

TRANSPARENCY REPORT

BDOSG Transparency Report is issued in accordance with Article 13, of EU Regulation 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

*Year Ended
30 June 2021*

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1- Description of the Legal Structure and Ownership of the Firm

- BDO, Semaan, Gholam & Co. (BDOSG) is organized as a Partnership structure and is governed by the laws of the Republic of Lebanon.
- Semaan, Gholam & Co. (SG) is organized as a Partnership structure and is governed by the laws of the Republic of Lebanon.
- SG is registered with the Lebanese Association of Certified Public Accountants under the number 32/1997, and with the Registry of Civil Companies under the number 90.
- The Owners and Partners of the Firm are: Georges Gholam, Antoine Gholam, Nehmé Semaan and Hani Abboud.
- In late 2012, SG implemented BDO, Semaan, Gholam & Co. (BDOSG), a wholly owned subsidiary, to include the BDO brand.
- BDOSG is registered with the Lebanese Association of Certified Public Accountants under the number 79/2013, and with the Registry of Civil Companies under the number 570.
- All the activities of BDOSG are conducted by the Partners and staff of SG, and as such BDOSG is invoiced by SG for such activities. In turn, BDOSG issues invoices for the same amounts for assignments under its brand.
- Where reference is made in this report to SG, it refers also to BDOSG.

2- Network

- SG is a member Firm of BDO International Limited as from 1 October 2010; BDOSG is a member Firm of BDO International Limited as from 2014.
- Description of the Network:

The BDO network is an international network of public accounting firms, the BDO member firms, which perform professional services under the name and style of BDO. BDO is the brand name for the BDO network and all BDO member firms. 'BDO' and 'BDO International' are trademarks of Stichting BDO.
- Legal and structural arrangements in the network:

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

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

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

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

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

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

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

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

More information about the network can be found through BDO Lebanon website at www.bdo-lb.com.

3- Governance Structure of the Firm

- The structure of the Firm may be described as follows:

Position	Number
Partners	4
Executive Directors	6
Senior Managers	9
Managers	12
Assistant Managers	16
Supervisors	18
Seniors	20
Assistant Seniors	23
Juniors	28
Administrative staff	13
	<u>149</u>

- Key roles within the Firm are distributed as follows:

Role	Name
Managing Partner	Georges Gholam
Regulatory Contact Partner	Antoine Gholam
Independence Partner	Nehmé Semaan
HR Partner	Antoine Gholam
IT Manager	Zeina Saad
Accounting Department in Charge	Amir Younes
Tax Department Partner	Hani Abboud

- Executive Committee

The Executive Committee is comprised of the 5 Partners, the Executive Directors and the Senior Managers. It is chaired by the Managing Partner. It meets quarterly and more frequently if required. The Executive Committee sets business strategy and ensures its implementation. The Managing Partner and each team member also have specific areas of responsibility for operational management.

The HR Partner makes an annual presentation on the state of affairs of the Firm to all employees; this provides insights into the Firm's strategy and operations and gives individuals the opportunity to raise questions and issues directly with the Partners. The presentation includes performance ranking within the network globally and regionally.

- Stream Leaders

Stream Leaders representing Audit, Corporate Finance, Tax and Business Services Outsourcing with whom the Partners meet on a regular basis, are responsible for the development of high-quality profitable services in their own areas.

- Risk Management Committee

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

The Risk Management Committee is chaired by the Head of Risk Management. It is composed of appointed individuals, Head of the Risk Management Unit, the Independence Champion and the Regulatory Contact Partner. The Committee has particular responsibility to ensure that the quality, objectivity and independence of client service are maintained through well managed client acceptance and reacceptance procedures.

That guidance is updated regularly, and published on the conduct of all professional services, and rigorous processes are in place to identify and address conflicts of interest matters.

All Partners and staff are required to submit annual confirmations of regulatory compliance, which include statements of independence.

4- Internal Quality Control Process

The firm's internal quality control process is designed to provide reasonable assurance that the firm, its partners and staff comply with professional standards and regulatory and legal requirements. Work is performed to reach consistently high standards and to ensure that reports issued by the firm are appropriate.

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

- a. leadership responsibilities for quality within the firm
- b. ethical requirements
- c. acceptance and continuance of client relationships and specific engagements
- d. human resources and development
- e. engagement performance
- f. monitoring and documentation of the system of quality control.

a. Leadership responsibilities for quality within the firm

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

The firm has clearly established responsibilities for the Managing Partner, the other Partners and other senior personnel. The Partners are members of the firm's Executive Committee which devises and implements the firm's business strategy and manages operational issues.

Along with the firm's management, the Risk Management Partner reinforces the appropriate "tone at the top" by instilling professional and ethical values in the firm. The Audit Stream "tone at the top" is set by the Head of Audit.

