strategy – People, Clients and Communities

Our Assurance leaders are focused on employing our audit strategy in alignment with BDO's corporate goals and objectives, as defined by our Executive Team and approved by our Board of Directors, and supported by our core purpose of helping people thrive every day. This includes enhancing our inclusive culture, executing properly sequenced and insight-driven audits and addressing capacity requirements.

INCLUSIVE CULTURE

BDO has long been building a world-class, purpose-centered culture where people feel empowered to do their best work and be their best selves because of the many characteristics that make them unique. Broad representation of various identities, abilities and experiences makes for a stronger team environment and better client service. We are committed to continue the difficult but rewarding work of creating a culture we can all be proud of and feel included in because of our ongoing efforts and progress toward our diversity, equity and inclusion (DEI) goals. We have shared our commitment to DEI in our [inaugural transparency report](#), as well as in the forward actions that we will continue to pursue to create a people-first, purpose-driven environment.

While we are proud of the progress we've made in creating an inclusive culture, we continue to strive to do better. Acknowledging the demographic makeup of our professional workforce is an important element of accountability. In addition to demographic information provided in our firmwide transparency report, we are sharing additional assurance-specific detail here.



READ

[BDO'S INAUGURAL DEI TRANSPARENCY REPORT](#)

Assurance Client-Facing Women:

43%	41%	41%
FY 2021*	FY 2020	FY 2019

Assurance Client-Facing People of Color:

33%	29%	32%
FY 2021*	FY 2020	FY 2019

*As of 12/31/2021

"Curiosity and good questions are improved by diversity of backgrounds, thinking and approaches to problems. Inclusion of all voices and different points of view strengthens the way we address challenges that arise in performing effective financial statement audits."

PHILLIP AUSTIN

Professional Practice and Audit Leader and Co-Chair for Women's Inclusion, BDO USA, LLP



AUDITS POWERED BY A PEOPLE-FIRST CULTURE

We know that our people do their best work when they can be their best selves. We continuously invest in cultivating a workplace culture that empowers our professionals — whether it's through our workplace flexibility strategy, mental health and wellness resources, or supportive programs geared toward helping people navigate uncertainty and manage stress.

Perhaps at no other time in recent history has the ability to lead, support and empower our professionals been more critical. BDO was well positioned to respond because of our historical investments in our culture and in our own digital transformation. In 2020, we needed to adapt quickly and shift to a completely virtual environment, which was greatly enabled by our globally developed audit methodology and technology. While technology is a critical factor in successfully executing remote audits, those audits are still led and conducted by people who must skillfully leverage those tools and collaborate in a virtual environment.

Furthermore, the success of an audit is based on the curiosity and questioning mindsets of diverse co-workers devising proper audit responses to address distinct situations. This is cultivated by a leverage model that blends experience with timely engagement, supervision and development of staff.

ASSURANCE CLIENT-FACING STAFFING LEVERAGE RATIOS

1 to 1.8

Partner to Manager

1 to 4.3

Partner to Staff

1 to 2.5

Manager to Staff

We are proud of the continued recognition we have received for our culture and workplace.

Sample of BDO 2021 Workplace Awards Received



Top Entry Level Employers
CollegeGrad.com



Vault Accounting 50, Best Internships
Vault.com



Fourth Best Firm to Work for
Among all National Firms
Vault.com



Best Places to Work for
Parents Working Remotely
Fatherly.com and Scarymommy.com



CAPACITY AND RESOURCING: ATTRACTING, CULTIVATING AND RETAINING TALENT

Our Challenge:

According to the Bureau of Labor Statistics, the professional services industry experienced an average 25% voluntary turnover rate in 2021. We recognize that the past two years of economic, societal and health crises have made professionals pause and consider how they wish to work going forward. That may take many different forms: desire for more flexibility; location of physical workspace; increased engagement; more challenging assignments; evolving compensation and benefits structure; and the list goes on.

Our Response:

At BDO, we believe providing an environment that allows professionals to thrive takes into account all of these factors and more. We promote continuity on our engagements to enhance the depth of knowledge and industry-specific insight of our professionals and develop relationships with our clients to inspire trust and open communications. We actively manage workload and provide avenues for real-time performance feedback, timely coaching and leadership development. **The better we support our people, the better we can serve our stakeholders.**

As we build our pipeline of talent, we continue to invest in the recruitment, development and retention of highly engaged and technically proficient people. This includes adapting in-person hiring practices and carrying on our robust internship and rising college junior [Pathway to Success](#) and Career Readiness programs for freshmen and sophomores to remote environments.

Enhancing our service capabilities in developing areas of risk and opportunity requires the ability to provide experience along with timely insight. Amid increasing financial accounting and reporting demands on our clients and the advancement in technology and tools enabling more timely and meaningful analysis, we have been focused on building our capacity. This includes significant recruitment of experienced partners and leaders into our multi-disciplinary practice with deep industry, accounting, auditing and reporting knowledge and supervisory skills.

In the 20 months ended 12/31/21, we welcomed **57** partners as well as **879** experienced staff through director-level professionals to our Assurance practice.

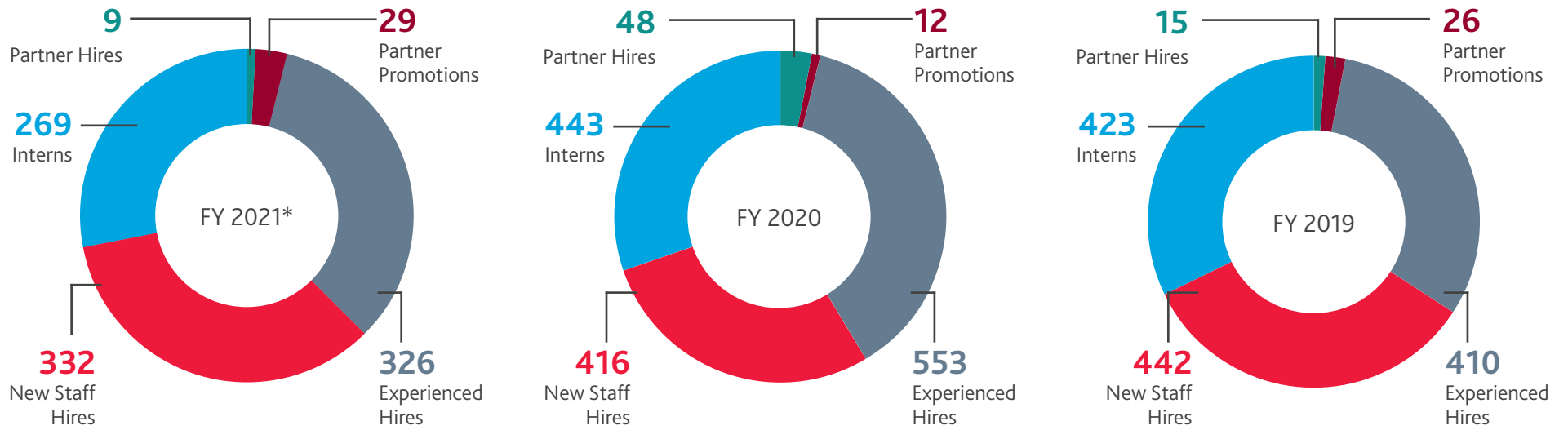
"I believe the firm and its leadership are strongly committed and going in the right direction in terms of audit quality and operational excellence. In my view, in the current war for talent, finding the right type of competent people with high character and core values is a key challenge to execute and achieve the goal."

ASSURANCE DIRECTOR

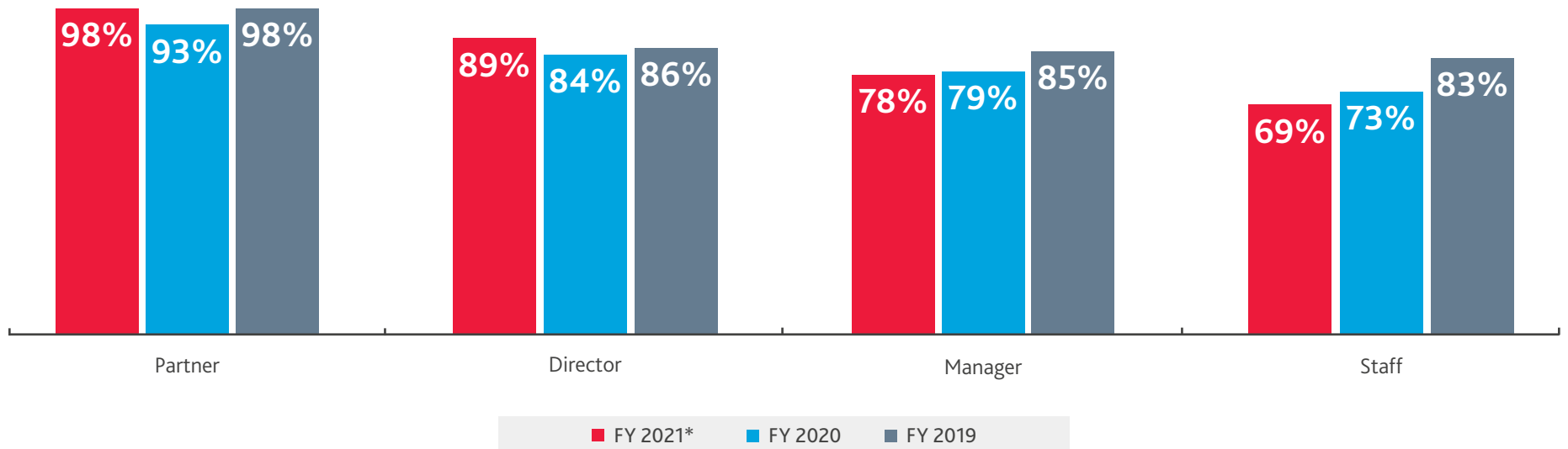
Respondent to 2021 BDO Audit Quality and Operational Excellence Survey



Assurance Recruitment



Assurance Retention



* FY 2021 reflects an 8 month period from 5/1/2021 to 12/31/2021.

Another important trend in the U.S. and other markets is a significant decline in the number of accounting graduates compared to the opportunities that exist within the profession. Accessing other geographic markets that have qualified accounting and auditing professionals, who possess sought-after skills, has had proven success within the auditing profession for more than a decade. By expanding our service center approach to our audits, we've not only alleviated resource strains on our core engagement teams but provided the avenue for our professionals to dedicate more focused time on identified higher-risk areas of our audits.

The following are examples of how BDO USA is building out and utilizing centralized service centers across multiple geographies to address resourcing needs and capacity considerations. Each professional within these centers is provided a robust educational onboarding, which includes integration within engagement teams and assimilation in terms of alignment and expected responsibilities.

BDO Centralized Service Centers and Contracted Professional Labor



BDO COLUMBUS BUSINESS SERVICES CENTER (BSC)

Established in 2016 to enhance the firm's operating model by creating a central location for executing and handling many of BDO's standard and routine operational tasks to optimize operations, facilitating business growth and supporting the development of its professionals, while still promoting consistent high-quality service delivery.



