



# TRANSPARENCY REPORT

2017-2018



# TABLE OF CONTENTS

MANAGING DIRECTOR'S FOREWORD	4
THE BOARD OF DIRECTORS	5
LEGAL FORM	6
GLOBAL BDO NETWORK	7
TURNOVER	8
THE QUALITY ASSURANCE SYSTEM	9
THE INTERNAL QUALITY CONTROL SYSTEM AND INDEPENDENCE	10
PERSONNEL DEVELOPMENT	11
MEMBERSHIP OFFICES IN THE EU/EEC	12

# MANAGING DIRECTOR'S FOREWORD

This is the transparency report of BDO Oy for the accounting period that ended on 31 August 2018. This transparency report provides information on the auditing firm BDO Oy, but it also covers the entire BDO Group, where applicable.

The past accounting period was successful. The BDO Group continued to implement the change specified in its business strategy, ensuring that the group responds effectively to digitalization and to the change in the operative environment that digitalization has brought. During the accounting period, we introduced a data analysing robot to selected audit assignments, as well as automatized some of our BSO services through robotics. We enhanced our performance with analytics, and were able to create added value to our clients through increasing accuracy and data visualization. The Group's net turnover was EUR 22,4 million, showing an increase of 6% compared to the previous accounting period. The growth was due to strong investments in business development, which started in the previous accounting period, and successful recruitment.

Independent audits, services and personnel, high-quality expertise and exceptional customer service are the key principles of our operations. We serve a wide range of customers, from SMEs that are about to enter international markets to start-up entrepreneurs and public sector organisations and everything in between. Commitment to exceptional customer service has been one of our strategic focuses from early on. Our staff of approximately 200 experts in Finland and 80,000 globally ensure premium service in all of our 162 countries of operation.

We want to thank our customers for their trust in us during the past accounting period.



A handwritten signature in blue ink, which appears to read 'Taneli Mustonen'.

**Taneli Mustonen**

21.12.2018

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# THE BOARD OF DIRECTORS

## AND THE MANAGEMENT GROUP

### GOVERNANCE

BDO follows the provisions set out in the Limited Liability Companies Act, the Auditing Act and other Finnish acts and decrees. Its operations are also governed by the rules, standards, instructions and recommendations of the industry.

The annual general meeting is the highest decision-making body of the company. It elects the Board of Directors. The Board of Directors selects the Managing Director and the Management Group. The Chair of the Board and more than half of its members are authorised auditors who work for the company.

Since 21st March 2018, the BDO Oy's Board of Director has consisted of the Chairman Ari Lehto and the members Taneli Mustonen, Minna Ainasvuori, Antti Suulamo, Tiina Lind and Juha Selänne. The previous BDO Oy's Board of Directors consisted of Jarmo Lohi, Pertti Hiltunen, Hannu Riippi, Tomi Rimpinen, Juha Selänne, Antti Suulamo and Helge Vuoti.

The Managing Director is responsible for the day-to-day administration of the company in line with the decisions made and instructions provided by the Board. Taneli Mustonen has been serving as the Managing Director as of 7th May 2018. Helge Vuoti was the Managing Director before him.

Finnish contact persons for BDO Global are Hannu Riippi, Managing Partner, and Juha Selänne, International Liaison Partner (ILP).

### MANAGEMENT GROUP

BDO has a Management Group that assists the Managing Director in preparing and making decisions and in managing the operations. The Managing Director Taneli Mustonen, together with Minna Ainasvuori, Eija Kuittinen, Alpo Ronkainen and Mirjami Oja (HR) have formed the Management Group for the accounting period that started on September 1st, 2018.

# LEGAL FORM

## AND OWNERSHIP

BDO Oy (business ID 2776089-4) is an auditing firm that offers auditing services, tax and legal services, financial administration services and advisory services, such as internal auditing and risk management, information management, company and organisational restructuring as well as a range of consultancy and training services. The company's domicile is Helsinki.

BDO Oy's operations are guided by the effective laws and regulations including the Limited Liability Companies Act, the Auditing Act, Articles of Association and the rules, standards, instructions and recommendations of the industry.

In accordance with the Auditing Act, the majority of shares in the company and the related voting rights must be owned by auditors or auditing firms that have been authorised by the Finnish Patent and Registration Office (PRH) and that work for the company. The auditors who work for BDO Oy own more than half of the shares of the company and the related votes.