The Audit Stream is supported by the Professional Standards Group (PSG) and the Risk Management Unit (RMU).

The PSG is headed by the Head of Audit and is responsible for the following:

- maintaining the firm's technical manuals and communicating developments to the firm's partners and staff;
- helping maintain the quality of the firm's assurance practice at the highest standards prevailing in the profession;
- consulting with partners and other network professionals seeking technical advice; and
- overseeing the firm's technical continuing professional education programs.

The RMU is headed by the Risk Management Partner and is responsible for the following:

- monitoring of independence;
- monitoring the firm's auditing work; and
- evaluating the firm's quality controls policies and procedures.

b. Ethical requirements

The firm's Conduct of Professional Standards Manual (CPSM) contains the principles and rules relating to ethical conduct, including integrity, independence and objectivity, professional competence and due care, confidentiality and professional behavior. This is complemented by a comprehensive training program designed to ensure compliance with both International and Lebanese Ethical Standards. The ethical conduct guidance is available to all staff on the firm's sharing application. Annual declarations are made by all partners and staff to ensure compliance with relevant ethical requirements, and policies have been implemented for resolution of issues.

c. Acceptance and continuance of client relationships and specific engagements

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

Prior to the acceptance of any new client and consideration of continuance with any client, certain procedures to assess the risks associated with the prospective or existing client must be carried out. These will include:

- consultation of a global professional tool about any classification of the client by international organizations (terrorism, criminal, PEP, etc.);
- consideration of the client's business including its geographical spread and the industry it operates in;
- evaluation of information concerning the client, its management and its owners including obtaining evidence of the identity of the owners and officers of the business;
- considering information regarding the character and reputation of the client and key personnel;
- assessment of potential independence risks and potential conflicts of interest;
- if relevant, inquiry with the previous auditor regarding the reasons for the change of auditor and if there is any reason why the firm should not accept the appointment;
- assessment of the firm's ability to serve the prospective and existing client; and
- reviewing filings of the client, including prior year financial statements.

The acceptance and continuance of all clients requires an approval process that is appropriate to the perceived risk. "High risk" assurance clients require pre-approval by all Partners.

d. Human resources and development

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

- *Clear and consistent policies and procedures*
- *Recruitment procedures*
- *Workforce planning, succession management*
- *Grades and levels*
- *Continuous performance appraisal and engagement surveys*
- *Development plan and training policy.*

Clear and consistent policies and procedures

Procedures, policies and personnel manuals provide clarity and coherence on goals, structures, vision and accepted behaviors of the firm employees.

An employment manual is written to support management and staff with their need to have a clear and consistent set of rules within the firm. The manual is updated when new procedures are designed. The manual is available on the firm's sharing application.

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

Recruitment procedures

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

The firm works actively to promote diversity of culture. Inclusivity within the firm whether based on age, gender, ethnicity or physical capabilities makes the firm more representative and more capable of providing a quality professional service.

The firm seeks smart people with maturity, integrity, motivation, aptitude and leadership qualities appropriate to the role for which they are being recruited.

Workforce planning, succession management

Ultimately, it is the quality and commitment of the partners and staff that makes a difference and enables the firm to deliver a quality service.

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

Staff profile of technical proficiency is obtained by personal knowledge and by reviewing evaluation forms.

Grades and levels

Competency management concerns 'the right person, in the right place, at the right time':

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

The firm provides a clear set of grades and levels. Compensation matches the grades and the market benchmark. It is reviewed periodically.

There is staff progression from an introductory level to senior, to supervisor, to manager and then to senior manager. Intermediate levels exist also.

Partners compensation is reviewed regularly.

Continuous performance appraisal and engagement surveys

All staff are subject to formal performance appraisal, review and counselling on a regular basis for evaluating the level of competence, monitor development and help reach full potential.

Appraisals include professional and technical competence (including analytical and judgment skills), personal and management skills, and client servicing skills.

Development plan and training policy

The learning and development strategy ensure the firm's ability to remain competitive and to motivate members of staff. It includes both the technical expertise and skills to meet the needs of the clients. Also, integrity, objectivity, professional skepticism, and willingness are essential attributes of professionals.

There are three basic professional attributes all the firm staff possess:

- Technical competence in a chosen field of expertise
- Pride in self, the firm and the profession
- Strong personal skills in managing and engaging staff and in leading engagements.

e. Engagement performance in the Audit Stream

○ *Common methodology*

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

APT, BDO audit software takes advantage of recent technological advances and enables the firm to:

- Safeguard the structural integrity of the tool for the future;
- Provide a fully-integrated tool that reflects the latest interpretations of the auditing standards; and
- Enables teams to work efficiently on both large and small engagements.

BDO Advantage is the new data analytics audit tool. It combines smart technology with knowledge and understanding of clients' businesses to deliver information for in-depth interpretation. It helps exploration and understanding of data and helps spot patterns and trends and crucially to identify anomalies.