BDO RISE INDIA (RISE)

A BDO subsidiary nearing 1,500 chartered accountants and other certified professionals who work under the direction of U.S. engagement teams. Work performed by RISE professionals is included within BDO USA audit hours.



BDO SAPRO

A contracted labor source that recruits South African chartered accountants assigned exclusively to BDO USA who work under the direction of U.S. engagement teams. Work performed by SAPRO professionals is included within BDO USA audit hours.



BDO SOUTH AFRICA

A member firm of the BDO Network and a PCAOB registered firm with a rigorous protocol on training and quality control, and professionals with relevant prior experience on PCAOB audits, work as contracted staff under the direct supervision of the U.S. engagement team on certain U.S.-based audits.*

*Note: Use of professionals from these entities is considered use of other auditors under auditing standards.

During FY2021, **over 400,000** audit hours were supported by our service centers and contracted professional staff. Through the first eight months of FY2022 (May-December 2021), an **additional 9%** in audit capacity has been added as we continue to expand this leverage model. Based upon our Assurance practice headcount as of 12/31/2021, that would represent approximately an **additional 8%** increase in full-time equivalent (FTE) Assurance professionals. To date, several thousand engagements have benefitted from these resources.

"After spending three years with industry, I returned to the profession through BDO RISE and I found the transition to be smooth, thanks to the extensive New Hire onboarding program of BDO USA. Additionally, customized local trainings are delivered by BDO RISE industry leaders to onboard new hires into industry specific teams. BDO RISE also facilitates informal Lunch & Learn skills sessions on topics such as Advanced Excel skills, APT and BDO Audit Methodology for all levels on a regular basis, which helps the RISE professionals to assimilate into BDO Engagement teams."

AFZAL KHAN MOHAMMED
Professional Practice Director - BDO RISE



SERVICING CLIENTS: FOCUS ON PROJECT MANAGEMENT

The orderly sequencing of an audit provides the best conditions for high quality processes of assessing risk and internal controls and performing audit procedures in a manner that supports evaluative inquiry and effective professional skepticism. Through the deployment of consistent methods of project management, using tools and technology enablers, and aligning around a common approach to audit milestones, our engagement teams are equipped to address the most important aspects of an audit at the appropriate times, using the best resources, and in a manner that provides audit committees with the right information early and often throughout the audit.

As part of our firmwide approach to Project Management (PM), the Assurance practice has appointed an experienced partner who oversees a group of approximately 20 geographically dispersed Assurance Project Management Enthusiasts (PMEs) whose objectives are to:

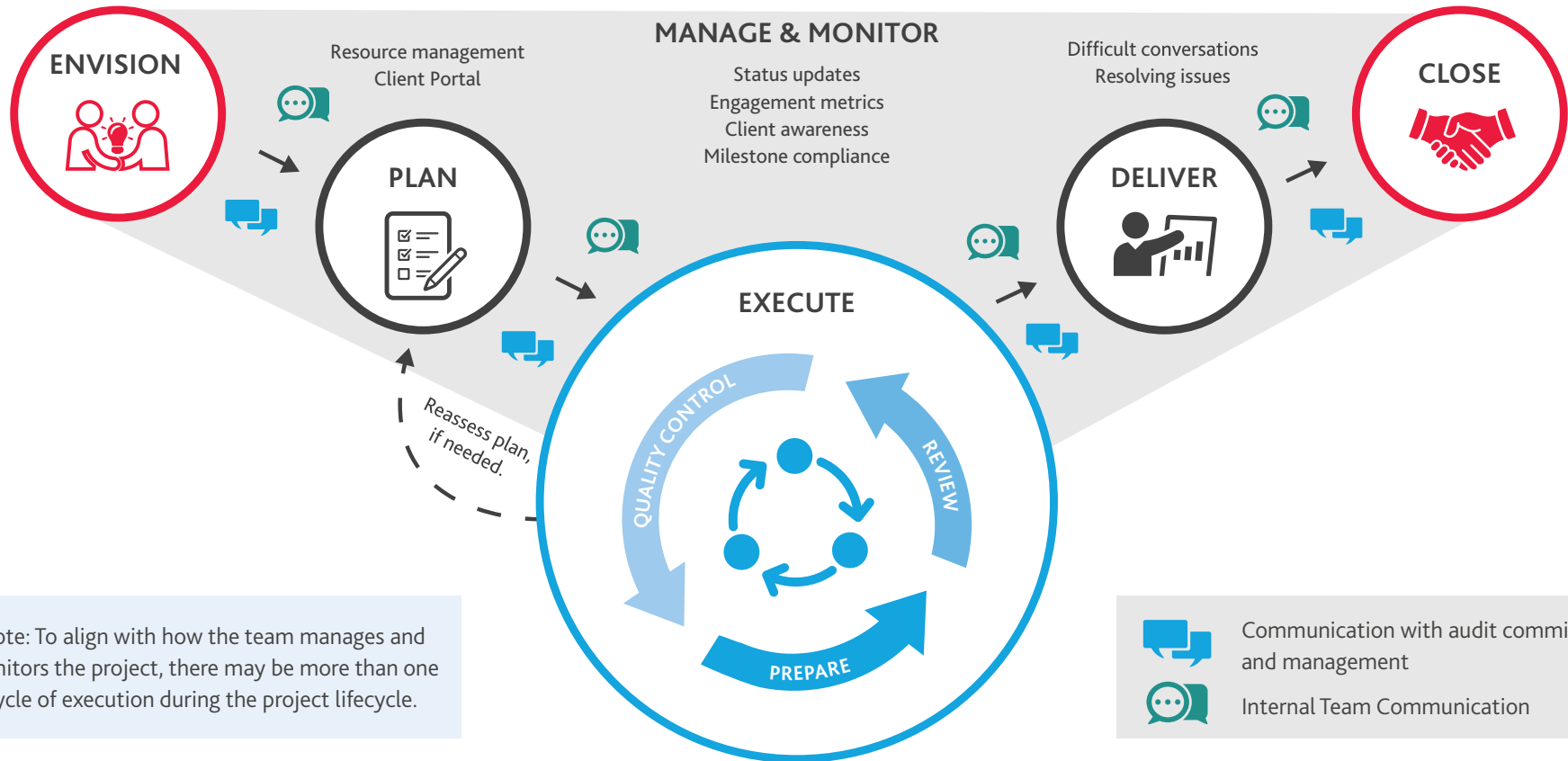
- ▶ Assist in identifying training needs and gaps in our common approach to PM for all Assurance professionals.
- ▶ Identify and collect resources/best practice examples from across the practice areas for consideration and use as part of our audit delivery and execution.
- ▶ Work directly with Assurance practice professionals to help embed principles of PM and cascade evolving practices, tools/templates.

In line with the PCAOB's *Spotlight: 2021 Conversations with Audit Committee Chairs*, we run audit projects support an auditor's communications with audit committees enabling timely, well prepared, and focused dialogues on the matters of the highest priority. Audit committees also value the avoidance of last-minute scrambles and surprises. Effective project management is essential to meeting these expectations.



Specifically, our PMEs are:

- ▶ Designing a workflow that can be used for any assurance project.



Note: To align with how the team manages and monitors the project, there may be more than one cycle of execution during the project lifecycle.

- ▶ Encouraging and supporting key behaviors that follow our PM guiding principles:



Expect increased and timely communication to all stakeholders.



Focus time and resources on the most important risks of material misstatement.



Use tools and resources selectively and effectively.



Ensure teams are properly empowered and intrigued by their work.



Build in mechanisms within PM lifecycle to allow for needed adjustments.



Set clear milestones with all stakeholders.



Properly identify and communicate matters related to risks present and the status of our audit response.

SERVING BROADER COMMUNITIES

As a firm, we touch multiple stakeholders. Specific to our audits, we consistently engage accounting and financial reporting staff, internal auditors, investors, controllers, future and current CFOs, as well as CEOs, audit committees and other members of the board on operational, accounting and disclosure issues that have direct impacts on the quality of financial reporting.

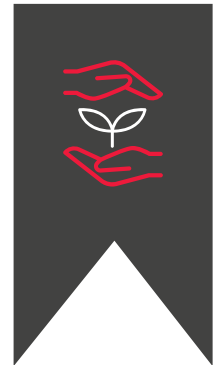
For example, within many of our practice offices, we offer timely CFO roundtables and Future CFO roundtables structured to discuss audit quality and emerging topics of interest to prepare these leaders for their current responsibilities as well as for next-step career objectives. Examples of roundtable topics presented in 2021 included:

- ▶ The Power of Purpose
- ▶ From Surviving to Thriving: Identifying and Healing Burnout
- ▶ Leading a Hybrid Workforce
- ▶ Cybersecurity
- ▶ Ransomware
- ▶ The Economics of Mutuality: Transforming Business for Good, Profitably and at Scale
- ▶ Navigating Stress and Anxiety During Challenging Times
- ▶ The Underappreciated Nexus Between Growth Capital and Storytelling... An Investor's Perspective

For our CEO network, we launched BDO's [Conscious Business Leadership Academy](#) (CBLA) bringing together classes of 25 sitting public company and private company chief executives across a broad industry spectrum for a six-month immersion learning program. This program, now in its second year, is founded on the principles of Conscious Capitalism, a concept developed by Raj Sisodia and John Mackey, Co-Founders and Co-Chairs of Conscious Capitalism, Inc. Mr. Sisodia along with Neha Sangwan, MD and CEO/founder of Intuitive Intelligence, lead BDO's program of like-minded CEOs to further the collective purpose of elevating leaders, transforming organizations and healing society. We have further expanded this offering as a C-Suite track as well.

As part of the continuing development of our own leaders, we are rotating our Executive Team through the rigors of CBLA to ensure the strategy of our firm is being led by future-focused individuals vested in the tenets of conscious leadership and good governance.

More broadly, we encompass BDO's philanthropic program, [BDO Counts](#), in how each of our 70+ offices and our professionals engage in giving back to the communities in which they live and work.

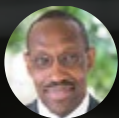


"As leaders, we have a responsibility to ensure that we are creating environments that foster the growth of our people while at the same time being empathic, inclusive and mindful about how our path to success impacts the communities we serve."



WAYNE BERSON
Chief Executive Officer, BDO USA, LLP

"As an entrepreneurial small-cap company growing rapidly and striving to impact the world positively, we need more from an auditor than just accounting compliance. We need an auditor who can help us consider all aspects of the business and ensure that we operate in a well-controlled environment. BDO has been phenomenal in helping us mature in our decision-making capabilities. BDO's Conscious Business Leadership Academy is an excellent example of its commitment to organizations and society as a whole. It has been a remarkable experience for me as a CEO to elevate my leadership skills and become a more effective leader."



