



BDO USA, P.C.

2023 Audit Quality Report

CULTIVATING THE SEED OF AUDIT QUALITY



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The following Audit Quality Report has been prepared taking into consideration the principles, components, and points of focus included within the Center for Audit Quality's (CAQ) revised [2023 Audit Quality Disclosure Framework](#). Our use of this framework has informed our efforts to disclose, to our stakeholders, information we believe is meaningful to their understanding of how BDO supports and monitors activities to deliver high audit quality.

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A Message to Our Stakeholders

A MESSAGE TO OUR STAKEHOLDERS

Today's business environment remains highly complex and those who invest need to be able to trust and rely upon audited financial statements and disclosures. BDO USA, P.C. ("BDO")¹, a firm of 12,000 professionals, is committed to preserving that trust and reliability through our audits.

Our firm's commitment to quality and a mindset of continuous improvement reflects our core purpose and values and is further reflected in our strategic plan. This commitment is fundamental to how we serve all our stakeholders, and we recognize the important role we play in protecting the interest of investors and other users of financial statements. For this reason, quality is one of our highest priorities.

Our firm's strategic plan is centered around our core purpose of helping people thrive every day and is driven through what we call our engine of opportunity: a flywheel of quality, growth, investment, and stewardship.

Everything we do is rooted to our core purpose and supported by the following five core values that guide how we work with one another and how we serve our clients and stakeholders:



**PEOPLE
FIRST**



**EMBRACE
CHANGE**



**CHOOSE
ACCOUNTABILITY**



**EXCEPTIONAL
EVERY DAY IN
EVERY WAY**



**EMPOWERMENT
THROUGH
KNOWLEDGE**



¹ BDO USA refers to BDO USA, P.C., a Virginia professional corporation in the U.S. and a U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.

A MESSAGE TO OUR STAKEHOLDERS / Audit Quality SEED Framework

In order to sustain an auditing firm that can satisfy the expectations of investors and other stakeholders who rely on our audits, we must first understand the significant risks inherent in and external to our business. This risk assessment informs how we:

- ▶ Structure our leadership
- ▶ Establish relevant ethics and independence mechanisms
- ▶ Accept and continue working with clients who reflect our values and are committed to quality
- ▶ Invest in and design processes, policies, and procedures for consistent high engagement performance
- ▶ Ensure the strength of our professional and technological resources
- ▶ Obtain and maintain accurate information and provide clear and timely communications
- ▶ Establish a robust monitoring and remediation process for continual improvement

When we take what we learn from our risk assessment activities and combine it with the overall objective of adhering to professional standards, we strike the right tone in establishing a culture focused on achieving high-quality.

We have adopted an acronym for audit quality around a framework built on exercising the appropriate level of **skepticism**; having the right **expertise**; timely and thoroughly **executing** the audit; and going in **depth** (aka the Audit Quality SEED framework). We believe the SEED metaphor reflects where audit quality must start — at the earliest point in our work. The SEED framework aids in cultivating expected behaviors and provides a mechanism to enhance our skills — at the individual professional level, the engagement level, the assurance practice, and firm level.

AUDIT QUALITY SEED FRAMEWORK

Skepticism

- ▶ Adopt a questioning mindset
- ▶ Critically assess audit evidence
- ▶ Exercise due professional care

Expertise

- ▶ Ensure an in-depth understanding of and adherence to professional standards
- ▶ Consistent application of BDO methodology, tools, and templates
- ▶ Develop an in-depth understanding of the company, its operating environment, and financial reporting and internal controls

Execution

- ▶ Perform the majority of audit work before balance sheet year-end
- ▶ Provide sufficiently detailed and appropriate documentation
- ▶ Integrate and coordinate core engagement team and specialists throughout the audit

Depth

- ▶ Conduct a rigorous, fact-based risk assessment
- ▶ Build the engagement team bench through on-the-job coaching
- ▶ Exercise seasoned judgment

A MESSAGE TO OUR STAKEHOLDERS / Audit Quality SEED Framework

Throughout the audit process, we consider risk — from macroeconomic considerations (e.g., high inflation, slowing economy, high interest rates, and supply chain issues) to geopolitical events to individual industry and business-specific risks — and how such matters may impact our audit. We continue to monitor, learn from and respond to domestic and global developments, industry trends, technological advancements, our inspection processes, as well as evolving auditing and accounting standards and regulations. These activities allow us to actively engage the mindset of our professionals to better understand risks and potential impacts to our audit work.

Our professionals are provided with updated methodologies, state of the art tools and technologies, application-focused education, in-process coaching and pre-issuance reviews, and access to subject matter professionals throughout the course of the audit. Working together as One BDO — through our leadership, core engagement teams, professional practice and quality management resources, strategic service centers, and our tax and advisory disciplines — we work smarter and are able to focus our efforts on risks specific to the audits we conduct.

Our assurance practice is focused on five key priorities, with our highest — and central — priority being assurance quality execution. Effective execution of our priorities, along with strategic development of human, intellectual, and technological resources will enable high-quality audits to sustain profitable growth and fuel further investments in quality.

In our 2023 Audit Quality Report, we highlight several of the more recent significant and transformative investments to strengthen our audit quality. These changes are multifaceted and interdependent, and we are working to ensure the changes are not just embraced by our professionals, but embedded in our processes, decisions, and daily work. While it will take time to benefit fully from these actions, our leadership and professionals are engaged in this journey and are committed to operational excellence.

We invite you to explore the ways in which BDO is continuing to streamline our structure, reimagine professional development, exercise better project management and phasing of our audit work, advance our digital innovations, and enhance accountability as we systemically cultivate the SEED of audit quality.



Wayne Berson

WAYNE BERSON
Chief Executive Officer



Bill Eisig

BILL EISIG
Assurance National Managing
Principal²



Lillian Ceynowa

LILLIAN CEYNOWA
Assurance National Managing
Principal, Audit Quality

FIVE KEY PRIORITIES



² In 2023, BDO converted from a Delaware limited liability partnership to a Virginia professional corporation and has adopted the term principal in lieu of the title of partner to reflect this change.

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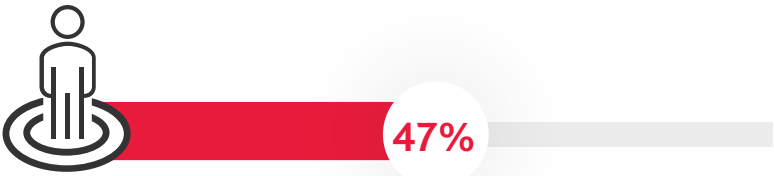
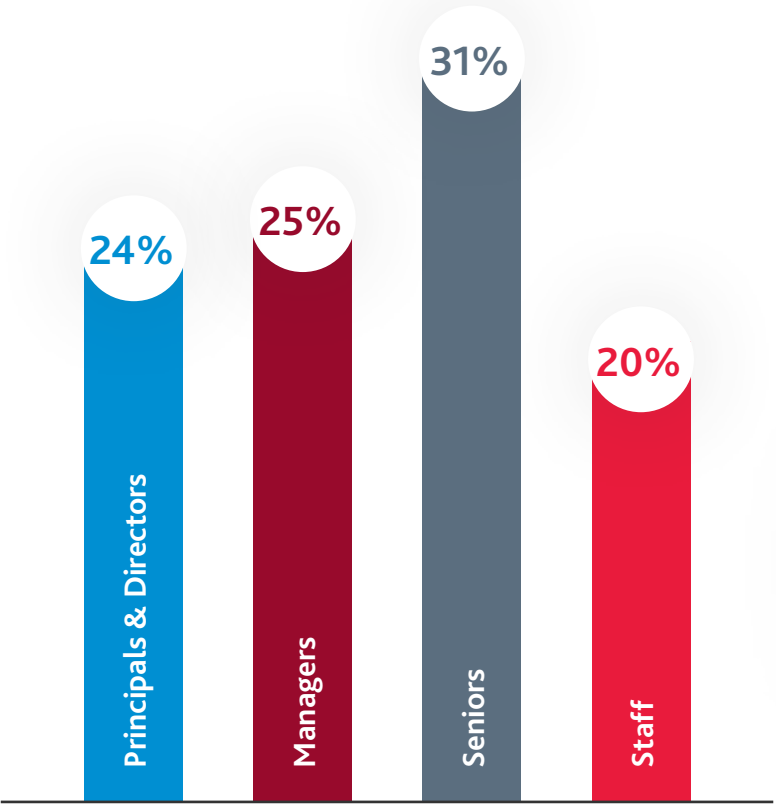
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**2023 AUDIT
QUALITY REPORT**

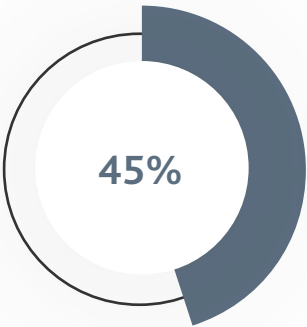


BDO Audit Quality Highlights

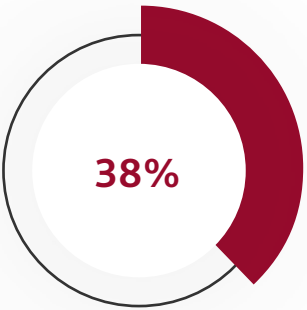
BDO AUDIT QUALITY HIGHLIGHTS / Our Assurance Practice Metrics



Assurance professionals as a percentage of
BDO's client-facing professionals



Women professionals



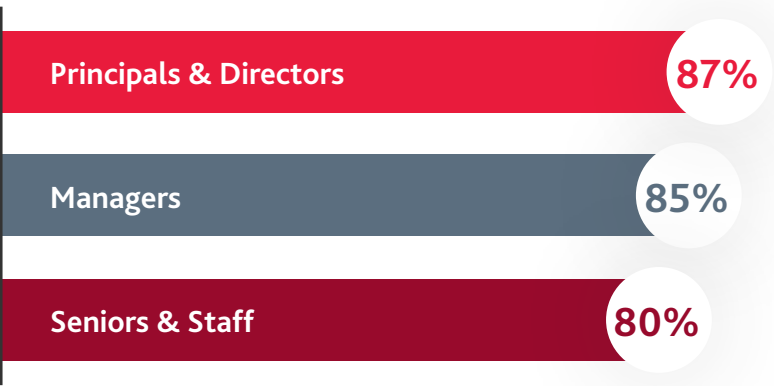
Professionals self-identifying
as racially/ethnically diverse