○ *Supervision and review*

We require all professional work to be supervised by staff members who have appropriate knowledge and experience. It is the responsibility of the relevant Partner, Senior Manager or Manager to ensure that related risks are identified and that, decisions are taken by those with an appropriate level of authority. The relevant Partner, Senior Manager or Manager must also ensure

that professional work is carried out with appropriate professional skepticism and that it meets the firm's standards in all respects.

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

These policies are designed to ensure that:

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

A concurring Partner review is performed for audits of public interest entities and other high-risk engagements. The concurring Partner will be familiar with the auditing and reporting practices used during the engagement, and be knowledgeable and familiar with the client's industry, but will be independent from the client's audit team. They will be an experienced audit Partner and not likely to be unduly influenced by the views of a particular engagement Partner. The concurring Partner cannot be actively involved in making ongoing decisions relating to the engagement and will not be involved in performing the engagement. Concurring review Partners are selected from the Partners other than the engagement Partner.

○ *Consultation*

Our culture encourages consultation with experienced Partners and other specialists where appropriate. Additionally, the firm has requirements for specific consultations in certain situations, for instance where the audit is of a public interest entity.

f. Monitoring and documentation of the system of quality control

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

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

The review consists of reviewing, on a sample basis, the working papers and reports of selected assurance engagements and documentation of compliance with our quality control policies and procedures in other areas. The sample is selected to ensure that at least one audit carried out by each audit Partner is selected every year.

A designated partner is responsible for monitoring and documenting the implementation of, and compliance with, any corrective actions. Each review team is headed by an experienced audit Partner. Where the sample includes a specialist client such as a charity, appropriate internal specialists are involved in the review. Instructions are issued to the reviewers in advance of the

review setting out the objectives of the process, a checklist, and appropriate guidance and reporting templates.

Executive Committee Statement on Effectiveness of Functioning

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

5- Quality Assurance Review

The last quality assurance review of the Firm took place in October 2018.

The UK FRC reviewed in September 2017 the audit files of a financial institution whose securities are listed on the London Stock Exchange.

6- Audit Clients Listed on Regulated Markets

Name of Audit Client	Regulated Market
Bank Audi sal	Beirut Stock Exchange
BLOM Bank sal	Beirut Stock Exchange
Byblos Bank sal	Beirut Stock exchange

7- Firm's Independence

In relation to independence, the firm’s Conduct of Professional Services Manual (“CPSM”) supplemented by individual help sheets contains the backbone of the policies and procedures. These are complemented by a suite of training programs targeting the needs of the individual partners and staff.

These policies and procedures meet those that are promulgated by the IFAC Code of Ethics for Professional Accountants and the Lebanese Association of Certified Public Accountants Code of Ethics. Compliance with the policies and procedures is ensured by a series of monitoring and review activities.

These include:

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

We have a designated Independence Champion, an experienced Partner, who monitors compliance with applicable independence policies and procedures, provides consultations regarding independence matters, and oversees independence training and maintenance of a restricted entity database.

Prior to accepting any new client or assurance engagement, the engagement team performs specific procedures to identify potential conflicts of interest and threats to the firm's independence.

8- Firm's Education Policy

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

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

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

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

Continuing professional education is also a factor taken into account for the yearly evaluation of audit staff and the assessment of their career potential within the firm. The firm is committed to developing and maintaining the highest possible standards of technical competence through own development programs.

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

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

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

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

9- Rotation of key audit Partners

The firm's policies with respect to rotation of key audit partners and staff is principles-based, depending on the facts and circumstances of the engagement. Such key audit partners and staff include audit partners and senior managers performing a significant portion of the work. The rotation period for these professionals is of 7 years.

Local regulations provide engagement partner on banks audit to rotate each five years.

10- Financial Information

Analysis of Turnover	2021%	2020%	2019%
Audit	91	92	93
Advisory, and Business Services	4	3	3
Tax	<u>5</u>	<u>5</u>	<u>4</u>
	<u>100</u>	<u>100</u>	<u>100</u>
Audit and Non-Audit Clients			
Revenue from Audit Clients	92	93	93
Revenue from Non-Audit Clients	<u>8</u>	<u>7</u>	<u>7</u>
	<u>100</u>	<u>100</u>	<u>100</u>
Audit Clients			
Audit Revenue from Audit Clients	94	96	96
Non-Audit Revenue from Audit Clients	<u>6</u>	<u>4</u>	<u>4</u>
	<u>100</u>	<u>100</u>	<u>100</u>
Revenue from EU/EEA - PIEs			
Audit	<u>28</u>	<u>28</u>	<u>28</u>

11- Basis for Partners' Remuneration

Profits are shared among all partners under a framework set out in the Members' Agreement according to their share in the Partnership.

There are provisions for salary Partners.