BDO Oy owns 100 per cent of the shares of BDO Auditor Oy, BDO Consulting Oy and BDO Certification Oy. During the past accounting period BDO Oy also owned 100 per cent of BDO Consilium Oy, which has been sold after the end of the accounting period.

BDO Auditor Oy specialises in public sector audits, internal audits and risk management.

The core business of BDO Consulting Oy is providing consultancy and development services for companies and other organisations.

BDO Certification Oy specialises in the auditing and certification of the VAHTI and ISO 27001 information security management systems in the public and private sectors.

BDO Consilium Corporate Finance Oy specialises in corporate and capital finance matters. The company also has the status of a certified adviser at the First North marketplace.

On 1 October 2016, Finnpartners BDO Oy (former BDO Oy, business ID 1893593-9) sold its business operations to the newly established BDO Oy (business ID 2776089-4). The accounting period that ended in 31st August 2018 was the second accounting period for the new BDO Oy.

### SHAREHOLDERS

All of the voting shareholders of BDO Oy work for the company. The shareholders agree to follow the company's rules regarding independence and ownership, as well as other operative rules and guidelines. The company currently has 17 shareholders.

### REWARDING THE SHAREHOLDERS

Rewarding is based on the shareholders' performance as partners, the achievement of set targets and the economic success of the company. Key criteria for assessing shareholder performance include compliance with the company's values, client work, leadership and other organisational roles and quality and finances.

The partner committee makes proposals on the remuneration of shareholders, and the Board of Directors approves the proposals.

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# GLOBAL BDO NETWORK

**80 087 EXPERTS**

**162 COUNTRIES**

**1 591 OFFICES**

**TOTAL TURNOVER IN 2018 EUR 7.5 BILLION (USD 9 BILLION)**

The Finnish BDO Group is part of an international cooperation network of auditing firms. We have 80,000 experts serving our customers in 162 countries. BDO is the fifth largest organisation providing auditing, tax and advisory services both in Finland and internationally. BDO is the fourth largest provider of auditing services in Finland.

In 2018, the total turnover of the global BDO network was approximately EUR 7.5 billion. The total turnover from auditing services at BDO offices in the EU and EEC was EUR 560 million in 2017. BDO is the leader among mid-tier companies in the consolidation of the audit profession. The BDO companies collaborate across national boundaries and follow similar principles of operation that were specifically developed for the European business environment. BDO is the only major global network of audit firms that was established in Europe.

Each membership organisation provides auditing and advisory services in its own region and in cooperation with the other BDO organisations.

Juha Selänne is the International Liaison Partner (ILP) for BDO Oy.

BDO Oy has signed a membership agreement with BDO International Ltd, a company registered in England (55 Baker Street, London W1U 7EU). The national membership organisations of BDO are separate, independent legal entities. All of our membership organisations are committed to best practices in the sector, such as high-quality services and the maintenance of professional operating principles, expertise and risk management. The international BDO coordinates, provides guidelines and assists the membership organisations in areas such as training, marketing, risk management and quality assurance.