CLIENT-FACING STAFF LEVERAGE RATIOS



Principals to all other Assurance professionals

AVERAGE ASSURANCE RETENTION RATES THE YEAR ENDED 12/31/2023



BDO AUDIT QUALITY HIGHLIGHTS / Our Assurance Practice Metrics

LEARNING & DEVELOPMENT, AUDIT QUALITY CONTRIBUTIONS, IS ASSURANCE AND SUBJECT MATTER SPECIALIST SUPPORT



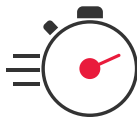
On average, our assurance professionals completed **2 to 3 times** the average annual CPE hours required by professional standard setters



Delivered **81,000+** hours of learning through our new Audit Quality Learning Journey programs



Over **413,000** audit quality hours contributed by Professional Practice, Quality Management, Independence, and Inspection professionals



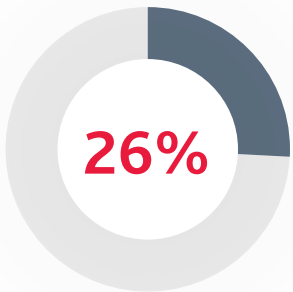
Audit Hours Performed by IT and Tax Professionals and Auditor Employed Specialists

IS Assurance	9%
Tax	4%
Valuation, Forensics, Other	2%
TOTAL	15%

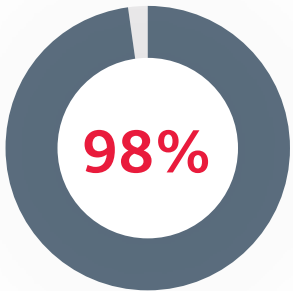


1:17 Ratio of Professional Practice, Quality Management, Inspections, and Independence professionals to client-facing assurance professionals

INNOVATION, CAPACITY, AND AUDIT EXECUTION



Increase in audit hours capacity over previous year through the integration of strategic service center BDO RISE India assurance professionals



Audit engagement teams using at least one form of automation in 2023

BDO AUDIT QUALITY HIGHLIGHTS / Our Assurance Practice Metrics

CONTRIBUTIONS TO THE SUSTAINABILITY OF OUR FIRM, PROFESSION, AND COMMUNITY

~10,000

Eligible BDO employees in the U.S.
participating in BDO's ESOP



The ESOP offers participants a stake in the firm's success through beneficial ownership, fueling quality, ongoing investment, and growth for a sustainable future.

60+

BDO principals and directors previously
or currently serving in **90+** positions
within professional and global
organizations that have a direct impact
on advancing audit quality



24%

BDO principals serving as board
directors or officers of charitable and
nonprofit organizations



MONITORING AUDIT QUALITY

177

Engagements internally
inspected in 2023



79%

Internally inspected engagements
(issuers and non-issuers)
were conforming



98%

Average percentage of engagements inspected by
the PCAOB over the last three inspection cycles
that did **not** result in a restatement of a financial
statement or Internal Control over Financial
Reporting (ICFR) opinion



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A photograph of two women in a modern office. One woman, wearing a black and white checkered blazer, is pointing at a whiteboard with a red marker. The other woman, wearing a black hijab and a dark jacket, is looking at the whiteboard. The background shows a city skyline through a large window. The image is split diagonally, with the top right portion being white and the bottom left portion showing the office scene.

Taking Transformative Actions to Drive High-Quality Audits

TAKING TRANSFORMATIVE ACTIONS TO DRIVE HIGH-QUALITY AUDITS / Executive Summary

Here are several of the more recent transformative actions our firm has put into place to drive high-quality audits. Each are explored in more detail throughout our report.



ASSURANCE PRACTICE RESTRUCTURE

Restructured assurance practice leadership for more effective engagement resourcing, decision-making, consistent communications, and accountability.



ACTION EFFECTIVENESS MONITORING

Continuously review remedial actions and adjust them for improvement and sustainability of audit quality into the future.



QUALITY MANAGEMENT INVESTMENTS

Integrated experienced hires, many from the PCAOB, as part of a rigorous approach to identify opportunities to improve quality across the Assurance practice.



TECHNOLOGY ENABLED AUDITS

Continued expansion of our digital audit suite under BDO **ADVANTAGE** to provide audit insights with greater precision, effectiveness, and efficiency.



AUDIT QUALITY LEARNING JOURNEY

Deployed a reimagined, dynamic training curriculum aimed at upskilling our professionals and enabling teams to immediately apply knowledge to their audit work.



AUDIT QUALITY COALITION

Created a guiding group of assurance directors and managers to help solidify a culture of outstanding audit quality.



AUDIT PHASING AND PROJECT MANAGEMENT

Implemented audit phasing and project management so that the majority of audit work occurs before the client's year end, allowing teams to earlier identify risks, refine their planned approach, and engage technical resources to reduce stress on the audit process.



ENHANCED ACCOUNTABILITY FRAMEWORKS

Implemented new performance measures focused on quality and established required mandatory audit quality goals as part of performance management and compensation decisions.



AUDIT METHODOLOGY ENABLEMENT

Assembled a new audit methodology enablement group to improve audit process tools, templates, and related guidance to enhance our professionals' ability to comply with professional standards.



WORKLOAD ASSESSMENTS

Enhanced workload assessments to facilitate proper audit phasing to allow for adequate time for the most critical aspects of the audit and appropriate application of professional skepticism throughout.



AUDIT QUALITY ADVISORY COUNCIL (AQAC)

Established the AQAC, which includes two independent council members, to directly advise our CEO and Board of Directors on audit quality matters.



CLIENT ACCEPTANCE AND CONTINUANCE

Continuously analyze our client acceptance and continuance policies to enable the firm to audit companies that reflect similar values and put quality first.



NATIONALIZATION AND CENTRALIZATION OF ASSURANCE AND QUALITY REVIEW FUNCTIONS

Centralized, under national leadership, various assurance practice functions — e.g., information systems assurance and engagement quality reviews.



AUDITOR INDEPENDENCE

Strengthened firm independence policies, monitoring, and education through new training, tools, and resources for BDO's investment tracking system; strengthened compliance sanctioning guidelines; and reinforced with leadership messaging.

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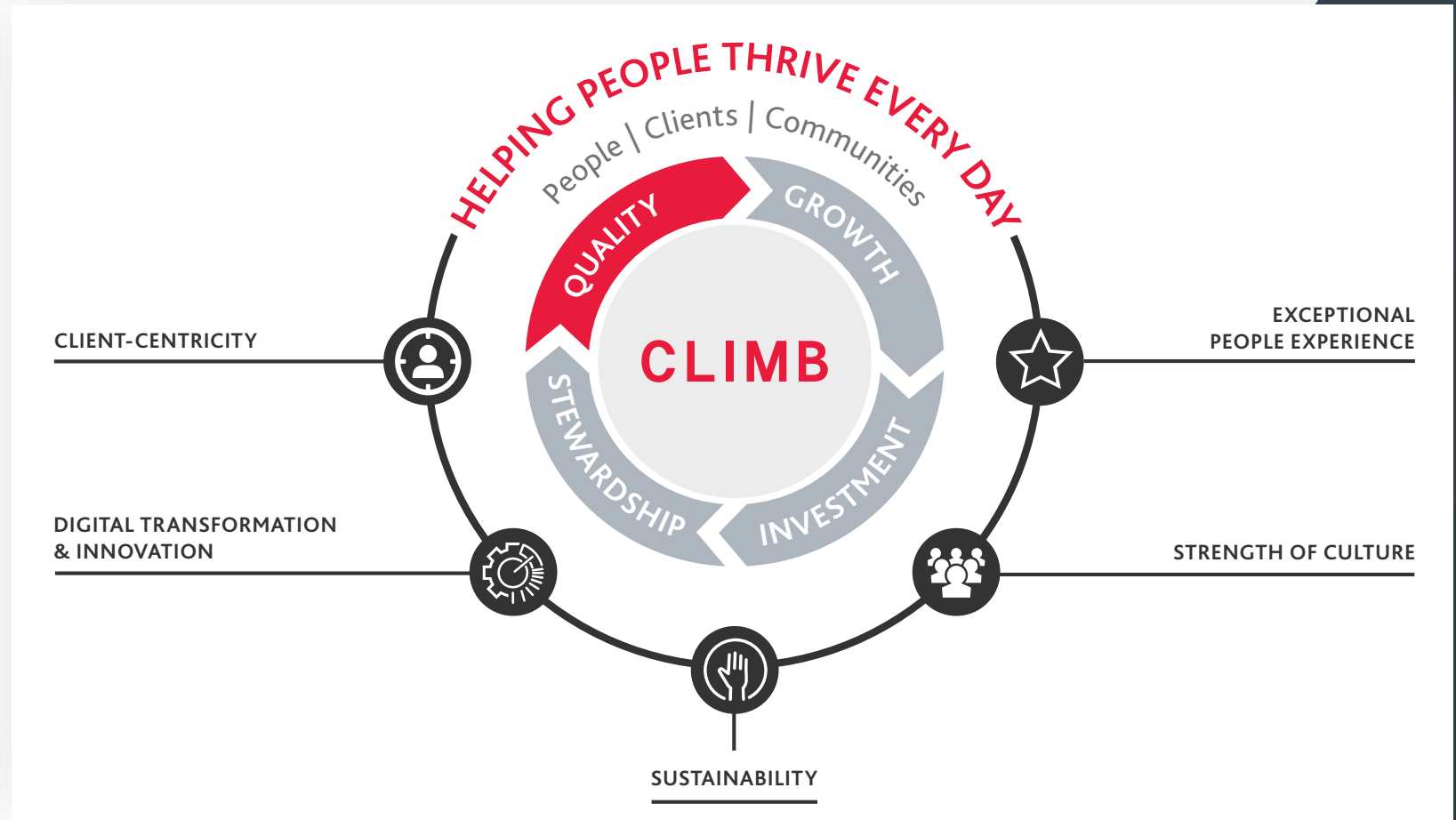
2023 AUDIT
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Components of Audit Quality

COMPONENTS OF AUDIT QUALITY / Our Governance and Leadership

In 2022, quality was formally incorporated into our firm strategy along with growth, investment, and stewardship — a flywheel we refer to as our engine of opportunity.



For the past several years, we have been focused on how our leadership structure directly emphasizes audit quality.