BYRON L. BOSTON
President, CEO and Co-CIO of Dynex Capital Inc. and recent graduate of CBLA



● A Message to our Stakeholders



● BDO Audit Quality Highlights



● Audit Quality Centric – Structure, Resourcing and Perspective



● Alignment of Audit Quality and Firm Strategy – People, Clients and Communities



● **Enhancements to Audit Execution**



● Our Role in the BDO Global Network



● Our Role in Ensuring the Integrity of the Capital Markets



● Final Thoughts



Enhancements to Audit Execution

We view our audit process through investors, stakeholders and professional standards lenses, recognizing the need to perform the highest quality, compliant engagements that deliver timely insight into existing and emerging risks. This is further underscored by our adherence to performing the right tasks, by the right people, at the right time.

Relentless execution of our audits has been facilitated by a variety of actions:



EYE ON ETHICS AND INDEPENDENCE

Auditor independence, strong ethical principles and professional skepticism remain fundamental to the integrity of our profession and standards of the AICPA, PCAOB, SEC, International Ethics Standards Board for Accountants (IESBA) and other independence standard-setting organizations.

Our firm continues to closely monitor emerging and expected rules on independence impacting our firm and our professionals, and meets regularly with the SEC and AICPA to consult on issues, proposals and requested feedback impacting public and private audits. Internationally, BDO's independence professionals assist with independence resources, policies and monitoring for BDO's global organization, as well as enhancing our own firm policies and practices related to our U.S.-based clients who have global operations.

INDEPENDENCE PRIORITIES	SAMPLE ACTIVITIES ADVANCED IN FY2021/2022
 Firm compliance with professional independence & ethics standards	Updates to policies and controls responsive to evolving regulations.
 Personal independence compliance	Continued enhancements to the online, required BDO Investment Tracking System (BITS) and added additional automated Broker Feeds to track personal investments and ensure independence of our clients.
 Independence conflict checks	Continued expansion of real-time access to restricted entities information prior to client acceptance.
 Consultations	Additional guidance and support provided to domestic and international engagement teams for existing or potential client engagements, including current evaluation of policies and procedures with respect to ESG-related services.
 Private Equity considerations	Full implementation of Private Equity process enhancements and issuance of a significant amount of guidance to help our professionals and clients navigate the complex issues involving independence and private equity structures.
 New prospect check technology	Designed and built new domestic prospect checking system in 2021 — Ensemble — as an integral part of the firm's client services onboarding and risk management process. Among its many benefits, Ensemble will streamline and automate the conflict check process, improving the quality of our data and the user experience, while minimizing risk posed by potential independence and business conflicts. Plans for full implementation in Spring 2022.
 Firm expansion reviews	Applied enhanced due diligence processes for clients of firms joining BDO USA through expansion for independence, restricted entities and risk.
 Continuous education	Updated annual firmwide independence training for current and new professionals, inclusive of practical examples of emerging risks and evolving technical standards, rules and regulations.
 Communications and resources	Provided periodic dialogue, guidance and publications for BDO professionals highlighting independence matters.

ESSENTIAL RISK MANAGEMENT OVER CLIENT ACCEPTANCE AND CONTINUANCE

Our risk management oversight function includes our activities for accepting new audit clients and continuing to serve existing audit clients in the preparation of accurate and independent audit reports. The risk management oversight function is led by a Chief Risk Officer for Assurance, who reports to the National Practice Leader of Assurance and to our Risk Management Committee. (see [Overall Assurance Structure](#))

Our acceptance and continuance policies and procedures consider whether we have the appropriate time, resources and capabilities to perform an engagement including consideration of our independence as well as whether the fee takes into account the level of audit effort necessary to perform a high quality audit. Our process also considers, among other things, the integrity and reliability of an audit client in determining our acceptance or continuance conclusions.



INSPECTION INSIGHTS ARE CRITICAL TO RISK MANAGEMENT AND QUALITY ENHANCEMENTS

As a critical component of our broader quality management system, the process and related findings from our internal and external inspections of our executed audits inform our investment in continuous improvements to audit quality delivery, including active communications with and development of our professionals.

Highlights for the 2020 and 2021 internal inspection cycles overseen by Mike Fawley, Assurance Inspections Leader, and our dedicated Quality Management team of inspectors supported by experienced audit professionals from our Assurance practice included:



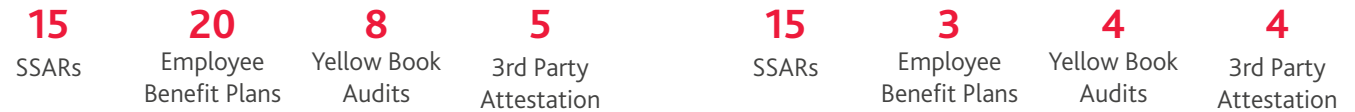
Internal Inspections Overview – Quality Management Team in Action

We continue to be served well by our internal inspection process and team.

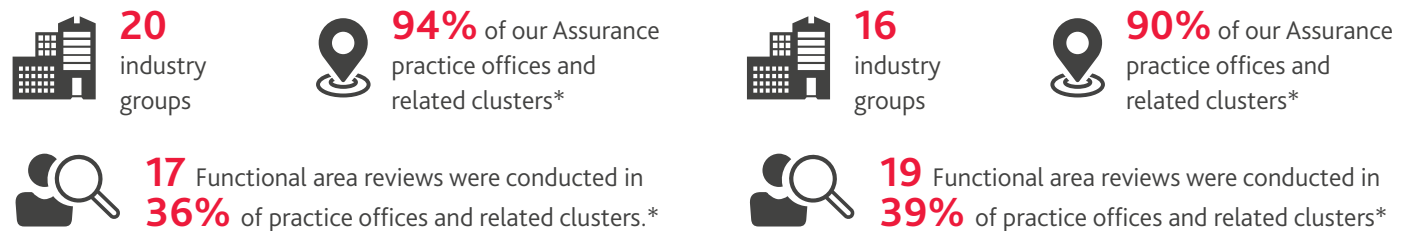
REPRESENTING



INCLUDING



COVERING



*Includes combined clusters of offices where one or two Office Managing Partners share the role.

In prior years, focus group sessions were performed in practice offices with small groups of experienced staff, seniors, managers and senior managers that included discussions of topics such as tone at the top, professional development, on-the-job training (OJT), supervision, performance review, assignment of personnel, independence and consultation/technical resources. These focus group sessions were replaced in 2020 with a survey to gain access to a broader number of participants and to provide measurable data by which comparisons can be made across the practice. This survey information has been used by leadership as another data point in underscoring our priority areas of focus for audit quality. Going forward, it will also allow for analysis of trends over time.

Quality Assurance and Gatekeeping Reviews

As a member of BDO International, each member firm undergoes Quality Assurance Reviews (QARs) performed by a BDO International member firm inspection team to provide assurance that the BDO member firm adheres to, and complies with, applicable professional standards, as well as BDO International's standards. Our latest report reflects an acceptable level of performance in all functional areas. BDO USA further contributes to the global QAR systems by providing six members of our national Professional Practice group who perform QARs of BDO International member firms.

Our team performed **55** gatekeeper reviews in the most recent period ended 12/31/2021 that included active registrants, clients in the IPO process, SPAC targets and reverse mergers.

² This includes approximately 60 Form 11-K benefit plan audits as of 12/31/2020.

External Inspections and Resulting Actions

AICPA Peer Review

As a member of the AICPA, we participate in a triennial external peer review of our Accounting and Assurance practice. Our last review report was issued in November 2021 and included an examination of 89 audits by a peer firm. The report concluded the system of quality control for our firm was suitably designed, and we had complied with our own quality control guidelines. The peer reviewer also concluded the system provided our firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The peer review report and the related AICPA Acceptance Letter can be found [here](#).

PCAOB Inspections

As a firm that audits well over 300 issuer clients², BDO USA is subject to annual inspection by the PCAOB. During 2021, the PCAOB issued two sets of inspection reports in June and November, respectively, for the six largest U.S. firms, including BDO's reports that covered the [2019 inspections of 2018 audits](#) and the [2020 inspections of 2019 audits](#).

In selecting issuer audits for review, the PCAOB uses both risk-based and random methods of selection. They make most selections based on (1) their internal evaluation of audits they believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. The PCAOB also select audits randomly to provide an element of unpredictability.

PCAOB Inspection Reports consist of:

Overview of the inspection, historical data by inspection year and common deficiencies.

Part I – Inspection observations:

- ▶ Part I.A: Deficiencies that were of such significance that the PCAOB believes the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion on the issuer's financial statements and/or ICFR.
- ▶ Part I.B: Deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

Part II – Observations related to quality control:

Criticisms of, or potential defects in, the firm's system of quality control. Section 104(g)(2) of the Sarbanes-Oxley Act (the Act) restricts the PCAOB from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of their report.

The PCAOB continues to adapt their inspection approach to market circumstances. In 2019, they established a target team to perform inspection procedures in areas of current audit risk and emerging topics that included:

- ▶ Planning and execution of multi-location audits, including risk assessment, principal auditor considerations, and communications between the principal auditor and the other auditor.
- ▶ Evaluation of the audit firm's determination and communication of critical audit matters (CAM), in particular to understand the policies and procedures firms put in place to support and monitor the effective implementation of CAM requirements and how audit teams implemented CAM requirements.

In 2020, to gain an understanding of how COVID-19 affected how firms performed procedures, the PCAOB target team focused on audits of issuers with fiscal years ending on June 30, 2020, and interim reviews of issuers for quarterly periods ending on or before June 30, 2020.

The recurring themes in 2019 and 2020 noted in our inspection findings relate primarily to work performed to address internal control over financial reporting (ICFR) and the testing of the completeness and accuracy of information produced by the entity.

More specifically, the most frequently identified deficiencies in Part 1.A noted by the PCAOB related to:

FINANCIAL STATEMENTS	INTERNAL CONTROLS OVER FINANCIAL REPORTING
Sufficient evidence as a result of overreliance on controls	Sufficient testing of the design and/or operating effectiveness of certain controls
Sufficient evaluation of the appropriateness of the accounting method or disclosure	Identification and testing of controls related to a significant account or relevant assertion
Sufficient evaluation of significant assumptions or data use in developing an estimate	Identification and/or sufficient testing of controls over the accuracy and completeness of data and reports
AUDIT AREAS MOST FREQUENTLY REVIEWED INCLUDED:	IDENTIFIED DEFICIENCIES OF TWO OR MORE INSTANCES IN PART 1.B RELATED TO:
Revenue and related accounts	Inclusion of all relevant audit documentation for retention
Business combinations	Documentation of making certain required communications to the audit committee
Income taxes	Communication to management, in writing, of all deficiencies in ICFR identified prior to issuance of the auditor's report
Allowance for loan losses	Omission in Form AP of information of the participation in the audit of certain other auditors or documentation of the computation of total audit hours

In connection with 2020 PCAOB inspections, there were no related restatements of issuer financial statements, or re-issuances of or modifications to our firm's audit opinions on the financial statements and ICFR. In connection with the 2019 PCAOB inspections, there was one audit identified to have an incorrect opinion on the effectiveness of ICFR and the issuer revised its report on ICFR, and we modified our opinion on the effectiveness of the issuer's ICFR and reissued our report. Additionally, during the 2020 inspection cycle, the number of industries with inspections findings was five, down from six in 2019 and 2018, respectively.