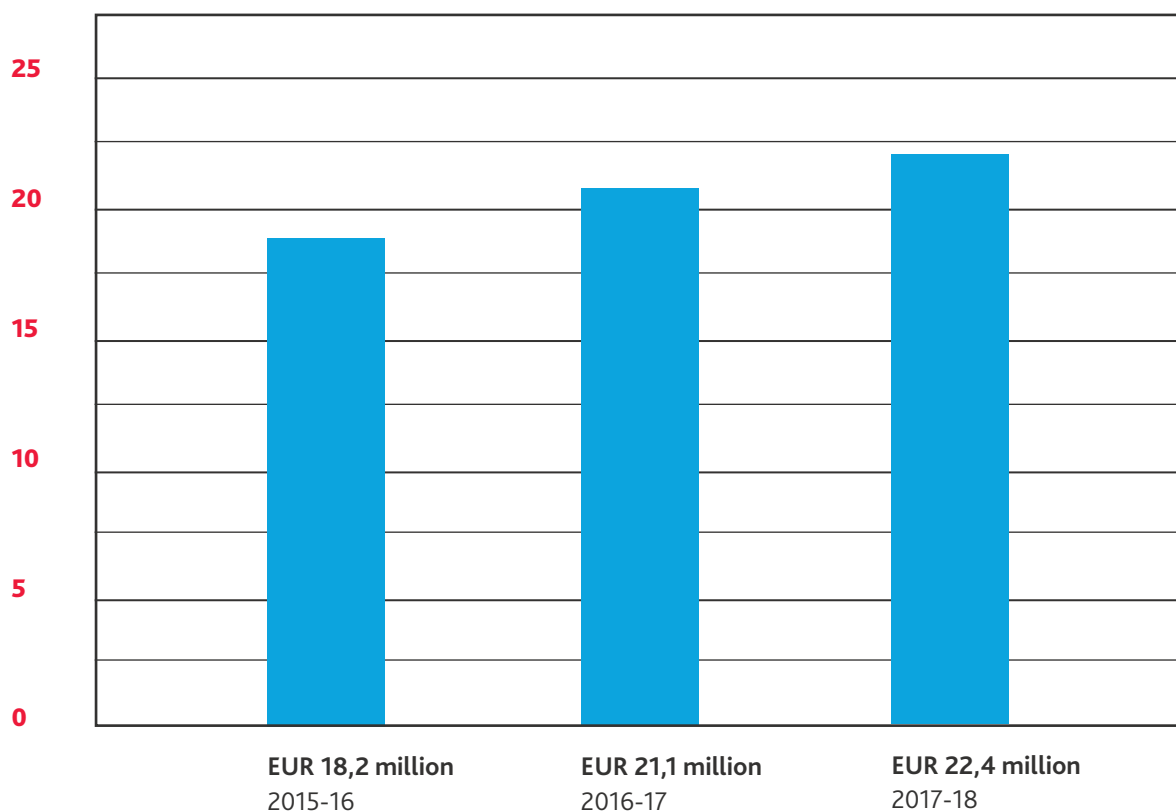
The BDO network is coordinated by Brussels Worldwide Services BVBA (Brussels Airport, Zaventem), which serves all the BDO membership companies from its office in Brussels. Brussels Worldwide Services BVBA supports BDO's auditing and advisory services, for instance, by providing group-wide tools and methods, the BDO Audit Process Tool (APT), the quality and risk management manual and material for maintaining the BDO brand in different countries.

# TURNOVER

TOTAL TURNOVER OF THE FINNISH BDO GROUP IN THE ACCOUNTING PERIOD THAT ENDED ON 31 AUGUST 2018 WAS EUR 22.4 MILLION.

## BDO GROUP TURNOVER

2016-2018



## FINANCIAL INFORMATION FROM THE ACCOUNTING PERIOD THAT ENDED ON 31 AUGUST 2018

Service	Turnover/ thousand euros	Percentage
Income from the statutory auditing of the financial statements and consolidated financial statements of Public Interest Entities (PIEs)	47	less than 1
Income from the auditing of other organisations	15 574	69
Income from other services provided to auditing customers	2 587	12
Income from non-auditing services provided to other organisations	4 170	19
<b>Total</b>	<b>22 378</b>	<b>100</b>

# THE QUALITY ASSURANCE SYSTEM

Risk management at the BDO Group is based on a business plan drawn up by the Board of Directors, the risk management principles and practices confirmed by the Board and the risk management guidelines provided by the BDO network.

The administration, operating principles and ownership of auditing firms is regulated comprehensively by laws, regulations and sector-specific standards. Auditors and other experts must work in accordance with the regulations on audit firms and the instructions and general principles that govern the accountancy profession, such as the recommendations and instructions issued by Suomen Tilintarkastajat Ry (the Finnish Association of Auditors). These are based on IAASB's (International Auditing and Assurance Standards Board) and IFAC's (the International Federation of Accountants) international standards. Our chartered public finance auditors follow the recommendations and instructions of the Finnish JHTT Association and the good auditing practices of public administration.

The quality assurance of audits, other verification assignments and auxiliary services follows the quality assurance standards and instructions of BDO and IFAC.

## THE KEY COMPONENTS OF OUR QUALITY ASSURANCE SYSTEM:

- BDO quality instructions, which are based on the International Standard on Quality Control 1 (ISQC1).
- The values and ethical principles of the BDO Group, including high service quality and independence
- Quality teams, quality assurance instructions and the ethics committee
- The management's good example of premium service quality and continuous improvement
- The approval and continuation of customer relationships and assignments, taking into account the provisions on the rotation of responsible auditors and staff in long-term auditing assignments, as set out in the Finnish Auditing Act, and the standards of IESBA (International Ethics Standards Board for Accountants)
- The skills and competence of our personnel and continuous professional development

- Implementing the assignment in accordance with BDO's auditing methodology and other instructions
- Internal quality assurance: assignment-specific quality audits and reviews
- External quality assurance: The Finnish Patent and Registration Office (PRH), BDO Global, customer satisfaction surveys

In order to ensure the high quality of our services and further development, our quality teams audit the quality of our operations internally, following our quality assurance programme. The quality assurance covers the responsible auditors and experts of different assignments, customer groups and assignment types as well as the effectiveness of our internal quality assurance system.