COMPONENTS OF AUDIT QUALITY / Our Governance and Leadership

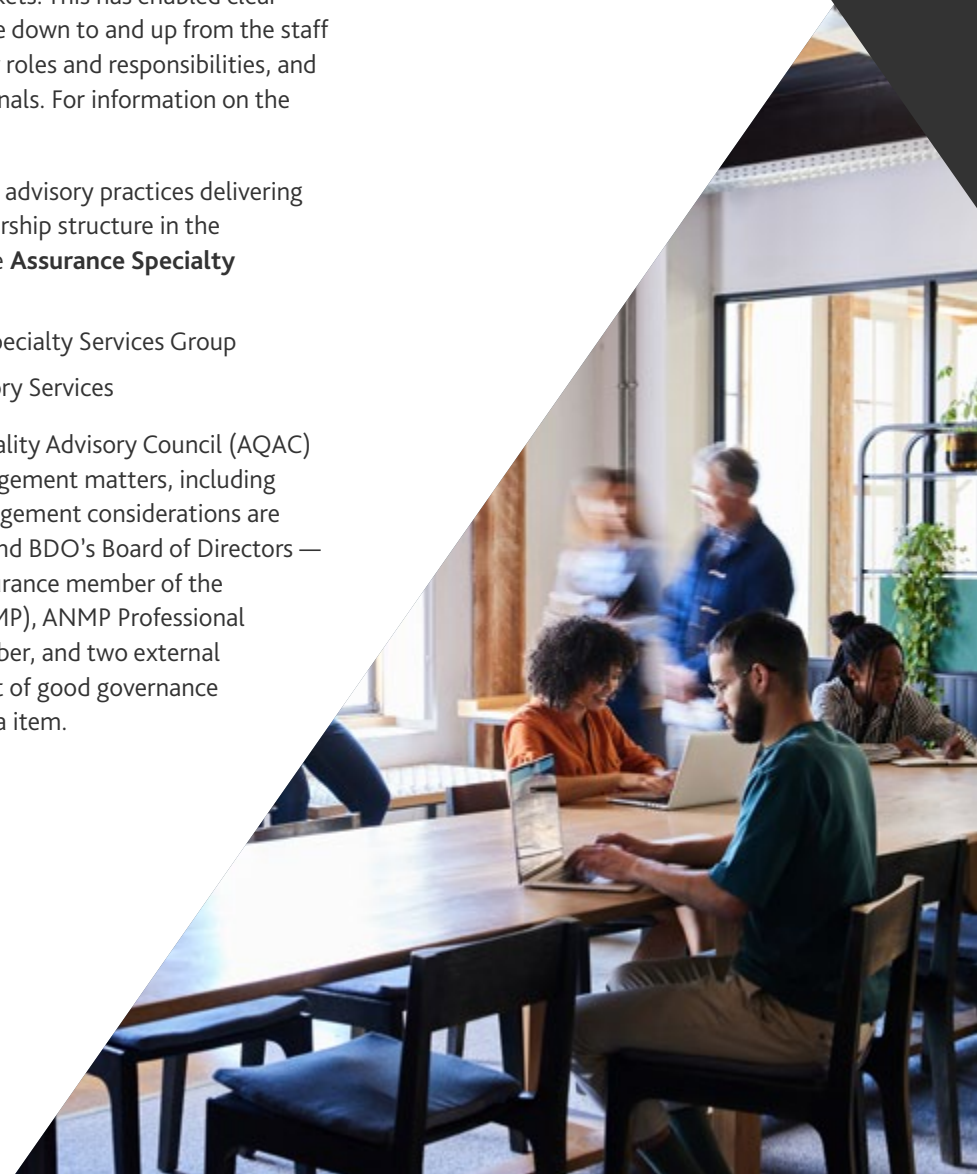
CULTURE, TONE, AND MESSAGING

We recognize the importance of setting and cascading the proper tone from the top to our over **3,700** U.S. assurance professionals. In May 2023, we restructured our **Assurance Operational Practice** to nationalize our practice leadership from six regional leaders to three national **managing principals (MPs)** for **three geographies** (East, Central, and West) and from **over 60** office managing principals to **14 market managing principals (MMPs)**. This optimized structure better aligns consistency, accountability, and quality across the markets. This has enabled clear communications supporting the “tone at the middle” for the cascade down to and up from the staff levels regarding the importance of a culture focused on quality, clear roles and responsibilities, and the reinforcement of our audit quality initiatives for all our professionals. For information on the composition of our MP structure, refer to the [Appendix](#).

Additionally, to capture inherent assurance synergies, certain former advisory practices delivering assurance-related services were brought together under a new leadership structure in the assurance practice. Current BDO Board Chair Kelly Johnson leads the **Assurance Specialty Practice** that includes:

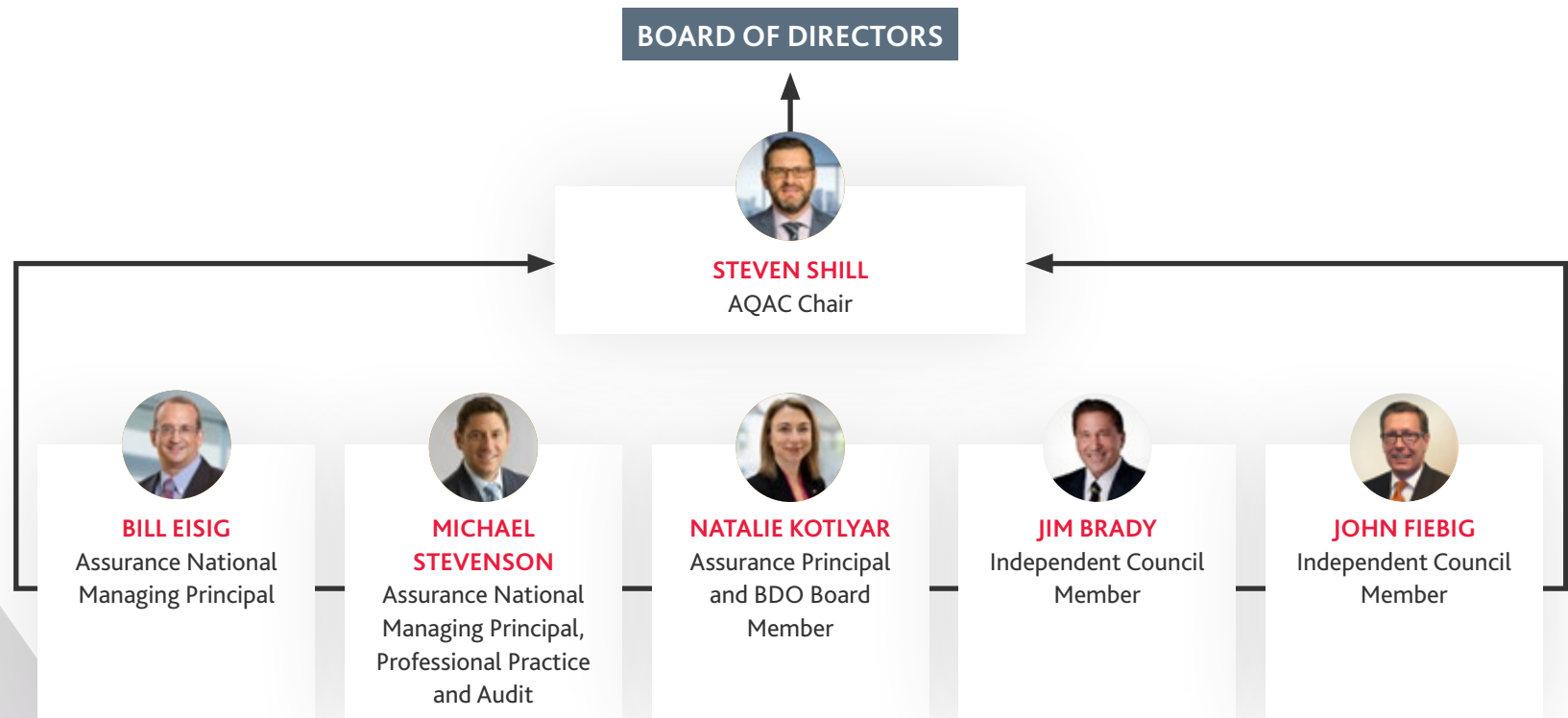
- ▶ Accounting Advisory & Outsourcing
- ▶ Industry Specialty Services Group
- ▶ Government and Public Sector
- ▶ Risk Advisory Services

We are presently in our third year of having an established Audit Quality Advisory Council (AQAC) to ensure matters of audit quality related to system of quality management matters, including inspection results, remediation efforts, independence, and risk management considerations are appropriately elevated to our senior leaders — CEO Wayne Berson and BDO’s Board of Directors — to inform timely executive decisions. The AQAC is chaired by an assurance member of the Board and includes the Assurance National Managing Principal (ANMP), ANMP Professional Practice and Audit, another assurance principal who is a Board member, and two external independent council members. The AQAC has been a further conduit of good governance and transparency with audit quality as a standing BDO Board agenda item.



COMPONENTS OF AUDIT QUALITY / **Our Governance and Leadership**

AUDIT QUALITY ADVISORY COUNCIL



MEET OUR INDEPENDENT AQAC MEMBERS

Jim Brady 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. He joined BDO's AQAC in 2022.

John Fiebig is a former PCAOB senior deputy director experienced in all aspects of PCAOB inspections and in improving the quality of audits performed by global network CPA firms. He is passionate about helping firms and their leadership significantly improve their systems of quality management and their audit quality. He was previously an audit partner at one of the largest public accounting firms. John recently joined BDO's AQAC in April 2024.



SPOTLIGHT

BDO's Board of Directors and Executive Team

BDO's **Board of Directors** provides oversight of the firm's culture, risk management, innovation, and strategic growth. Over the past several years, the Board has supported significant investment to build out the assurance practice and our capabilities — from recruitment of top talent with diverse skillsets to up-scaling technology, innovation, training, tools, and templates. The Board believes that these substantial investments reflect our strong commitment to fulfilling our important role as auditors in furthering the public interest and building trust in the capital markets.

The Board works closely with our **Executive Team** members, who are collectively accountable for leading the execution of our strategy in their respective areas of responsibility and in collaboration across the firm. Our assurance principals and professionals will not realize our practice objectives and goals without the unfettered commitment of our Board and Executive Team. Alignment with our leadership is critical. Our stated audit practice priorities outlined previously and focal areas highlighted to the right, demonstrate the overlap and synergies with several of our broader firm strategies.

ASSURANCE FOCAL AREAS



Deliver exceptional and consistent quality.