That said, we are not content with our findings, and, as previously noted in this report, we have made substantial changes to our structure and accountability model; capacity expansion, including the recruitment of experienced professionals; and resource deployment that we believe will make audit execution much more highly effective and efficient in future periods. We are strongly committed to achieving improved and more effective PCAOB inspection results and continue to make progress toward enhancing the quality of our audit.



PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

This portion of the report includes the PCAOB's observations relating to a firm's audit quality controls where improvements are recommended. In evaluating a firm's quality control, the PCAOB assesses the following areas as part of that inspection:

- ▶ Management structure and processes, including tone at the top.
- ▶ Practices for partner management, including allocation of partner resources and partner evaluation, compensation, admission and disciplinary actions.
- ▶ Policies and procedures for considering and addressing the risks involved in accepting and retaining clients.
- ▶ Processes related to the firm's use of audit work that the firm's foreign affiliates perform on the foreign operations of the firm's U.S. issuer audit clients.
- ▶ The firm's processes for monitoring audit performance, including processes for identifying and assessing indicators of deficiencies in audit performance, independence policies and procedures, and processes for responding to weaknesses in quality control.

The PCAOB has completed their assessments of the 2015 inspections of 2014 audits and all prior inspections. The one-year open periods for the 2016, 2017, 2018 and 2019 inspections have passed, but the PCAOB has not issued their final determinations on the firm's remedial activities related to those inspection reports.

We value the PCAOB inspection process as an independent assessment of our performance and the effectiveness of our approach to enhancing audit quality. Each year, our leadership team reviews comments promptly and then collaborates with appropriate Assurance leaders to remediate, improve, enhance and iterate our processes, tools and communication to make further progress.

Our most recent inspection cycle is the 2021 inspection of 2020 audits. Those inspections are not yet publicly reported. That inspection cycle has demonstrated that actions we have taken, and are continuing to take, are improving the outcome of PCAOB engagements inspected. In particular, our December 2020 year-end audits have shown improvements which address the core recurring issues outlined above.



AUDIT QUALITY IN ACTION

As part of our continuous learning and communication plans, our 2020/2021 inspection findings and related learnings were included in each of the following programs delivered to our professionals in the summer of 2020 through fall of 2021:



2020 ISSUER PROGRAM

The 2020 Issuer Program included four components to stage learning over an extended period to enhance understanding and application:

- ▶ Pre-Issuer Workshop series of topical learning bytes.
- ▶ Issuer Deep Dive Workshops — 37 sessions covering approximately 1,200 BDO Assurance attendees.
- ▶ Post-Issuer Workshop Engagement Team Meetings — performed for all issuer audits.
- ▶ Issuer Topical Matters self-study course.

The program covered and reinforced matters of frequent inspection findings through examples, interactive discussion and application to current engagements.



AUDIT QUALITY MATTERS

In December 2020, the National Audit Quality Control team published a document that was made available to the entire audit practice that highlighted areas of frequent deficiency from inspections of non-issuer audits in the current year. The publication also included paths to success and how to avoid such deficiencies, including resources available to the practice.



AUDIT QUALITY IMPERATIVES WEBINARS

Three mandatory webinars were conducted in 2020 and 2021 by key members of Professional Practice leadership and National Operations leadership that were required to be attended by managers through partners. These leaders provided messaging with respect to audit quality and our expectations of the Assurance practice. The webinars provided the overall results derived from the internal and PCAOB inspections, and they addressed the inspection findings and themes, causal factors and audit execution response, as well as observations noted from non-issuer inspections.



REGIONAL INSPECTION COMMUNICATIONS

Regional inspection results meetings were held in 2020 and 2021 to communicate inspection results to date. Upon finalization of the inspection season, Regional Inspection Reports were distributed to the Regional Managing Partners, RTPs and Professional Practice leadership. These reports summarize overall inspection coverage and engagement ratings, and they categorize the nature and frequency of findings from the engagement inspections.



CONTINUOUS QUALITY MANAGEMENT SYSTEM

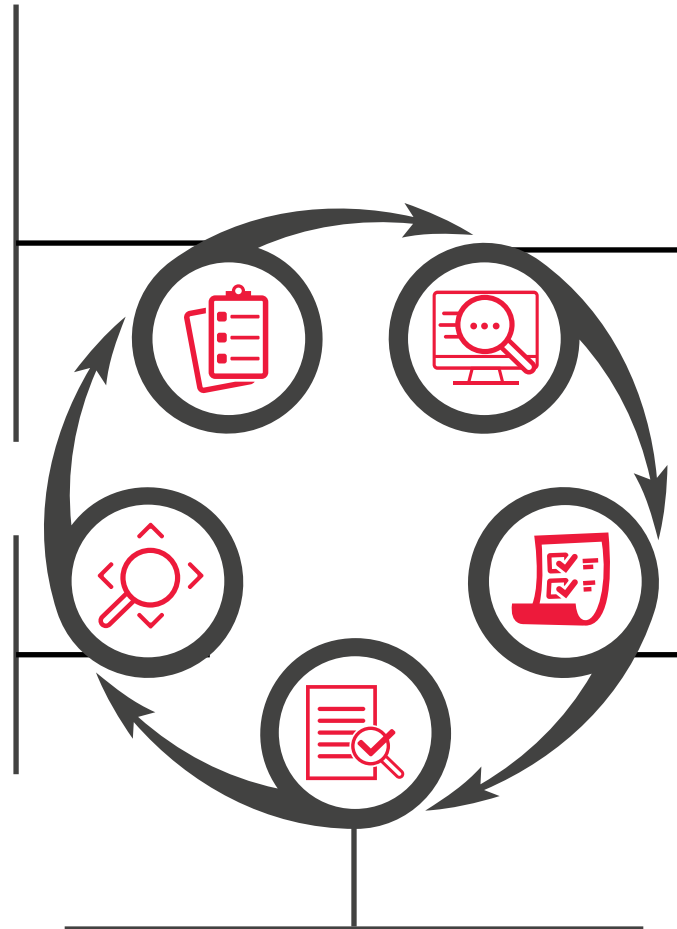
We have designed a set of activities and iterative processes for constant quality improvement within our system of quality management to be applied at any level – engagement, office, regional, component element or firm:

Ongoing Assessment / Improvement

- ▶ Routine reviews
- ▶ Surveys
- ▶ Interviews
- ▶ Data mining
- ▶ Hosted Audit Quality Leadership roadshows
- ▶ Offered weekly Issuer Audit Reminders
- ▶ Expanded capacity
- ▶ Audit quality indicators
- ▶ Leveraged technology: Engagement-level automations and guided data analytics
- ▶ Leadership interactions (Regional Technical Partner meetings, office visits)

Identify Areas for Improvement

- ▶ Monitoring source: inflight, post-implementation or ongoing assessment
- ▶ Context: standards, industry, recurring audit failures
- ▶ Causal factor to address



Inflight Monitoring

- ▶ Focused coaching
- ▶ Data mining
- ▶ Inflight reviews
- ▶ Interviews
- ▶ Consultation records
- ▶ Surveys
- ▶ Focused consultant reviews
- ▶ Leadership interactions (Regional Technical Partner Meetings)
- ▶ Expanded subject matter resource deployment
- ▶ Audit sequencing milestones
- ▶ Implementation of drive to adopt innovative tools and technology

Assess Responsive Actions

- ▶ Why is it going to work? (relevance and adequacy)
- ▶ Intended impact (define what would be effective)
- ▶ Test and prove (identify adjustments needed):
 - Pilot team/retrospective use
 - Subject Matter Team outreach
 - Desktop reviews/interviews