All the shareholders, auditors and other responsible experts who work for BDO are audited at least once every 3–4 years. We audit the effectiveness of each element of our internal quality assurance system annually, following the rotation plan.

According to the Board of Directors, BDO Oy's internal quality assurance system is effective. If we find areas of improvement in the quality of audits or the effectiveness of the internal quality assurance system, we prepare an action plan for these, including the measures, responsible persons and schedule. The results of quality assurance are reported to the audited expert, their supervisor, the Board of Directors and the personnel.

The BDO Group has separate quality teams for the quality assurance of corporation and public bodies. The quality teams meet at least twice per year and as needed. The teams also provide consultancy in reporting and other issues.

The BDO network issues instructions and monitors the quality assurance of its membership organisations continuously. The international BDO quality assurance body carries out regular quality audits at least once every three years.

The quality of our company's auditing operations has been audited in accordance with PRH's quality assurance programme for audit firms.

# THE INTERNAL QUALITY CONTROL SYSTEM AND INDEPENDENCE

## THE LATEST QUALITY AUDITS

The Finnish Patent and Registration Office (PRH) carried out an external quality audit on BDO Oy in autumn 2017. Further, PRH conducts annual quality checks on our auditors.

BDO audited its own quality system and auditors in autumn 2018, following the company's internal quality assurance instructions.

BDO Global carried out the internal quality audit of BDO Oy in June 2017.

The reports of the quality audits are reported, where applicable, to the persons responsible for auditing, the company management, personnel and BDO Global. We use the quality assurance results to prepare a quality development plan and monitor the implementation of measures recorded in the plan.

## PUBLIC INTEREST ENTITIES AUDITED BY BDO

In the past accounting period (1st September 2017–31st August 2018), BDO Oy has served as the auditor of the following PIE customers (including credit and insurance institutions):

- Dovre Group Oyj
- Kotipizza Group Oyj
- Wulff-Yhtiöt Oyj
- Perhonjokilaakson Osuuspankki
- Halsua-Ylipään Osuuspankki
- Ullavan Osuuspankki
- Perhon Osuuspankki

## INDEPENDENCE AND CONTROL

Our company and personnel follow BDO's international rules and regulations on independence. These are based on the ethics standards of IESBA (International Ethics Standards Board for Accountants). Our guidelines on independence are also governed by the laws of Finland and sector-specific recommendations.

The BDO Group uses the global MFS system to ensure and control the independence of its operations.

Independence assessment and control play an important role in the approval of new customers and assignments, in long-term assignments and in offering other services to accounting customers.

We monitor our independence continuously and take it into account in personnel training. Our employees sign a personal confirmation to follow the independence regulations annually. We also ensure the continued independence of our operations, as specified in the regulations. We ensure that the terms of office of responsible auditors do not exceed the limits specified in the rotation requirements of the Finnish Auditing Act and other rules and regulations. We assess the independence of our operations internally every year.

The Ethics Committee of the BDO Group helps with independence questions and other ethical questions relating to auditors/the audit firm.

In addition to our internal independence control, the Finnish Patent and Registration Office monitors the independence of our auditors, as specified in the Auditing Act.

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# PERSONNEL DEVELOPMENT

## TRAINING AND THE MAINTENANCE AND DEVELOPMENT OF PROFESSIONAL SKILLS

The key target of the training of our personnel is to develop and maintain the professional skills of our auditors and other specialists.

BDO has an annually updated group-wide personnel and education plan. The fulfilment of the plan is carefully followed. This education is implemented through development programmes that cover internal training, training by the BDO membership organisations (for example, on key professional principles and risk management) as well as external training by institutions such as ST-Akatemia Oy and chambers of commerce. Further, the self-learning material from the international BDO network is also used to develop professional skills.

One of the areas covered by the annual employee-employer discussions is personal career development and training plan. We encourage our personnel to complete professional authorisations and certifications. We also monitor personnel satisfaction with the help of personnel surveys. The results of the surveys provide us with information on actions to be taken to improve on development areas.

## PERSONNEL WELLBEING AND PROFITABLE GROWTH

BDO invests in the personnel wellbeing in many ways. The number of our employees is constantly growing.