Foster a culture of trust and collaboration in driving organizational effectiveness.



Manage capacity through integration of strategic service center professionals.



Maintain an inclusive environment with equal opportunity to thrive.



Invest in digital technologies to enhance engagement execution.



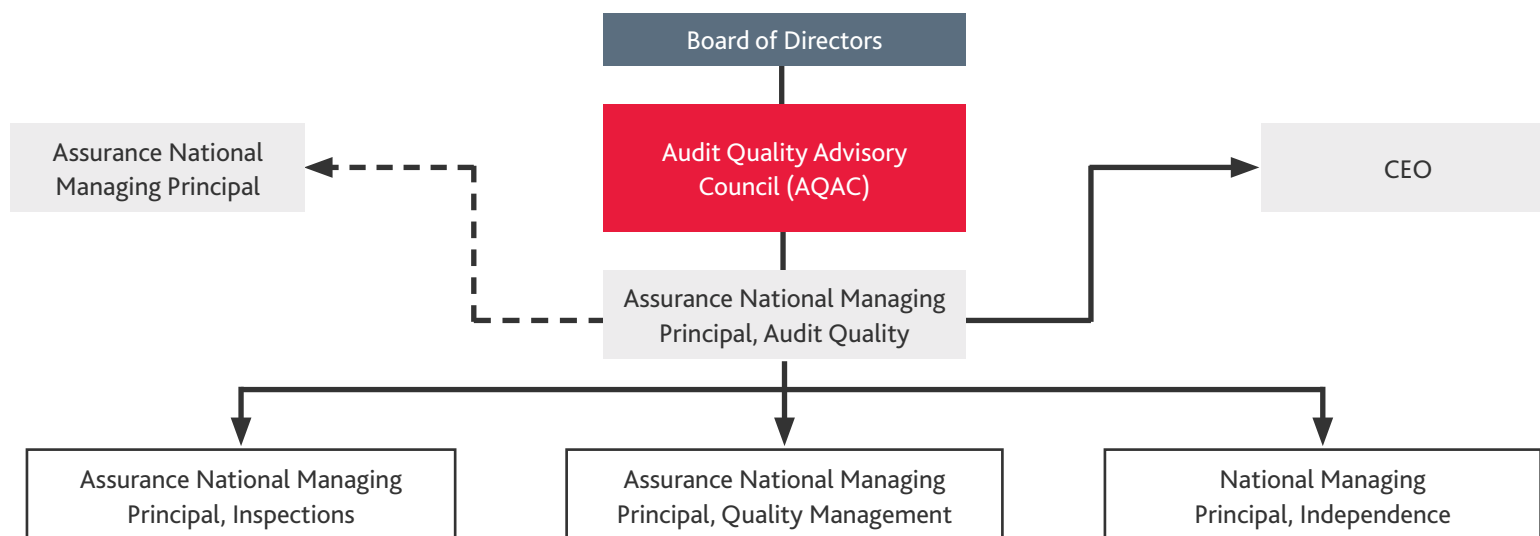
Elevate and streamline our data management practices and systems to minimize risk and enable more informed decision-making.

For information on the composition of our Board and our Executive Team, refer to the [Appendix](#).



SPOTLIGHT Our Quality Management Function

Our **Assurance National Managing Principal, Audit Quality** position was established in 2022 and is held by Lillian Ceynowa, formerly of the PCAOB, to oversee the activities of the assurance quality management, inspection, and firm independence teams. This role reports regularly and directly to our CEO and to the AQAC and indirectly to the ANMP. Lillian oversees a growing team of close to 70 experienced professionals — some of whom have come directly from the PCAOB.



We continue to invest significant resources in our quality management function at BDO to protect investors and other users of financial statements. Our dedicated team studies the data we collect through our monitoring activities to identify opportunities to continuously improve our system of quality management, including arming our professionals with the appropriate processes and tools to enhance the quality of our audits on a consistent basis.

LILLIAN CEYNOWA

Assurance National Managing Principal, Audit Quality

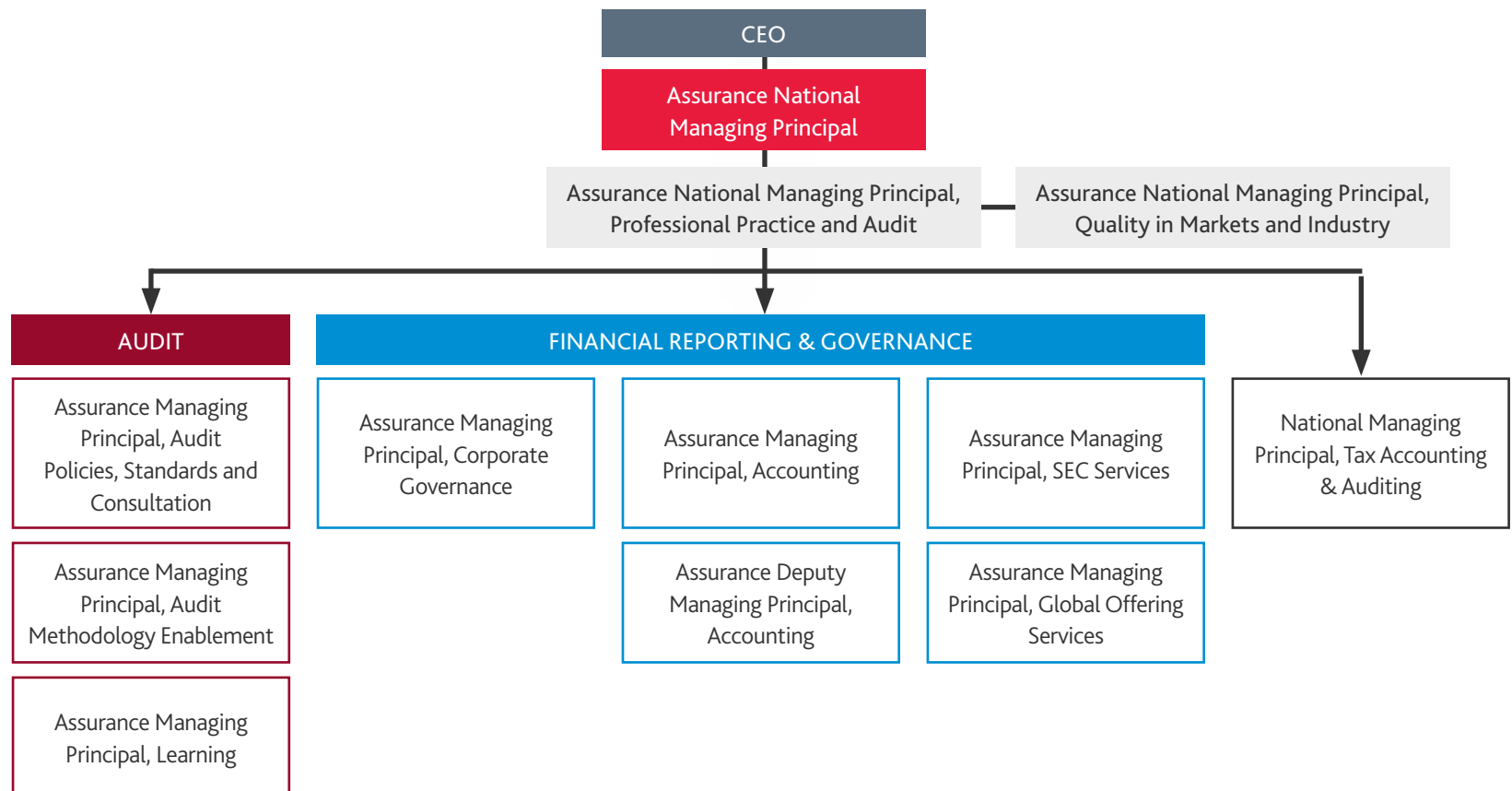
COMPONENTS OF AUDIT QUALITY / Our Governance and Leadership

The following summarizes the functional areas helping to drive audit quality:

- ▶ **Quality Management:** Monitors the effectiveness of the assurance system of quality management by periodically assessing the identified risks to achieving the objectives and evaluating the design and operating effectiveness of related responses to the assessed quality risks and controls to those risks. In consultation with others, the group evaluates identified findings, performs causal analyses, and participates in designing, implementing, and monitoring enhancements to policies, processes, controls, and other responses to continuously improve the system of quality management.
- ▶ **Inspections:** Performs inspections of in-process or completed engagements to inform the firm as to whether engagements are conducted in accordance with professional standards and firm policies.
- ▶ **Independence:** Ensures development, communication, and monitoring of all firm and personal independence policies to enable the firm's collective ability to act with integrity and exercise objectivity and professional skepticism.

More on each of these functions is discussed throughout this publication.

ASSURANCE PROFESSIONAL PRACTICE STRUCTURE



COMPONENTS OF AUDIT QUALITY / **Our Governance and Leadership**

Assurance Professional Practice (often referred to as BDO's national office) — led by the ANMP Professional Practice and Audit:



Designs audit methodology, including the tools, templates, and guidance, that direct our audit engagements



Develops and delivers training programs on accounting, auditing, and reporting matters along with current and emerging issues (e.g., macroeconomic conditions and geopolitical events)



Provides technical support for auditing, accounting, and reporting matters



Provides consultations of auditing, accounting, and reporting matters



Researches and resolves technical audit, accounting, and reporting questions from engagement teams



Provides coaching and education to engagement teams related to audit and accounting research and analysis



Provides general support on an as-needed basis for emerging initiatives



Assesses and develops responses to emerging matters identified by the quality management function and other sources

COMPONENTS OF AUDIT QUALITY / Our Governance and Leadership

Assurance professional practice functions are led by experienced managing principals and professional teams and include:

Quality in Markets & Industry

- ▶ Enable the execution of audit practice and quality initiatives

Audit & Related Groups

- ▶ Develop how BDO performs audit and attestation services and is composed of these functional areas:
 - Audit policies, standards, and consultation
 - Audit methodology and methodology enablement
 - Learning
 - Tax accounting and auditing

Accounting

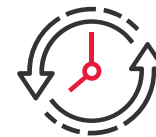
- ▶ Provide guidance and consultation on implementation and application of accounting standards

SEC Services

- ▶ Provide guidance and consultation on SEC rules and regulations and review applicable client issuer filing documents prior to the client's filing with the SEC

Corporate Governance

- ▶ Develop and maintain continuing education and thought leadership on evolving corporate governance and emerging issues impacting those charged with governance



These teams contributed approximately

413,000 hours to audit quality initiatives for the period April 1, 2022 to March 31, 2023



I am honored to lead a professional practice team with such deep experience in the profession, who is able to embrace the systemic changes we are making within our assurance practice, and collaborate with each other to support our assurance professionals with the resources they need to perform high-quality, efficient, and effective assurance work.