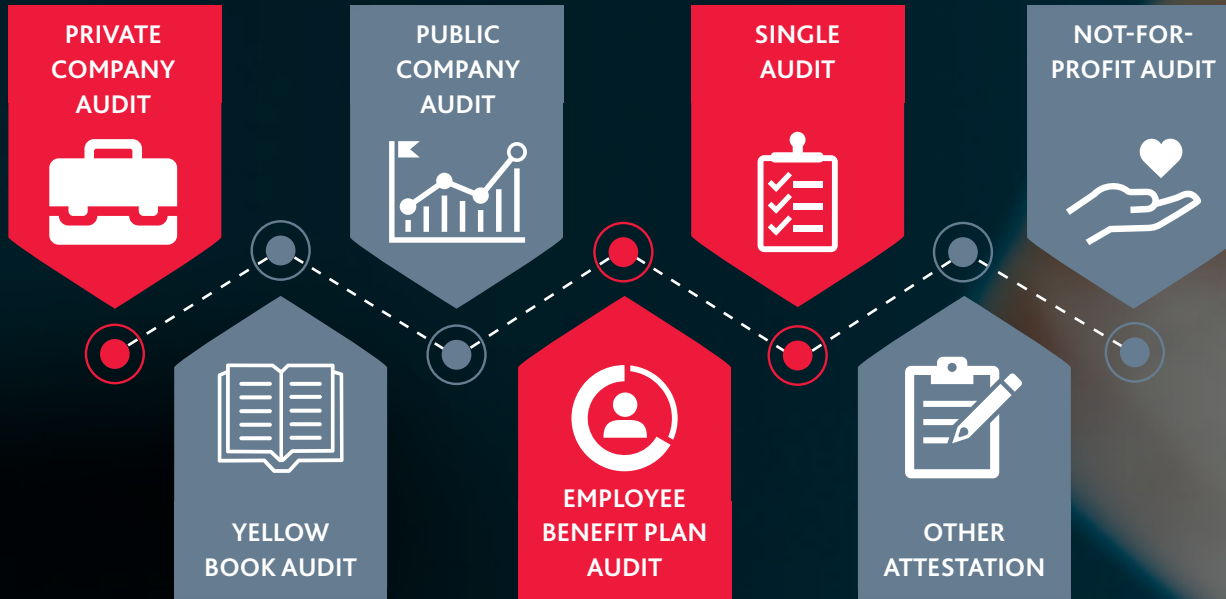
Post Implementation Assessment

- ▶ Internal inspection results
- ▶ Thematic reviews
- ▶ Causal factor analysis

Note: Not an all-inclusive list

CUSTOMIZING OUR AUDIT APPROACH TO REFLECT RISK AND OPPORTUNITY

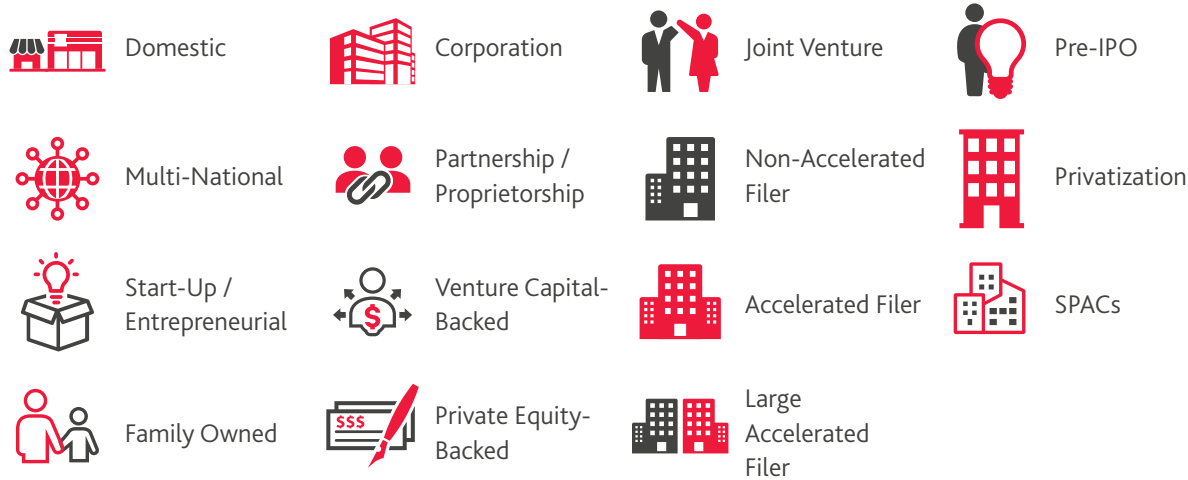
We recognize that while all audits demand the highest quality execution, there is not a one-size-fits-all approach. We strive to provide a customized experience that is suited to each individual client, the industry(ies) in which they operate and respective audit requirements under the appropriate professional standards:



This approach includes consideration of how we embed and use key tools, methodologies and resources in the design and execution of our data-driven compliant audits to provide real-time insights and automate routine tasks that take time from the critical areas of the audit. It also reflects the particulars of the client's operating environments, the nature of their business transactions and the capabilities and capacity of their management team and those charged with governance.

BDO Assurance Client Concentrations

Our client base forms a rich tapestry of private and public entities, from development stage companies to accelerated filers with multi-national operations, across both broad-based and concentrated industries:



FY21 Revenues



FY20 Revenues



FY19 Revenues



■ Assurance ■ Tax ■ Advisory



Our public company Assurance client engagements represent approximately **23%** of the Assurance practice revenues.

ASSURANCE INNOVATIONS AND TECHNOLOGY INTEGRATION



Collaboration & Accountability

Technologies that ensure mutual accountability between BDO and our clients.



Items that Matter Most

Advanced data analytics identify those items of interest that merit the most attention.



Automation & Integration

Support our professionals with bots, Robotic Process Automation (RPA), tools and integrations to enable rapid decision-making.

To meet the rapid pace of business acceleration where information is essential, BDO is concentrating on ways for our professionals to work smarter. Development and integration of technologies that provide more comprehensive data sets and tools allow us to perform deeper and more insightful analysis in support of high quality audits.

BDO Advantage

The BDO Advantage approach boldly incorporates state-of-the-art technologies and extraction and transformation service resources to:

- ▶ Design and deploy systems that facilitate how we work with our clients and with each other, across business lines and across borders.
- ▶ Enlist systems that securely extract client data and transform it into a language that our analytical tools recognize.
- ▶ Automate engagement-level routines and internal workflows.
- ▶ Determine what the data suggests about our clients' businesses and use that information to provide more insightful analysis to direct our audits to those aspects that have the highest potential to address risk.

"I've always believed that the future of audit is technology driven, as cliché as it sounds... I have realized at BDO that future is now."

ERIN TOLOOEE

Experienced Assurance Senior, BDO USA, LLP

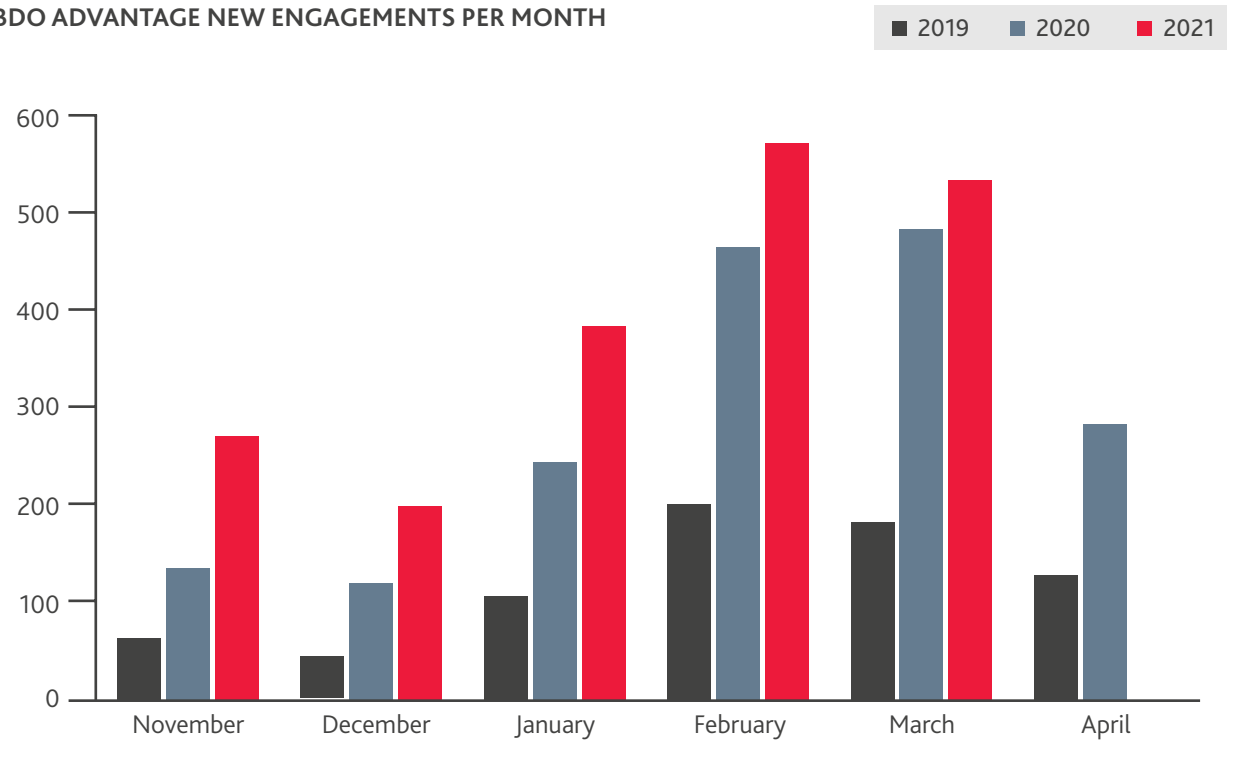


Our BDO Advantage suite of audit data analytics tools enables our teams to interact with an entire population of data quickly to identify those items of interest that merit the most attention. We are pleased with the trend of the increasing number of new engagements embracing BDO Advantage and our growing suite of general use, industry-specific and custom data analytics solutions to perform more effective and efficient audits.

Client Benefits:

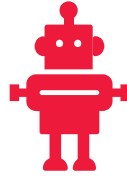
- ▶ Allows for analysis of 100% of a population.
- ▶ Professionals focusing on areas of risk and judgment.

BDO ADVANTAGE NEW ENGAGEMENTS PER MONTH



We are standardizing processes that drive expansive automation, digital relationship enablers and emerging technologies in support of our current and future assurance services work. This program is heavily invested in technologies to drive quality, growth, efficiency and capacity across our U.S. locations and our expanding, centralized service centers internationally. The program consists of three technology layers, with dedicated teams of professionals developing a steady stream of proprietary applications to advance the depth of our audit capabilities in real time and aligned with our client journey:

Engagement-Level Automations: Our workforce is augmented with a series of task-centric digital assistants and robotic process automations (RPAs) to handle and produce information for audits that do not require distinctly human capabilities.



Client Benefits:

- ▶ Integrated systems that streamline data processes.
- ▶ Effective use of resources.
- ▶ Increased data security.
- ▶ Competitive fees.

Foundational Technology: Designed to enhance availability of reliable, connected data for information management, analytics, insights and reporting:



- ▶ **BDO Global Client Portal:** Our one-of-a-kind portal provides a globally consistent, yet customizable, client-centric digital experience that delights users with forward-thinking design and fit-for-purpose functionality that ensures a universal BDO experience around the world.
- ▶ **Client Relationship Management (CRM):** Ability to manage our relationships with client and prospective client personnel and be highly responsive to needs.

Client Benefits:

- ▶ Secure online environment to exchange information with audit engagement team.
- ▶ Receipt of real-time progress of complex and distributed engagements.
- ▶ Access to thought leadership specific to the client's business, industry and interests.

Assurance Technology: Purpose-built systems to enhance client acceptance, onboarding and continuance, conflict checks and resolution, and independence:



- ▶ **BDO Prelude:** Centralized client acceptance procedures across business lines to drive efficiencies and downstream processes.
- ▶ **BDO Reprise:** Automated onboarding, evaluation and monitoring of clients to positively transform the experience of working at and with BDO.
- ▶ **BDO Ensemble:** Automated prospect checks by integrating with existing systems and applications to introduce business logic to minimize data errors and allow for efficient clearing of potential conflicts.
- ▶ **APT:** Electronic engagement management, risk assessment and documentation tool enabling global engagement teams to consistently execute efficient and effective audits in applying our global audit methodology.
- ▶ **Data analytics and business insights allow engagement leaders to reflect on engagement progression and execution:** e.g., consider how heavily substantive audit procedures (SAPs) are being used in relation to risk assessments.

Client Benefits:

- ▶ Match client size, complexities and risks of material misstatements with proper BDO knowledge and experience.
- ▶ Work with engagement teams who leverage project management and timely information to conduct audits in proper sequencing.
- ▶ Confidence in application of consistent audit methodology across multi-location audits.
- ▶ Application of routine processes and procedures frees up capacity for professionals to focus on significant risk areas.

By way of example, in July 2021, Perimeter Solutions — a global provider of lubricant additives and firefighting chemicals — invited its BDO audit engagement team to its NYSE bell-ringing ceremony in appreciation for the audit work done by the team on the company's initial IPO. To plan and perform the audit post-IPO, the team knew it would be critical to incorporate targeted revenue testing through use of analytics rather than a traditional test of details. The engagement team, with the help of the Audit Data Analytics team, designed a custom analytical test that allowed the team to visualize the annual activity for certain revenue streams and direct audit testing toward outliers during the period. The development of this custom analytic and adoption of other industry-specific and general audit data analytics saved the client and the team significant time gathering and vouching a high volume of random transactions. Boldly adopting new approaches allowed the team to ask more meaningful questions with respect to specific transactions and to provide valuable insight into the audit matters those transactions represented.