We have recruited both experienced professionals and interns during the accounting period 2017-2018. Our Trainee-programme offers a first touch to professional life for more than ten university students each year. Our growth is continuous, and we expect recruiting to continue at the same pace.

Equal and transparent treatment is at the heart of our remuneration and fringe-benefit policies. Quality is also considered in remuneration. We provide the whole personnel with comprehensive benefits to support the combining of personal and work life and overall wellbeing. We follow actively the job satisfaction and employee well-being.

# MEMBERSHIP OFFICES

## IN THE EU/EEC

COUNTRY	TERRITORY	NAME OF THE AUDIT FIRMS IN YOUR TERRITORY
AUSTRIA	Austria	BDO Agitas GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Audit Styria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Salzburg GmbH Wirtschaftsprüfungsgesellschaft
	Austria	BDO Oberösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
BELGIUM	Belgium	BDO Bedrijfsrevisoren Burg. Ven. CVBA
BULGARIA	Bulgaria	BDO Bulgaria Ltd.
CROATIA	Croatia	BDO Croatia D.O.O.
CYPRUS	Cyprus	BDO Limited
CZECH REPUBLIC	Czech Republic	BDO Audit s.r.o.
	Czech Republic	BDO CA s.r.o.
	Czech Republic	BDO CB s.r.o.
	Czech Republic	BDO Plzen s.r.o.
DENMARK	Denmark / Greenland / Feroe Islands	BDO Statsautoriseret Revisionsaktieselskab
	Denmark	BDO Holding IV, Statsautoriseret Revisionsaktieselskab
ESTONIA	Estonia	BDO Eesti AS
FINLAND	Finland	BDO Oy
	Finland	BDO Audiator Oy
	Finland	Finnpartners BDO Oy
FRANCE	France	BDO France Léger & Associés SARL
	France	BDO IDF SARL
	France	BDO PACA SAS
	France	BDO Atlantique SA
	France	BDO Rhone - Alpes SAS
	France	BDO AXE SASU
	France	BDO 2AS SAS
	France	BDO Les HERBIERS SA
	France	BDO FONTENAY LE COMTE SAS
	France	BDO SAINT GILLES CROIX DE VIE SARL
	France	BDO NANTES SAS
	France	Vincent Rusé Conseil SAS
	France	BDO Les Ulis
GERMANY	Germany	BDO AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Arbicon GmbH & Co. KG Wirtschaftsprüfungsgesellschaft
GIBRALTAR	Gibraltar	BDO Limited

GREECE	Greece	BDO CERTIFIED PUBLIC ACCOUNTANTS S.A.
HUNGARY	Hungary	BDO Hungary Audit Ltd
IRELAND	Ireland	BDO
ITALY	Italy / San Marino	"BDO Italia S.p.A."
	San Marino	BDO Srl (San Marino)
LATVIA	Latvia	SIA BDO Audit
LIECHTENSTEIN	Liechtenstein	BDO (Liechtenstein) AG
LITHUANIA	Lithuania	BDO Auditas ir Apskaita, UAB
LUXEMBOURG	Luxembourg	BDO Audit
MALTA	Malta	BDO Malta CPAs
NETHERLANDS	Netherlands	BDO Audit & Assurance B.V.
NORWAY	Norway/Iceland	BDO AS
POLAND	Poland	BDO Sp. z o.o.
PORTUGAL	Portugal /Cape Verde	BDO & Associados, SROC, Lda
ROMANIA	Romania/Moldova	BDO Audit SRL
	Romania	BDO Auditors & Accountants SRL
	Romania	BDO Auditors and Business Advisors SRL
	Slovak Republic	BDO Audit, spol. s r.o.
SLOVENIA	Slovenia	BDO Revizija d.o.o.
SPAIN	Spain	BDO Auditores, S.L.P.
	Spain	BDO Quota, S.L.P.
SWEDEN	Sweden	BDO AB
	Sweden	BDO Syd AB
	Sweden	BDO Syd KB
	Sweden	BDO Göteborg KB
	Sweden	BDO Göteborg AB
	Sweden	BDO Sweden AB
	Sweden	BDO Mälardalen AB
	Sweden	BDO Stockholm AB
	Sweden	BDO Mälardalen Intressenter AB
	Sweden	BDO Syd Intressenter AB
	Sweden	BDO Göteborg Intressenter AB
	Sweden	BDO Norr AB
	Sweden	BDO Norr Intressenter AB
UNITED KINGDOM	United Kingdom of Great Britain and Northern Ireland/ Isle of Man/ Guernsey	BDO LLP

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