MIKE STEVENSON

Assurance National Managing Partner, Professional Practice and Audit

COMPONENTS OF AUDIT QUALITY / Relevant Ethical Requirements, Including Independence

Auditor independence, strong ethical principles, and professional skepticism remain fundamental to the integrity of our profession and standards of the American Institute of Certified Public Accountants (AICPA), Public Company Accounting Oversight Board (PCAOB), Securities and Exchange Commission (SEC), International Ethics Standards Board for Accountants (IESBA), the U.S. Government Accountability Office (GAO), the Department of Labor (DOL) and other independence standard-setting organizations. BDO is retained by clients based on the strength of our reputation, knowledge, experience, integrity, and professionalism.

Paul Munter, the SEC's Chief Accountant, [reminds](#) auditors that independence and a culture of ethical behavior are critical to an audit firm's ability to fulfill its gatekeeper responsibilities. Our firm closely monitors emerging and expected rules on independence impacting our firm and our professionals, and meets regularly with the SEC, PCAOB, and AICPA to consult on matters, proposals, and requested feedback impacting issuer and non-issuer engagements. 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.

The **National Independence** team is led by the NMP Independence and is comprised of approximately 20 U.S. professionals and supported by approximately 25 professionals within our strategic services centers. The team has five main subgroups:

1. Firm compliance/conflicts
2. Private Equity conflict checks and firm expansions
3. Personal compliance
4. Independence education, consultations, and controls
5. Private equity support (non-conflict checks), business relationships, and global support

Several of our Independence team members have extensive independence experience through prior employment, including from the AICPA's Professional Ethics Division.

COMPONENTS OF AUDIT QUALITY / Relevant Ethical Requirements, Including Independence

The national independence team has implemented policies and procedures to monitor the firm and its professionals' compliance with independence requirements. Examples of these policies and procedures include:

- ▶ Requiring principals and all employees to confirm their independence annually
- ▶ Requiring principals, directors, and managers to be subject to individual independence audits
- ▶ Confirming of U.S. Independence Rules and Regulations annually by international BDO firms

INDEPENDENCE BY THE NUMBERS



During fiscal years 2022 and 2023, independence audits were performed for approximately **18%** of all directors and **35%** of all principals.



80 – Number of formal independence consultations completed with engagement teams concerning both issuer and non-issuer assurance clients.

Given the complexities faced by many large firms in tracking investment compliance for managers and above and their immediate family members, our independence team employs a monitoring system, BDO's Investment Tracking System (BITS), supported by firm policies that require automatic broker feeds where available and reporting updates to investments on a timely basis.

Oversight of the firm's compliance and ethics requirements is the responsibility of our Chief Compliance and Ethics Officer. The policies in BDO's Code of Ethics and Business Conduct, Workplace Guide, and other firm manuals serve to govern the actions of BDO's employees and principals on a day-to-day basis. Examples of activities covered under these policies and actively monitored include:

- ▶ Attending firm-designated mandatory training
- ▶ Achieving and maintaining CPE licensing requirements
- ▶ Adhering to the firm's Performance Management employee and principal development process
- ▶ Ensuring employee compliance with the firm's Code of Ethics and Business Conduct
- ▶ Ensuring calls by employees to our compliance hotline, maintained by a third-party, are addressed and that employees who, in good faith, report alleged unethical or illegal conduct in the workplace or who cooperated in investigations into such conduct are not retaliated against



COMPONENTS OF AUDIT QUALITY / Relevant Ethical Requirements, Including Independence

All BDO USA principals and employees are expected to perform their duties in full compliance with firm policies and procedures, applicable laws, regulations, and professional standards. Employees and principals who are noncompliant are subject to disciplinary actions and sanctions. Any acts of noncompliance and the underlying controls are also reviewed and subject to remediation to allow for continuous improvement of our policies and procedures.

ETHICS AND INDEPENDENCE PRIORITIES

SAMPLE ACTIVITIES ADVANCED IN 2022/2023



Tone at the Top

Launched a “tone at the top” communication campaign from our CEO and our NMP Independence reminding professionals of the personal independence compliance expectations and no tolerance for non-reporting of investments in BITS. In line with the new structure, the three MPs further cascaded this messaging.



Tools and Training

Issued new tools (BITS Checklist and Decision Tree for Certain Life Events) to assist professionals with compliance. Required annual BITS reporting training.



Ethical Completion of Firm Training and CPE Requirements

Expanded on the existing standards in BDO's compliance policies to act responsibly and ethically when attending, completing, and reporting BDO Mandatory Training or CPE, as well as reporting suspected cheating or related unethical conduct. Both our Code of Ethics and Business Conduct and Workplace Guide are required to be read and acknowledged by all personnel annually.



Automation of Independence Affirmations

Deployed a new Independent Affirmation Automation (IAA) tool to automate the personal independence affirmation process for all BDO professionals, across all business lines, who provide services to an attest client. Previously, obtaining such affirmations was solely a manual process.



Conflict Checking System

Fully implemented a new and enhanced domestic conflict checking system called BDO Ensemble. This system is an integral part of the firm's client acceptance and risk management process. Among its many benefits, it streamlines and automates the conflict check process, improving the quality of our data and the user experience, while minimizing risk posed by potential independence and business conflicts. The system also creates firmwide consistency to the conflict check process and provides a documented history of decisions such as how conflicts were cleared.



Independence Sanctioning Guidelines

Approved enhanced independence sanctioning guidelines for individuals (in all business lines) who are noncompliant with BITS policies and procedures. The new guidelines make incidents of noncompliance more severe to deter such actions. Individual noncompliance is also reflected in professionals' performance review meetings and compensation decisions. Certain fully compliant professionals are rewarded via a raffle held at the conclusion of quarterly independence audits.



Business Relationships

Automated the business relationships register to digitize the recording, approval, and monitoring of the firm's business relationships with third parties.

COMPONENTS OF AUDIT QUALITY / **Acceptance and Continuance of Client Engagements**

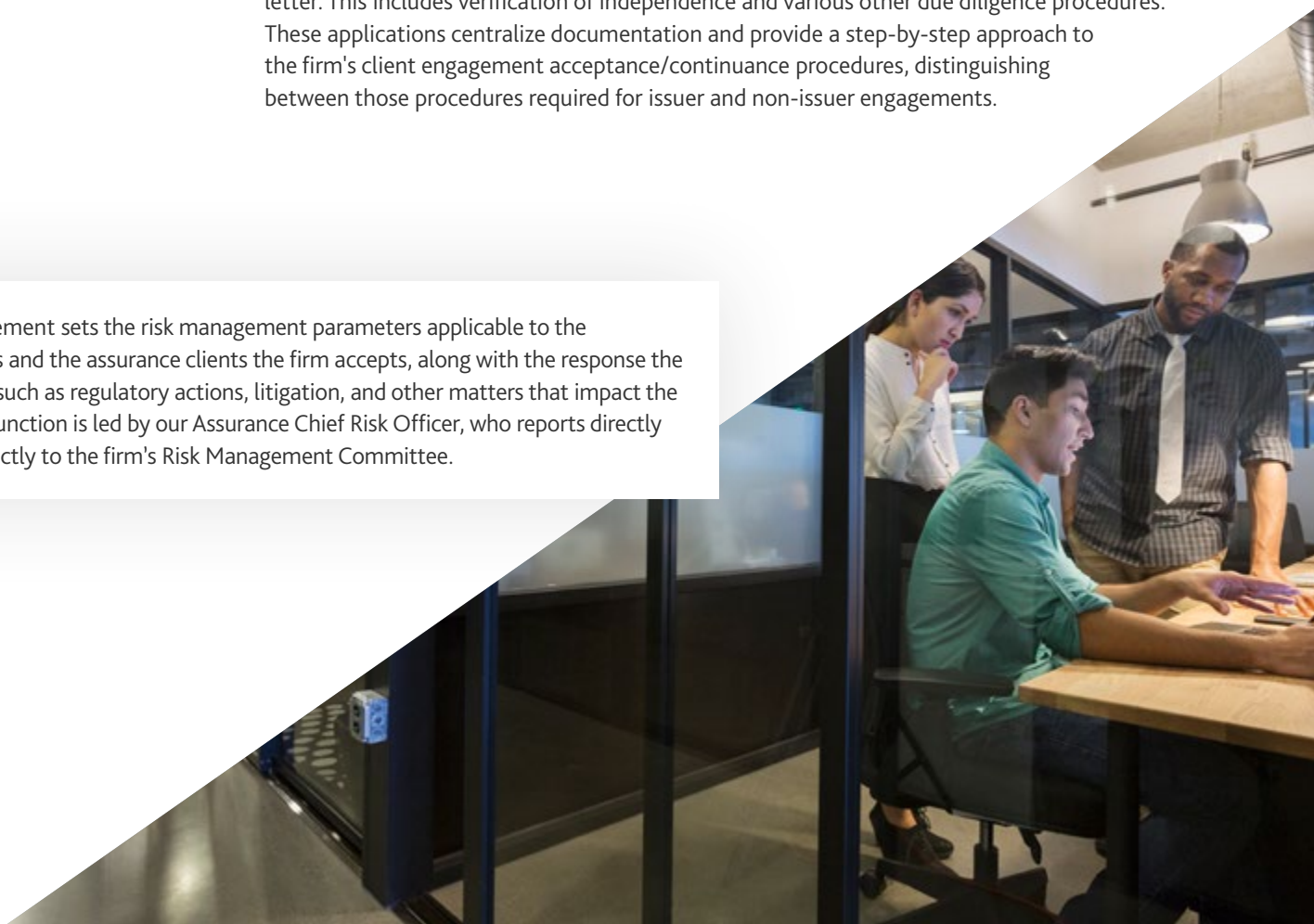
Our oversight function includes our activities for accepting new assurance clients and continuing to serve existing assurance clients in the preparation of high-quality and independent audit reports.

Collectively, our client acceptance and continuance procedures require consideration — at the geography and market levels — as to whether:

1. We have the appropriate engagement team members with the competence and the capacity to perform a particular audit engagement with respect to the risks present within the client's environment; and
2. Our fees consider the level of audit effort necessary to perform a high-quality audit.