Pictured: Members of BDO's Perimeter Solutions engagement team: Assurance Director Veena Raja, Assurance Office Managing Partner Jason Taibel and Perimeter Solutions CFO Barry Lederman.

Not pictured: Assurance Partner Andrea Stevens, Assurance Partner Waylon Wood, and Experienced Audit Senior Justice Mapaika.

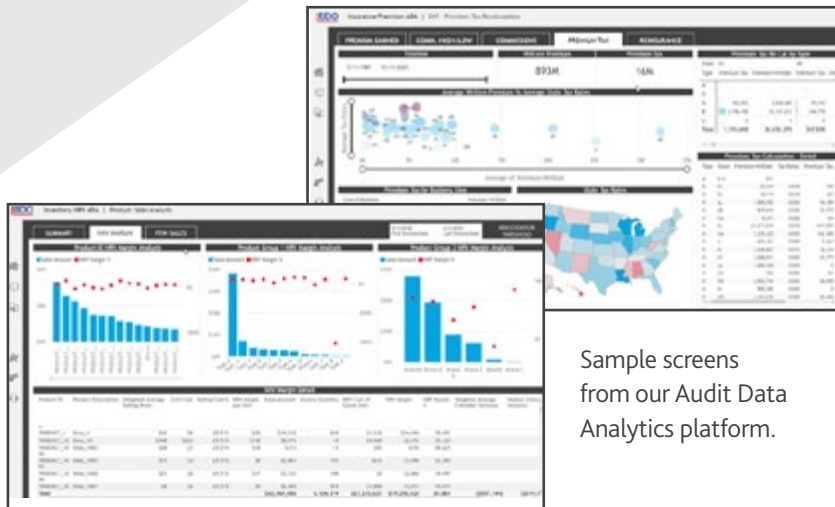


We are well on our way to achieving our innovation goals. To spur knowledge and enthusiasm, BDO dedicated November 2021 as Assurance inKNOWvation Month, to showcase evolving tools and resources to maximize engagement team knowledge and use.

83% of attendees found the innovation workshops helpful and indicated a solid understanding of the assurance innovations available to them.

Concurrently with the drive to adopt various technologies, our teams are further armed with the incremental ability to deploy guided data analytics capabilities that continue to expand through each phase of our audit, within key risk and assertion areas and applied customized application across the focused industry groups that we serve.

We invite you to learn more about BDO's technology and innovation focus areas [here](#).

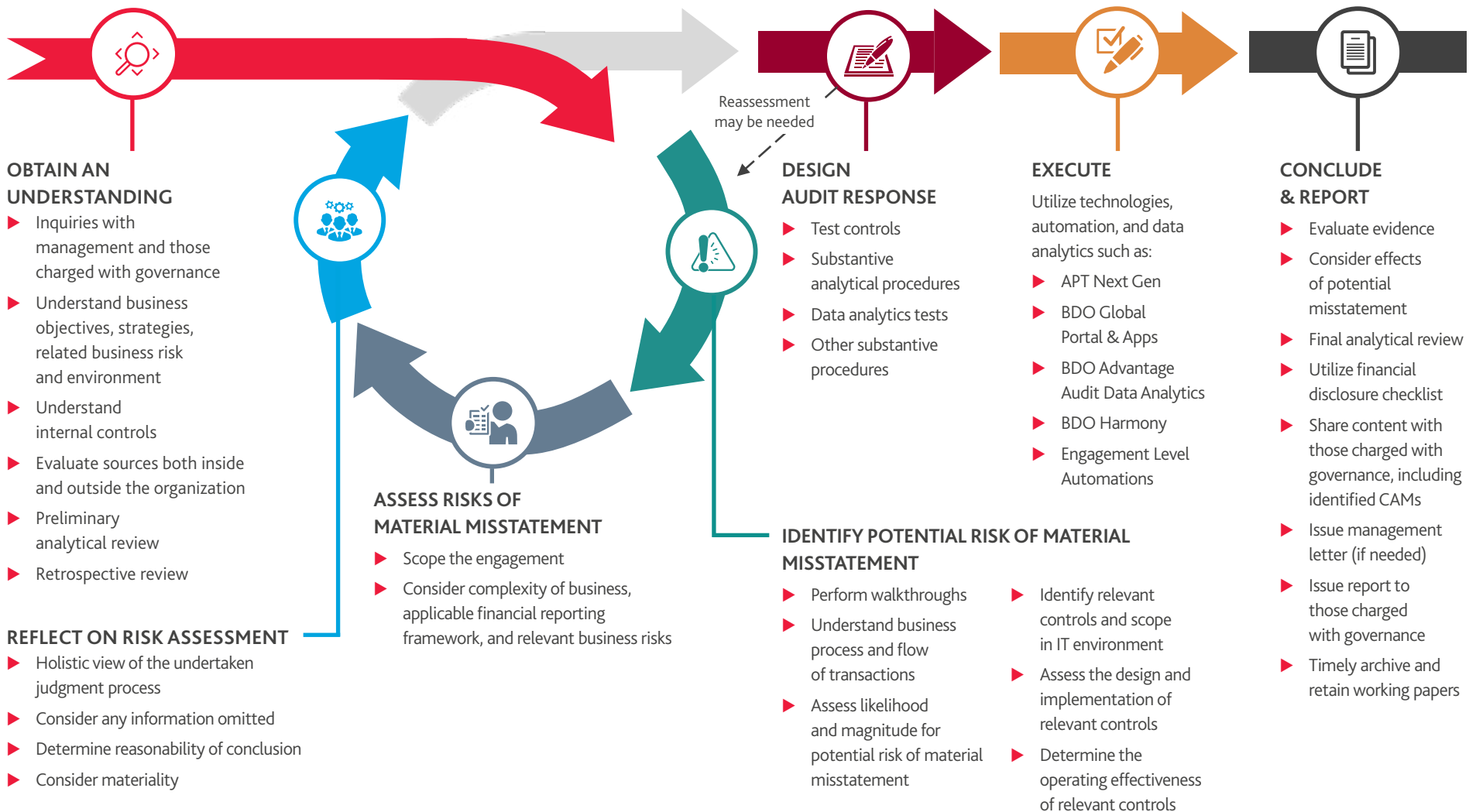


Sample screens from our Audit Data Analytics platform.

OUR APPROACH TO RISK ASSESSMENT

Risk assessment within a client engagement includes a thorough understanding of the entity that will lead to the identification and assessment of risks of material misstatement, whether due to fraud or error, in the financial statements and is fundamental to performing an effective audit under our BDO Audit Approach. The risk assessment determines the nature, timing and extent of further audit procedures to be performed. The evolving business environment, including the use of emerging technologies, has contributed to the need for standard-setters to re-evaluate and modernize the auditing standards. Similarly, we continue to evaluate our BDO Audit Approach, including our tools, technologies and frameworks that enable our professionals to properly scale our audit response and execute effective, efficient, technology-enabled and technically compliant audits for each individual client.

Our iterative, risk-based audit approach is as follows:



EXPANSION OF AUDIT-SPECIFIC SUPERVISION, REVIEW AND CONSULTATION PROTOCOLS

Our quality management system of supervision and review begins within the engagement team where the engagement partner and assigned engagement quality control reviewer (EQCR) set the tone and are expected to have deep knowledge of the client and related auditing, accounting, reporting and industry matters. This system is further supported and extended outside the engagement team to encompass various levels of consultation, review, supervision and monitoring performed by:

- ▶ **Industry, Subject Matter and Tax Specialists:** Professionals across our firm who possess specific subject matter and industry experience and knowledge identified to serve as resources for our engagement teams during the course of an audit.
- ▶ **Accounting, Auditing and Reporting Consultative Resources:** Technical professionals identified for having appropriate levels of knowledge, competence, judgment and authority to ensure our firm policies and procedures for consultation are executed to provide reasonable assurance that our engagement teams will seek assistance on accounting and auditing questions, to the extent required.
- ▶ **SEC Reviewers:** Network of highly experienced professionals steeped in public company and industry-specific financial reporting and disclosure.
- ▶ **Audit Quality Network (AQN):** A combination of local and regional technically proficient audit resources who share best practices, assist engagement teams and cascade enhancements, and contribute to changes in audit approach and innovations across our firm.
 - Over **320** members in the AQN, plus over **40** dedicated Audit Quality Directors.
 - Ratio of AQN professionals to Client-Facing Assurance professionals: **1 to 7**.
 - Ratio of AQN professionals to Client-Facing Assurance partners: **1 to 1**.
- ▶ **Regional Technical and Industry Group:** Provide technical support for accounting, auditing and reporting matters, and assist in certain risk management and quality matters.
- ▶ **Quality Management:** Oversees the Assurance practice quality control, review and monitoring program to provide a comprehensive and objective practice office inspection program that monitors compliance with professional standards and the firm's policies, as well as coordinates external inspections and oversight of the remediation of deficiencies identified through the quality control process.
- ▶ **Audit Quality Committee:** Specifically identified partners from both the Professional Practice group and the business line operations who collectively evaluate and conclude on partner performance related to audit quality that takes into account Assurance partner performance, inspection findings and other quality considerations, as appropriate.
- ▶ **Audit Quality Advisory Council:** Provides input regarding the Assurance quality management function and the Assurance services practice.



Our consultations and risk policy protocols are designed to drive collaboration with engagement teams in addressing technical accounting, auditing, taxation, independence and reporting issues as they arise during the course of the audit. This further includes considering impacts of rapidly emerging areas such as digital assets, cryptocurrency, cannabis and online gaming, as well as ESG matters, to allow us to position our people to discover evolving assurance needs and develop sound audit responses for our clients.

Our engagement teams are encouraged and expected to collaborate and consult on accounting, auditing, reporting and independence matters with our RTPs, SEC Reviewers and EQCRs and/or our diverse group of national subject matter specialists to ensure an emphasis on quality and compliance. As part of our ongoing dialogue within our practice, Professional Practice monitors our formal consultation log and also considers informal consultations to ensure that expected dialogues around complex auditing and accounting issues are being brought up by the practice and to raise emerging issues where we see trends for consideration for Professional Practice, Risk Management, Quality Control and our Independence groups and operational leaders to provide additional guidance, policies, communications and training.