Before accepting a new or continuing engagement, we satisfy ourselves that the associated senior officers and other individuals or entities who could significantly influence the financial statements are of good character. To ensure that acceptance and continuance procedures are properly followed, our applications — **BDO Prelude** (new engagements) and **BDO Reprise** (continuing engagements) — are to be completed, prior to obtaining the signed engagement letter. This includes verification of independence and various other due diligence procedures. These applications centralize documentation and provide a step-by-step approach to the firm's client engagement acceptance/continuance procedures, distinguishing between those procedures required for issuer and non-issuer engagements.

Assurance Risk Management sets the risk management parameters applicable to the assurance engagements and the assurance clients the firm accepts, along with the response the firm has to risk events, such as regulatory actions, litigation, and other matters that impact the firm's reputation. This function is led by our Assurance Chief Risk Officer, who reports directly to the ANMP and indirectly to the firm's Risk Management Committee.



COMPONENTS OF AUDIT QUALITY / Acceptance and Continuance of Client Engagements

KEY ASPECTS GUIDING CLIENT ACCEPTANCE AND CONTINUANCE DECISIONS



ELIGIBILITY

Identify and assign the appropriate principals and staff who collectively have the skills, abilities, and knowledge — including that of the client's business and industry — along with capacity to best serve the users of financial statements.



INDEPENDENCE

Form a conclusion on compliance with independence requirements through the identification and evaluation of circumstances and relationships that create threats to independence — whether in fact or in appearance.



INTEGRITY OF CLIENT

Determine the reputation and character of those charged with governance, senior officers, and others who could significantly influence the financial statements. Further, consider the reputation of the company itself.



CHANGE OF AUDITORS

If applicable, ascertain, through inquiry of prior auditors, information about the company that may have implications on audit quality.



RISK TO THE FIRM

Evaluate potential risks — e.g., type and complexity of business, continuity of management, financial needs, competence of management, reliability of records, legal matters, etc.



FOREIGN COMPONENT

Consider the ability for the engagement principal to properly supervise and/or rely on work performed by another BDO member firm or another auditor on the foreign component.



CONFLICTS OF INTEREST AND ETHICS

Address any conflicts of interest and ensure compliance with ethical requirements by putting appropriate safeguards in place.



CRIMINAL/ DISCIPLINARY HISTORY

Perform appropriate procedures to ascertain criminal or disciplinary history of relevant company professionals.



In reviewing prospective and existing clients for the purposes of completing our acceptance and continuance procedures, our focus is to maintain our ability to execute high-quality audits. Based on this goal, we exercise our discretion to decline acceptance of a prospect as well as discontinue providing services for an existing client that may pose an unacceptable level of risk due to the presence of a variety of conditions. These risk factors may include the following; however, this list is not intended to be comprehensive: recurring and/or un-remediated material weaknesses, concerns with the tone at the top, an unsustainable business model, a history of frequent changes in independent auditors, and/or severe liquidity challenges. Furthermore, we evaluate the sufficiency of our resources as to knowledge, skill, ability, and capacity along with the engagement economics, which must be in place to facilitate the execution of high-quality audits.

JENNIFER PUTERMAN

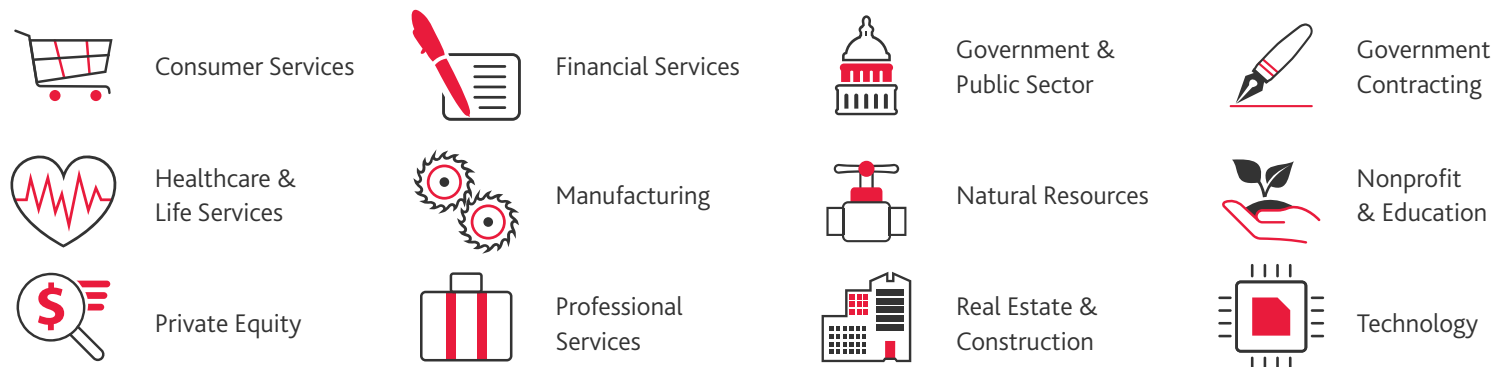
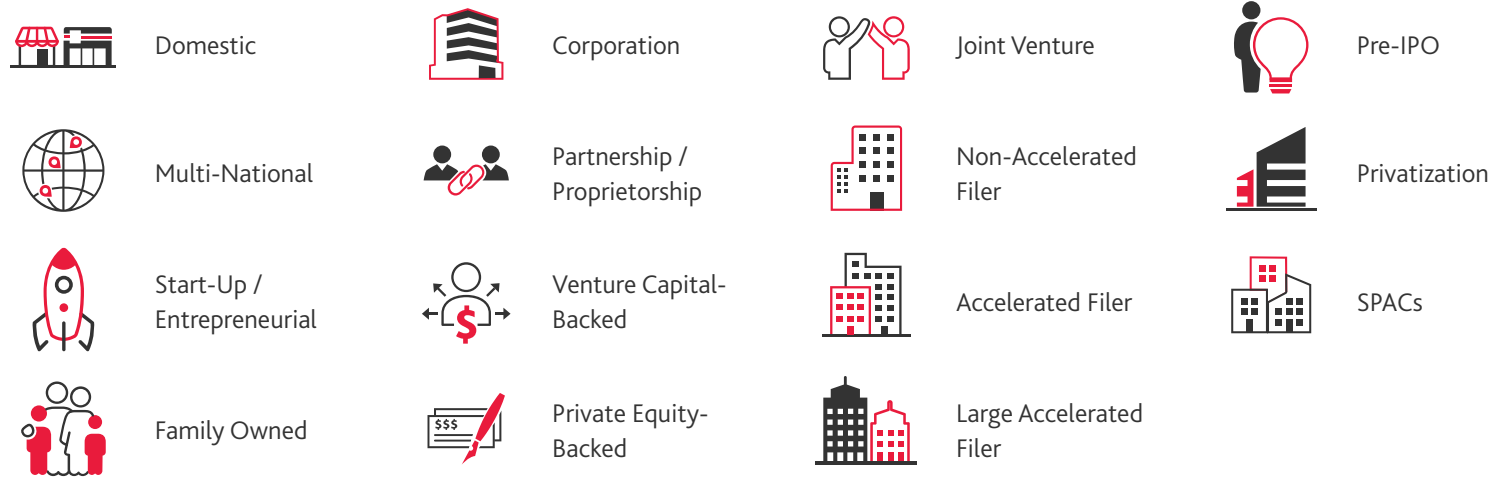
Assurance Chief Risk Officer



COMPONENTS OF AUDIT QUALITY / Acceptance and Continuance of Client Engagements

BDO Assurance Client Concentrations

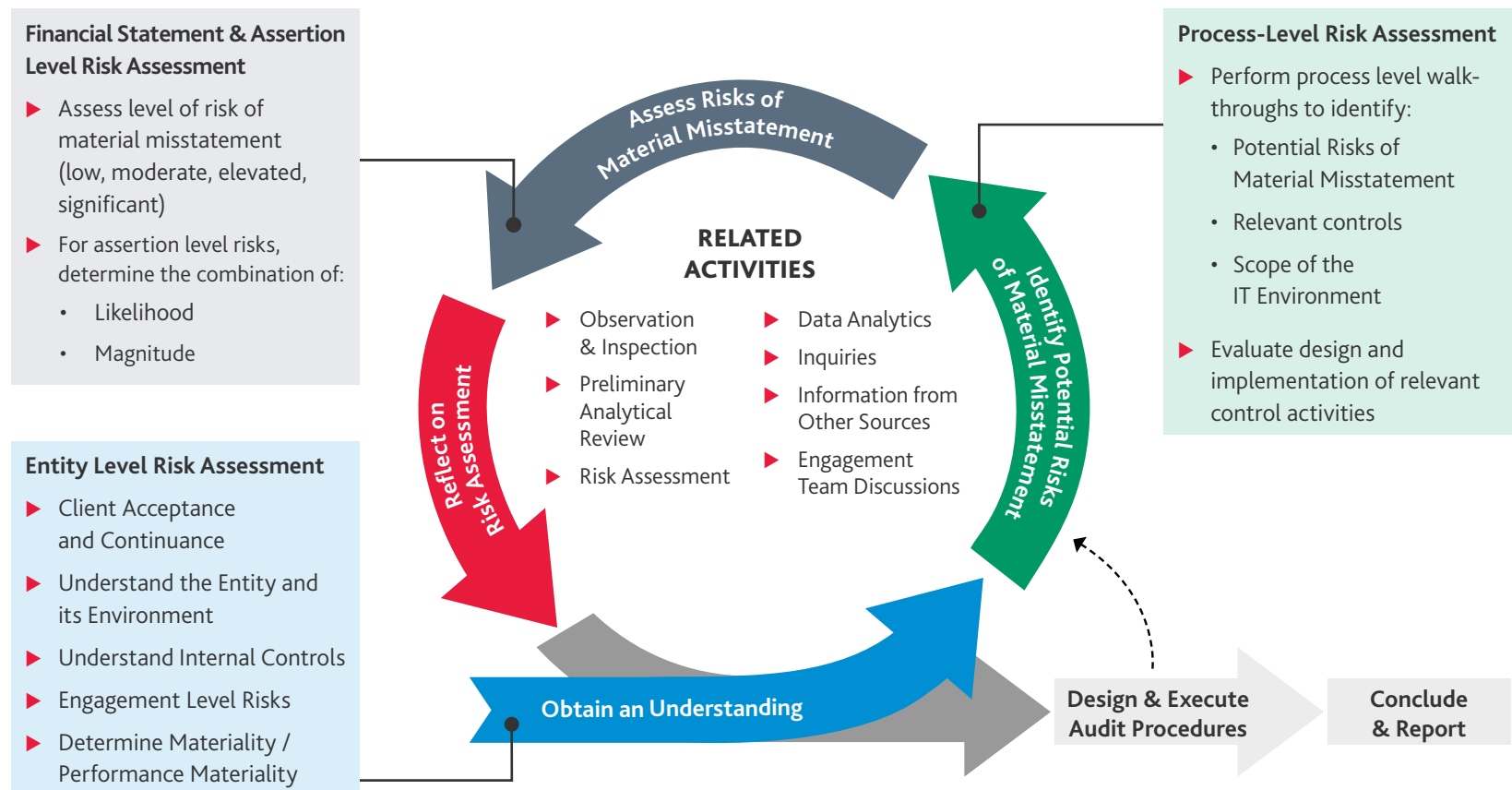
Our client base forms a rich tapestry of private and public entities, from development stage companies to large accelerated filers with multi-national operations, across both broad-based and concentrated industries:



COMPONENTS OF AUDIT QUALITY / Driving Engagement Performance

Our assurance policies and procedures are designed to ensure that our audits meet all applicable professional standards, legal and regulatory requirements, as well as our specific quality management standards. To ensure consistency in conducting risk-based audits, the firm has developed the BDO audit methodology, related software tools, and standardized forms of documentation.

Risk assessment lays the foundation of our overall audit approach. It is an iterative and dynamic process that occurs during the planning stage and throughout the audit. We perform risk assessment procedures to obtain audit evidence that we use to identify and assess risks of material misstatement, whether due to error or fraud, at the financial statement level and the relevant assertion level. Our risk assessment also provides us with a basis for designing appropriately responsive audit procedures that address the risks identified.



COMPONENTS OF AUDIT QUALITY / Driving Engagement Performance

PROJECT MANAGEMENT AND AUDIT PHASING

Properly phased audit tasks throughout the year allow engagement teams to identify and respond to risks earlier and resolve issues promptly. Good project management is key to achieving this goal and enhancing audit quality. In May 2023, the firm released a new project management tool (PMT) that emphasizes how teams plan the audit and apply sound project planning principles to alleviate compression of work. For example, we have shifted from a deadline orientation to one that focuses upfront on process and appropriate phasing of the audit and certification dates. This is enabling:

- ▶ Our teams to be more thoughtful about accelerating performance of audit work earlier in the audit cycle, allowing for more critical evaluation at each stage of the audit, and higher accountability
- ▶ The provision of key audit quality indicators to monitor the progress of the engagement and identify matters to make course correction adjustments in real-time
- ▶ Individuals outside the core engagement team to train and educate teams in specific areas of the audit in real time
- ▶ Information gathering on a more timely basis to make related continuous improvements to our system of quality management

The tool facilitates the engagement team's responsibility for designing an iterative detailed audit plan with targeted completion dates for preparers and all reviewers. Complimentary tools, such as our engagement insights dashboard capturing key audit quality indicators, allow us to monitor progress of approved plans and develop action plans if teams fall behind in their planned certification dates. Proper project management is included as part of each principal's annual goals and outcomes of audit plans and certification dates feed into our principal performance assessment process.

Achieving compliance with established audit plans requires thoughtful and timely coordination among the client and the engagement team, the engagement quality reviewers (EQR), BDO subject matter team professionals, as well as the work of others (e.g., specialists and internal audit). This proactive behavior is being reinforced in leadership messaging and in our revised learning curriculum discussed elsewhere in this publication.

The phasing of audit work and assessing progress is being monitored to ensure engagement teams are:

- ▶ Appropriately managing risk
- ▶ Not being impeded by resource constraints
- ▶ Pulling critical matters forward to be addressed earlier in the audit process
- ▶ Increasing communications with clients, including the audit committee, about the status of the audit throughout the audit cycle



COMPONENTS OF AUDIT QUALITY / Driving Engagement Performance

AUDIT INNOVATION AND TECHNOLOGY ENABLED AUDITS

Our approach to evolving our audits is guided by applying professional curiosity to innovation. Our digital transformation and innovation strategy is one of our firm's five strategic pillars that promotes collaboration among our industry professionals, data scientists, and developers to adapt our technologies and empower our people to work smarter amid an ever-changing regulatory environment and emerging industry trends.

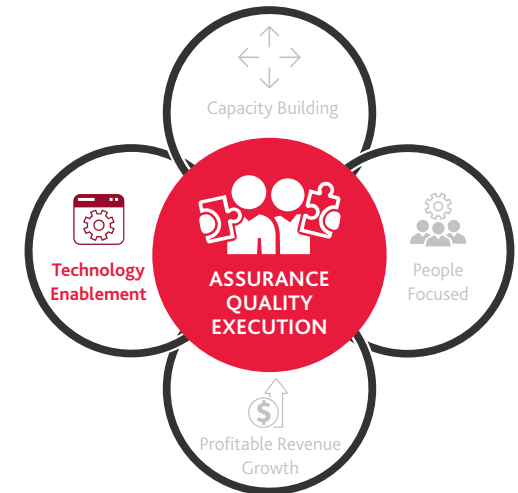
Our assurance strategy has been developed to synthesize the power of people, processes, methodologies, and technologies. With respect to **technology enablement**, continuous improvement and innovation include ongoing development and implementation of data analytics and emerging methods, engagement and enterprise level automation, and the increasing exploration of the use of AI, to ensure full adoption and implementation of assurance technology across our practice.

We continuously refine our BDO**ADVANTAGE** digital audit suite to enhance the client experience, tackle current and emerging risks and opportunities, and apply data-driven approaches and strategies to bridge the differences between current state and ideal state.

We are particularly focused on:

- ▶ **Practice Management:** Phasing the audit and using technology to increase predictive operational analytics provides our leaders with transparent views into the progress and management of the audit process for better course correction decision-making and risk forecasting in real-time.
- ▶ **Workflow & Engagement Quality Automation:** Everything that has potential for automation is predicated on enforced data and process standards. We are exploring the automation of increasingly complex workflows, including initial working paper production and assisted reviews. That includes potentially pairing our in-house generative AI tool "ChatBDO" with subject matter specialists to curate knowledge bots to extract information from working papers and start to reliably measure the quality of those working papers against firm guidance and technical literature.
- ▶ **Complex & Predictive Analytics:** We have embedded traditional audit data analytics into every phase of the audit. As AI becomes more normative, we are increasingly optimistic about our ability to introduce predictive analytics and algorithms into our service offerings, to determine not only what happened, but why it happened, and whether it could happen again.

This is allowing our firm to double down on how we utilize our people, process, methodology, and technology in an increasingly unreliable world.



Our BDO**ADVANTAGE** User Enablement team is deeply committed to developing a technology-driven audit practice that delivers high-quality services and an exceptional client experience, aiming to empower our people in a digital world. Our approach includes targeted on-the-job training sessions and a mix of virtual and in-person workshops designed for practical, hands-on learning. These are supported by comprehensive guides for ongoing development. We also prioritize direct engagement team assistance to ensure seamless technology integration. Through these efforts, we strive to foster a culture of innovation and excellence and help our people thrive.

COMPONENTS OF AUDIT QUALITY / Driving Engagement Performance

“

Advances in technology are rapidly transforming the way we can work, creating an environment that is both invigorating and intimidating. Our User Enablement program is designed to help our people overcome the intimidation factor and embrace all the opportunities that advances in technology provide. We are seeing great success with this approach, with significant increases in usage of technology enabled audit techniques in each of the past three years. Currently, 98% of our teams have embraced the use of engagement level automations.

TARA PENDLETON

Assurance Principal, BDO**ADVANTAGE**

ABOUT BDO**ADVANTAGE**

At BDO, we're guided by professional curiosity and inspired by our core purpose: helping people thrive every day. That curiosity and purpose take shape in the form of audit innovation, creating outcomes with deeper insights, stronger collaboration, and greater accuracy.

BDO**ADVANTAGE** is our digital audit suite built to enrich the client experience and drive audit quality. Through advanced automation, we reduce client burden and empower our team to focus greater attention on critical audit areas. Leveraging powerful data analytics then helps us uncover patterns, trends, and anomalies to deliver a more comprehensive risk assessment — with status displayed through transparent, real-time updates on our Global Portal and project-management tools. The end result is a seamless, high-quality audit ready to meet the technology expectations and needs of our clients.



COMPONENTS OF AUDIT QUALITY / Driving Engagement Performance

CASE STUDY

Uncovering Risks in a Dataset: How Custom Analytics Helped Enhance Quality, Drive Efficiency

The following case study demonstrates certain benefits that BDO **ADANTAGE**'s digital suite can have:

Top 3 Areas of Impact



Analysis of 160+ operating units, easing the burden of manual processes



Higher quality, more targeted audit procedures for greater efficiency



Better purview into areas of risk = More concise questions of the client

The Challenge

The client maintains a large amount of data at multiple locations. This data needed to be aggregated, standardized, and analyzed to fully assess financial statement risks and to inform the audit approach.

The Approach

The engagement team created a custom risk assessment data analytic to aggregate data across operating units, create visualizations to understand financial and operating results, and identify outliers compared to expectations and the normal operating cycle. This automated approach established an easily repeatable process that enables the engagement team to spend more time interpreting results instead of reconciling data.

The Results

- ▶ The combination of dashboards and automation enables the ability to accomplish previously prohibitive analyses.
- ▶ The engagement team gains access to an expanded view of financial and operating results through trend analysis at various levels of detail.
- ▶ A better risk assessment leads to higher quality, more targeted audit procedures, and better-informed questions for clients.