In 2021, our most frequent areas of noted formal and informal consultations were:

- ▶ Materiality
- ▶ Revenue recognition
- ▶ Working paper access
- ▶ ICFR considerations
- ▶ Distinguishing liabilities from equity
- ▶ Going concern

We continue to closely monitor the trendlines of our consultative process and continually seek to understand the nature of issues raised to best direct our technical proficiencies and enhance speed of resolution to arrive at the correct conclusion through both our formal and informal consultative processes:

ANNUAL CONSULTATION SURVEY RESULTS				
	2021	2020	2019	2018
I have confidence that the consultation process achieved a well-considered and technically sound outcome.	4.7	4.7	4.7	4.4
The consultation improved my personal knowledge and understanding of the issue.	4.4	4.7	4.4	4.1
The consultation improved my personal knowledge of how the judgments were reached.	4.3	4.4	4.4	4.1

“We have focused on updating our methodology to provide appropriate guidelines for teams to better execute a targeted and effective risk-based audit approach, while continuing to meet regulatory and standard requirements. The framework allows engagement teams to focus their efforts, auditing smarter while maintaining the highest quality.”

PATRICIA BOTTOMLY

Audit Methodology and Consultations Leader, BDO USA, LLP



MULTI-DISCIPLINARY EXPERIENCE AVAILABLE TO OUR ENGAGEMENT TEAMS

Our clients operate in a dynamic environment and increasingly engage in transactions that create accounting and reporting considerations requiring specific knowledge and skillsets. We audit many companies that operate nationally and transnationally and across multiple industries where complex taxation, valuation, data privacy, cyber risk, digital transformation, supply chain, fair trade practices and other matters may arise.

As auditors, we rely on our tax and advisory colleagues to help us better understand the risks that may have significant impact on our client's financial statements. This further enables us to share timely insight and knowledge with our client's management and those charged with governance. As part of our audit planning and execution, we discuss with management and the audit committee how such skills are incorporated into the audit and share with them subject matter insights to better inform their operational decisions and financial reporting and disclosures.



14% of public company audit engagement hours were contributed by specialists.

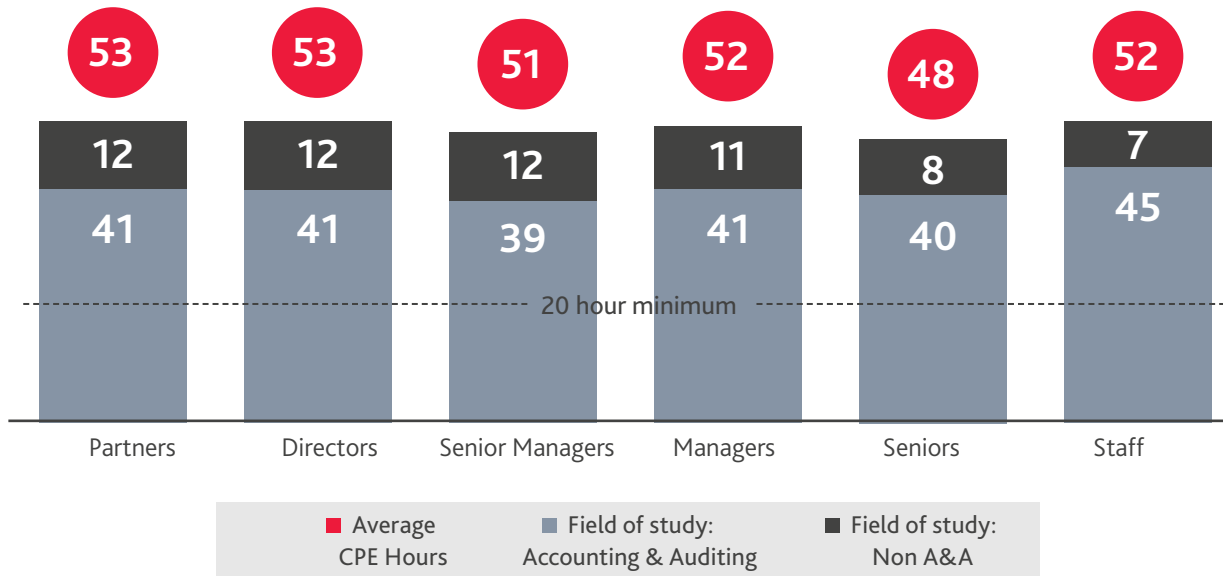


EMPOWERMENT THROUGH KNOWLEDGE: CONTINUOUS LEARNING REFLECTIVE OF EMERGING ISSUES

The continuous learning and engaged environment we have established at BDO affords our professionals with accounting, auditing and technical knowledge aimed at driving successful delivery of our audits. Our professionals are offered a variety of firm-developed mandatory and encouraged learning opportunities across multiple fields of study (FOS) that are both CPE and non-CPE worthy. The average hours below reflect continuing professional education (CPE) hours of learning provided by BDO and do not include learning hours outside of our firm's curriculum not reported by our professionals, including: other in-person or online courses, attendance at technical conferences, and time spent in review of trade journals, publications and other researching of information that our professionals normally engage in to remain current and enhance their skills.

Further, these hours do not reflect application hours that we have been introducing over the past several years to complement just-in-time coursework where engagement teams are assigned activities to timely apply auditing methodology and/or identify procedures relative to specific sequencing of audit execution work. Certain average hourly fluctuations between learning years may further reflect the variable nature of recent significant standards becoming effective and satisfaction of initial practice-wide issuer training requirements moving into a proficiency maintenance and development curriculum:

AVERAGE CPE HOURS OF REQUIRED ASSURANCE PROFESSIONAL LEARNING IN 2020*



From 2018 to 2020, on average our professionals received between **126%** and **153%** of the AICPA's required minimum 120 CPE hours over a three-year reporting period, or between **28-48** hours in excess of the expected minimum 20 CPE hours annually.

In 2021, the majority of our assurance training elements continued to be delivered virtually with the exception of several intentional hybrid offerings. For example, our Assurance operational and technical leadership visited office locations covering approximately 80% of our issuer audit engagement revenues to provide a targeted issuer training roadshow of consistent messaging to underscore areas of evolving standard-setting, inspection observations, emerging areas of risk and updates to firm policies. These sessions were further designed to allow for dialogue among practitioners and operational leaders to exchange ideas about enhanced client engagement and audit quality matters. Certain of our Regional Managing Partners (RMPs) provided similarly constructed offerings to their Office Managing Partners (OMPs) and local office issuer audit engagement partners to cascade the messaging for the remaining 20%.

Additionally, our Professional Practice and certain audit leaders facilitated approximately **70** locally held risk assessment workshops aimed at staff through partners to timely incorporate updated risk assessment methodology considerations into the audit. These were followed by intentional, guided activities among each issuer client audit team to affect real-time engagement risk planning and decision-making. These applied sessions accounted for an additional three hours of non-CPE learning in 2020 and five hours in 2021.

Continued Learning and Engagement

BDO professionals treat every day and every interaction as a learning opportunity. We leverage each other, as well as internal and external resources, to satisfy both required and recommended training and explore new areas of interest. Examples include:



Robust Firm-developed Curriculum

Consists of accounting, auditing, reporting, independence and industry-specific courses developed by industry and subject matter leads.



Degreed

Learning platform for skills from audit data analytics, to industry trends, to engagement management tips.



Professional Certification Programs

Specified blend of required learnings along with satisfaction of minimum experience requirements for: Issuer Engagements, Engagement Quality Review Control, Information Systems Assurance as well as ASC 740 Income Tax.



Design-Thinking Workshops

Firm-sponsored innovation workshops and listening programs designed to create state-of-the art audit methods, processes and tools.



Formal Mentor / Coaching Programs

Career advice and strategic leadership coaching workshops throughout a professional's tenure with the firm, further enabled through visibility to readily accessible online Learning Paths.



Engagement with the Profession

AICPA, FASB, IFAC and CAQ Task Force participation and leadership by numerous professionals, helping shape the future of the audit and our profession.



Conscious Business Leadership Academy

A year-long immersion learning founded on the principles of Conscious Capitalism delivered to like-minded CEOs alongside BDO Executive Team members to further the collective purpose of elevating leaders, transforming organizations and healing society.



Assurance Learning Process Response

Thoughtful adaptation of learning curriculum to achieve learning objectives while transitioning to virtual platforms.



APT Next Gen Learning

Planned modules to introduce the next generation of our enhanced global Audit Process Tool.



Audit Methodology Changes

Suite of learning and messaging intentionally aligned with the sequencing of our audit fieldwork and the availability of enabling tools and resources to guide the planning and execution of our audits.



Firm COVID-19 Policies

Firm policy changes to introduce increased levels of supervision and review of client-related disclosures for COVID-19 impacts as well as intentional adjustments to performing audit procedures in a virtual environment.



Engagement with Academia

Hosted by the University of Alabama and Brigham Young University to present BDO's Professional Judgment Framework in learning programs as part of practical curricula being delivered to the next generation of auditors.



National Office and International Secondments

We have well over 100 BDO practice professionals working in short-term and long-term technical roles within the BDO National Assurance Office or as International Secondees across 24 countries subsequently returning to practice offices to share knowledge gained.





● A Message to our Stakeholders



● BDO Audit Quality Highlights



● Audit Quality Centric – Structure, Resourcing and Perspective



● Alignment of Audit Quality and Firm Strategy – People, Clients and Communities



● Enhancements to Audit Execution



● **Our Role in the BDO Global Network**



● Our Role in Ensuring the Integrity of the Capital Markets



● Final Thoughts



Our Role in the BDO Global Network

BDO USA, LLP is the largest member firm of BDO's extensive global organization. As such, we value global collaboration and opportunities to lead as an imperative to excellence in client service. Our U.S. firm continues to provide significant resources and talent to help lead the creation and deployment of mission-critical technology and enablement tools used across our global organization, allowing for quicker decision-making based on more accurate information. These include the BDO Global Portal for Clients along with our shared Audit Process Tool (APT), as well as participation within the Global Audit Steering Committee and Audit Methodology groups to design the strategy for audit enablement within the global network. We currently have our Chief Information Officer leading the International Information Technology Committee in setting strategy for IT investment decisions, as well as our Chief Operating Officer serving on the Global Board Advisory Group. Additionally, both our Assurance Services Leader and Professional Practice and Audit Leader serve on the Global Audit Leadership Committee. We further participate in the global risk management and independence processes and committees in order to strengthen protocol and methods to preserve our professionals' independence and surface independence matters before they impact client acceptance and continuance decisions.

Our contributions help ensure certainty and a more consistent experience for clients — anywhere in the world they work with us — and prioritize compliance with U.S. authoritative standards and rules. In collaboration with our global counterparts, we continue to learn from each other and use global board and leadership meetings to share best practices, insights on emerging issues and opportunities for further development and enhancements in our audit approach. In addition, BDO USA leaders participate meaningfully in global initiatives related to all significant industry sectors.

BDO INTERNATIONAL

\$11.8 billion Revenues

42% Accounting & Auditing **22%** Tax **36%** Advisory (Consulting, Corp. Fin., Other)

7,234 Partners **76,467** Professional Personnel **97,292** Total Personnel **167** countries & territories

5th largest accountancy network in the world

1,728 offices



With respect to our foreign private issuer audits, we have measures in place to ensure that our professionals internationally have the ability to perform and comply with audit requirements under U.S. GAAP and GAAS. This includes specific learning opportunities, accreditation and consultation policies, as well as guidance for client acceptance. Additionally, a dedicated team of six Professional Practice professionals led by Sergey Starysh, Managing Partner of our Global Offering Support Services and former PCAOB professional, perform gatekeeper reviews of our BDO member firm audit engagements where related financial statements are filed with the SEC.

We are currently involved in **55** of these reviews that include active registrants and clients in the IPO process as well as SPAC targets and reverse mergers.

Certain of our Professional Practice members further perform Quality Assurance Reviews (QARs) to provide assurance that the BDO member firm adheres to, and complies with, applicable professional standards, as well as BDO International's policies.

Additionally, Phillip Austin, Professional Practice and Audit Leader, is working collaboratively with Andrew Buchanan, BDO Global Head of IFRS and Corporate Reporting, and an international team to ensure that our global audit methodology is appropriately considering and incorporating standard-setting aligned with the evolving integration of non-financial reporting qualitative and quantitative measures (Refer to [Quality in Action: ESG Expanding Stakeholder Centricity](#) for more information).





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Our Role in Ensuring the Integrity of the Capital Markets

As a multi-disciplinary firm, we provide our clients with the full scope of our knowledge and insight. From the board level through our clients' management-level functions, we leverage our firm's depth of experience across our Assurance, Tax and Advisory practices on emerging areas of risk and opportunity to engage in timely discussions and education designed to aid our clients in key decision-making. We believe when armed with appropriate knowledge and resourcing, our clients are put in positions to execute their own sound judgment in providing appropriate accounting, reporting and more transparent disclosures to users of financial statements.

Our deep-rooted experience stems not just from performing audits, but also from engaging in meaningful interactions outside of our firm. This includes participating in over 180 external professional capacities that include regular engagement with standard-setters and regulators; industry and professional associations; serving private and nonprofit boards; and presenting to and dialoguing with broad audiences as thought leaders.

Over 50 Assurance partners and professionals participate in significant activities championed by external professional organizations that have a direct impact on advancing audit quality.

Our external professional capacities range in scope from significant leadership roles, contributing members of working groups and task forces, to advisory, board member and thought leaders. Examples of key positions currently held are:

- ▶ **Center for Audit Quality(CAQ):** CAQ Governing Board, CAQ Advisory Council (CAC), Professional Practice Executive Committee (PPEC), Research Advisory Board (RAB), SEC Regulations Committee
- ▶ **AICPA:** Financial Reporting Executive Committee (FinREC), Auditing Standards Board (ASB), Peer Review Board (PRB), Professional Ethics Executive Committee (PEEC), Tax Executive Committee (TEC)
- ▶ **International Federation of Accountants (IFAC):** Board Member



14%

Number of experienced BDO professionals are serving as directors or officers for charitable, non-profit or private organizations in their communities.



180+

Number of significant activities championed by external professional organizations that have a direct impact on advancing audit quality domestically and globally in which our professionals participate in and/or serve in leadership capacities.



Over the past several years, we have placed significant emphasis on building relationships with those charged with governance and providing meaningful engagement in the form of programming, thought leadership, pulse surveys and forum discussions to foster sharing of knowledge related to risks and opportunities that are impacting business as a whole. This covers a broad range of topical areas from:



Financial reporting and accounting



Globalization




Environmental, social and governance (ESG)



Supply chain



Total tax liability and evolving tax regulation



Acceleration of digitization and access to data



Cybersecurity and data privacy



M&A and SPAC activity



Disruption and emergence of new industries



Workplace shifts and focus on employee well-being



Liquidity and access to capital



QUALITY IN ACTION

BDO Board Forums and BDO in the Boardroom Podcasts

To remain connected to our board audience as we continue to navigate a virtual environment, BDO hosts live board roundtable forums on current topics including responding to ransomware, considerations impacting SPAC transactions, corporate burnout and activating a company's ESG journey. The events have been highly impactful in helping subject matter experts and board members share experiences and solutions with one another in real-time, helping strengthen awareness and action on matters of significant importance to companies across all size and industry concentrations.

In August of 2020, we launched the BDO in the Boardroom Podcast series to complement our corporate governance content offering on-the-go, digestible dialogues with subject matter experts and seasoned board members taking on a wide range of governance matters head-on. In our first year and a half, we were pleased to release over **45** episodes, which are accessible [here](#).



Communications with Audit Committees

The audit committee/auditor interaction represents a significant component in the financial reporting ecosystem. As such, we view our engagement with audit committee members as a critical element of our audit process from start to finish. In addition, we arm our audit engagement teams with tools to help focus audit committees on significant risks identified during the audit, evolving accounting and auditing standards that will be impactful to financial reporting as well as matters of governance, industry-specific content and other incremental information that encapsulates broader trends and matters that may have future impact on the sustainability of the company.

Equally important to the engagement team is the information they are trained to extract from the audit committee to not only inform our audit approach but to allow us to provide deeper insight and timely information to the audit committee about the issues and opportunities they wish to understand more fully.

As part of our shared responsibility in helping keep our clients informed, we invite you to explore more of our recent [thought leadership](#).



QUALITY IN ACTION

ESG Expanding Stakeholder Centricity

Evolving sustainable business practices have taken root globally and are rapidly being embraced by U.S. entities as they seek to create long-term value for their organizations. At the same time, there is increasing demand for robust public reporting of qualitative and quantitative non-financial measures reflective of ESG factors that may have a material financial impact on a company's business. This further reflects the view that shareholder centricity is no longer paramount, and boards and management teams are factoring in ESG priorities with regard to a broader set of stakeholders:



The SEC, PCAOB, AICPA and their global counterparts are contemplating significant changes to standard-setting and rule-making in a move toward a common set of sustainability reporting metrics, along with the integration of the reporting of such non-financial information with the reporting of traditional financial information. In anticipation, we are aligning people, processes and resources to best serve our clients in advancing their ESG reporting activities.

In 2021, BDO announced the formation of the [BDO ESG Center of Excellence](#) (CoE) comprised of dedicated professional resources collaborating across practices and led by Christopher Tower, BDO USA ESG Strategy and Services Leader. The ESG CoE is responsible for the firm's own ESG strategy, as well as for providing guidance and resources to address client ESG-related sustainability, regulatory and reporting needs. Key actions include:

- ▶ Support our business line and industry teams in their delivery of ESG services to our clients, including attestation.
- ▶ Track, report, advise and serve as a center of knowledge on:
 - ESG-related accounting, reporting, attestation and regulatory standards/requirements.
 - Matters that are not presently captured by regulations or mandated, but are still expected or of interest to clients (e.g., supply chain implications, Foreign Corrupt Practices Act (FCPA), ESG risk assessments, etc.).
- ▶ Monitor the evolution of and changes in the broader ESG stakeholder landscape.
- ▶ Lead the development and implementation of ESG thought leadership and education — both internally and externally.
- ▶ Track BDO professionals' ESG-related accreditation and credentialing.
- ▶ Oversee ESG-related technology and tools development and procurement in collaboration with our BDO global colleagues.
- ▶ Coordinate with BDO Independence to provide guidance with respect to performing ESG non-attest services for our private and issuer attest clients, and around the performance of ESG attest services to our non-financial statement audit private and issuer clients, as applicable under professional standards.



As part of our outreach to boards, audit committees and management, we continue to provide timely content on sustainability considerations and ESG reporting developments that include guides and webinar programming, podcasts and other alerts available within BDO's Center for Corporate Governance and our ESG CoE. For example:

- ▶ BDO in the Boardroom [podcast](#) with Tim Mohin, Chief Sustainability Officer at Persefoni and former CEO of the Global Reporting Initiative (GRI).
- ▶ BDO webinars featuring Bob Hirth, Co-Vice Chair of the SASB, and Andrew Buchanan, BDO Global Head of IFRS and Corporate Reporting, highlighting the rapidly evolving sustainability and ESG integrated reporting landscape. Access the [2021](#) and [2022](#) webinars.

At BDO, ESG is a top firm priority and a key component of our strategic vision for the future. We believe we have an obligation to make an impact and do our part to be a force of change — and that doing so will optimize the value and benefit that ESG stewardship brings to all our stakeholders. We invite you to learn more about BDO's approach to ESG and visit our [BDO ESG Center of Excellence](#).





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● **Final Thoughts**



Final Thoughts

We are a firm with over 100 years of experience. As we mentioned at the outset, our core values have served us well. It is through these core values that we continue to be agile, drive innovation and keep audit quality top of mind for our future audits.

CHOOSE ACCOUNTABILITY

The ability to deliver high audit quality relies on a quality management system that has many moving parts but that is based on a framework of shared objectives, goals and adherence to professional ethics and skepticism. In the face of a highly competitive and ever-changing landscape of economic, ESG, regulatory, technological and other disruptive risks, our professionals and our audit approach need to be on the cutting edge. We are adjusting, and we must continue to adjust, our audit execution to address areas for improvement identified in inspections, proactively address evolving business trends, risks and opportunities, and be prepared to implement changing regulations and standards.



PEOPLE FIRST

As our firm grows, so must our intentional investments in attracting, developing, safeguarding and retaining skilled professionals. Our professionals have kept our firm strong despite the challenges posed by the COVID-19 pandemic. A focus on DEI imperatives is being embraced across our practice, and we continue to foster avenues to bring more diversity into the accounting and auditing profession.



EMPOWER THROUGH KNOWLEDGE

We continue to evaluate the selection and retention of clients who have strong industry knowledge, strong ethical business practices and espouse transparent reporting. The business relationships we forge with management and those charged with governance provide a free flow of information critical to successful audit outcomes. Similarly, being an active participant in the profession and in our communities, sharing observations through our various [resource centers](#), and engaging in dialogue with broader stakeholders all helps us better serve our clients and those who rely on their financial and non-financial reporting.



EMBRACE CHANGE

Our roles in the design and deployment of globally applied methodology, tools and expanded analytics capabilities are allowing insight into full populations of data and identification of trends that improve financial reporting, which enables us to better inform our clients throughout the world on key risks impacting their business.



EXCEPTIONAL EVERY DAY, EVERY WAY

Continued investing in expanding our capacity — via experienced hiring practices, digitization, process automations and further integration of business service centers — reduces stress on the financial reporting ecosystem and allows our teams to focus their efforts on the audit areas that require the most judgment and professional skepticism. Ensuring our teams members have the right mix of skills and experience, along with reinforcement of strong supervisory and collaborative consultative processes, remains a top priority in delivering the highest audit quality to our clients and those who rely on the assurance we provide.



The background features a dark blue field filled with numerous diagonal streaks of light in various colors including blue, purple, and orange. Two vertical red bars are positioned on the left side of the page, one near the top and one near the bottom.

People who know, know BDO.SM

BDO USA, LLP is a professional services firm providing assurance, tax, and advisory services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through more than 70 offices and over 750 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multi-national clients through a global network of more than 95,000 people working out of more than 1,700 offices across 164 countries and territories.

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