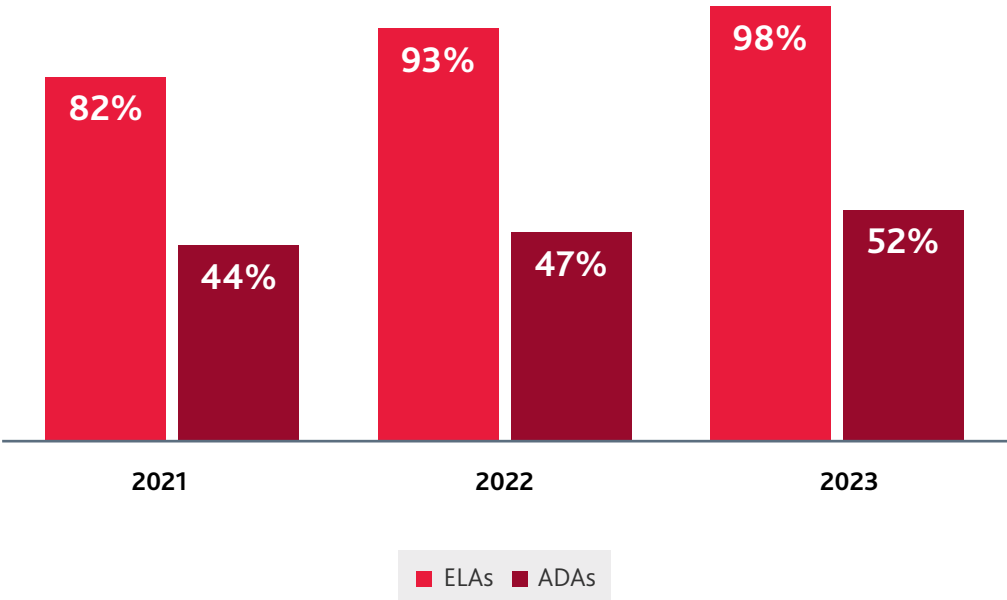


The custom risk assessment data analytics allowed our engagement team to use a large amount of data that would not have been supported by Excel and visualize trends occurring in the Company's operating units. This analysis helped us support our risk assessment and plan a more effective and efficient audit.

CARLA FREEMAN
Assurance Principal

COMPONENTS OF AUDIT QUALITY / Driving Engagement Performance

Percentage of engagements using engagement level automations (ELAs)³ and audit data analytics (ADAs)⁴ for engagements with fiscal year ends in 2021, 2022, and 2023:

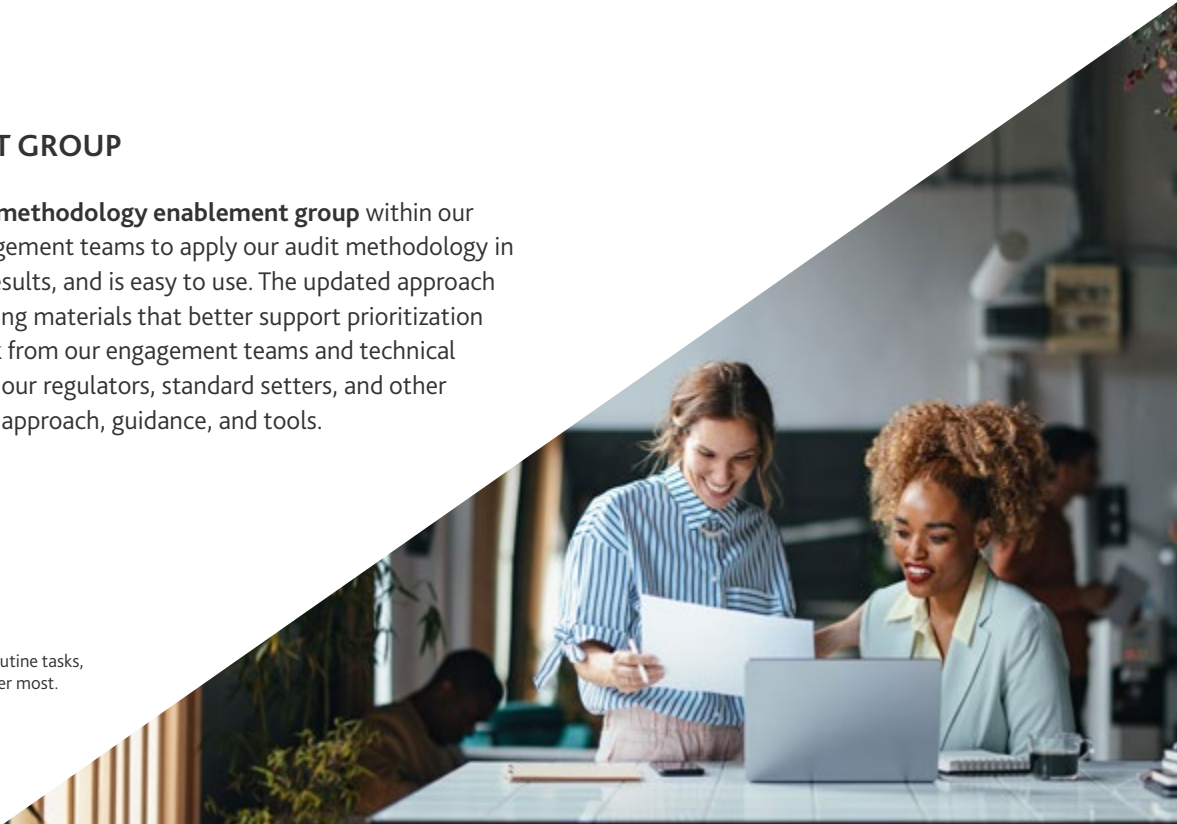


AUDIT METHODOLOGY ENABLEMENT GROUP

Additionally in 2023, we assembled a new **audit methodology enablement group** within our professional practice focused on facilitating engagement teams to apply our audit methodology in a way that drives consistent, high-quality audit results, and is easy to use. The updated approach produces intuitive and technology-focused enabling materials that better support prioritization of important audit matters. We draw on feedback from our engagement teams and technical professionals, and new and emerging topics from our regulators, standard setters, and other professional organizations to help us develop our approach, guidance, and tools.

³ ELAs represent tools used to automate or speed up repetitive or routine tasks, enabling our professionals to focus on the areas of the audit that matter most.

⁴ ADAs represent analytical procedures designed and applied for the purpose of risk assessment and/or obtaining audit assurance.



COMPONENTS OF AUDIT QUALITY / Driving Engagement Performance

AUDIT-SPECIFIC SUPERVISION, REVIEW, AND CONSULTATION

Supervision and review begin with the engagement principal and assigned engagement quality review (EQR) principal. They set the tone for quality and are assigned to engagements based upon their knowledge and related auditing, accounting, reporting, and industry experience, along with consideration of their workload. The engagement principal is ultimately responsible for the audit, and therefore takes responsibility for ensuring that the engagement team, collectively, has the appropriate competence and capabilities, including sufficient time and oversight, to perform the audit engagement.

This system is further supported and extended outside the engagement team to encompass various levels of consultation, review, and supervision performed by:

- ▶ **Industry, Subject Matter, and Tax Advisors:** Professionals across our firm who possess specific subject matter, industry experience, and knowledge identified to serve as resources for our engagement teams during 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 issuer and industry-specific financial reporting and disclosure.
- ▶ **Quality Management:** Experienced professionals responsible for evaluating the firm's system of quality management including performing monitoring activities such as conducting an inspection program that monitors compliance with professional standards and the firm's policies, coordinates external inspections, and oversees the remediation of deficiencies identified through evaluation, root cause analysis, and other monitoring activities.
- ▶ **Audit Quality Committee (AQC):** Comprised of principals from professional practice, quality management, and assurance operations who evaluate and conclude on a professional's audit quality ratings based on inspection findings and restatements. The AQC also rates the inspection (internal or external) based on the results of the inspection (e.g., conforming or non-conforming).
- ▶ **Assurance Services Executive Team (ASET):** Enables the assurance practice to maximize our effectiveness and execute on our firm priorities and assurance strategy through centralized coordination and oversight of operational performance, and promote audit quality nationally and across our markets. This group further works with the Assurance MMPs along with Assurance National Technical Principals to address, on a timely basis, the short, medium, and long-term needs/actions arising from identified matters. The ASET is comprised of assurance operational, professional practice, and audit quality leadership along with the Assurance Chief Risk Officer.
- ▶ **Audit Quality Advisory Council:** To preserve objectivity and implement the best practice of bringing an outside perspective, in 2022, we established the Audit Quality Advisory Council (AQAC) to advise our CEO and Board of Directors on the firm's audit quality. The AQAC is chaired by an assurance member of the Board and includes the ANMP, ANMP Professional Practice and Audit, another assurance principal who is a Board member, and two external independent council members.



COMPONENTS OF AUDIT QUALITY / Driving Engagement Performance

IN-PROCESS COACHING AND PRE-ISSUANCE REVIEWS

We are in the process of enhancing our programs that support our assurance engagements and that serve multiple objectives including to educate and further train our professionals, inform our development of audit guidance and communications, review of remedial actions for effectiveness, etc.

In 2023, we modified our **approach to coaching** our engagement teams to bring consistent insights and guidance during the audit process by skilled coaches rather than relying on reviews performed late in the audit process. The objective of this program is on enhancing engagement team knowledge on current and emerging matters, including auditing standards, audit methodology, tools, and templates with a focus on specific risk areas designed to address knowledge gaps identified via our other quality management activities.

Under our **pre-issuance review program**, our professional practice and quality management teams identify and review certain engagements prior to the issuance of the engagement team's audit opinion in order to:

- ▶ Monitor the implementation of certain remedial actions to determine whether they are achieving the outcomes intended and driving high audit quality
- ▶ Determining whether enhancements to remedial actions being taken are needed
- ▶ Prevent engagement audit deficiencies for areas in the scope of the review

The information gained from pre-issuance review activities is also used as a feedback mechanism to further enhance other areas in our quality management system including our methodology, guidance, tools/ templates, communications, and training for our professionals.

ENGAGEMENT QUALITY REVIEWS

The objective of an **engagement quality review (EQR)** is to perform an evaluation of the significant judgments made by the engagement team and the related conclusions reached in forming the overall engagement conclusion and in preparing the engagement report, if a report is to be issued, to determine whether to provide concurring approval of issuance.

Our firm's quality management policies and procedures define the engagements where an EQR is required to be performed based upon the level of assessed risk, complexity, and type of entity in accordance with laws and regulations. We consider the capacity and define the attributes necessary for a professional to serve as an EQ reviewer — competence, independence, integrity, and objectivity — along with the responsibilities for the individuals assigned to those roles.

In August 2022, the firm centralized oversight of the EQR function. In December 2022, we established a new National EQR function led by the **Managing Technical Principal (MTP) - EQR**. As part of this role, the MTP-EQR is responsible for the assignment of EQR principals and EQR assistants — primarily for issuer engagements — as well as standardizing tools, templates, developing and delivering education, accreditation, and guidance. In making EQR assignments, the MTP-EQR identifies EQR principals and EQR assistants from across the assurance practice resulting in a larger pool of EQR principals for consideration allowing for more balanced workloads for individuals in this role.

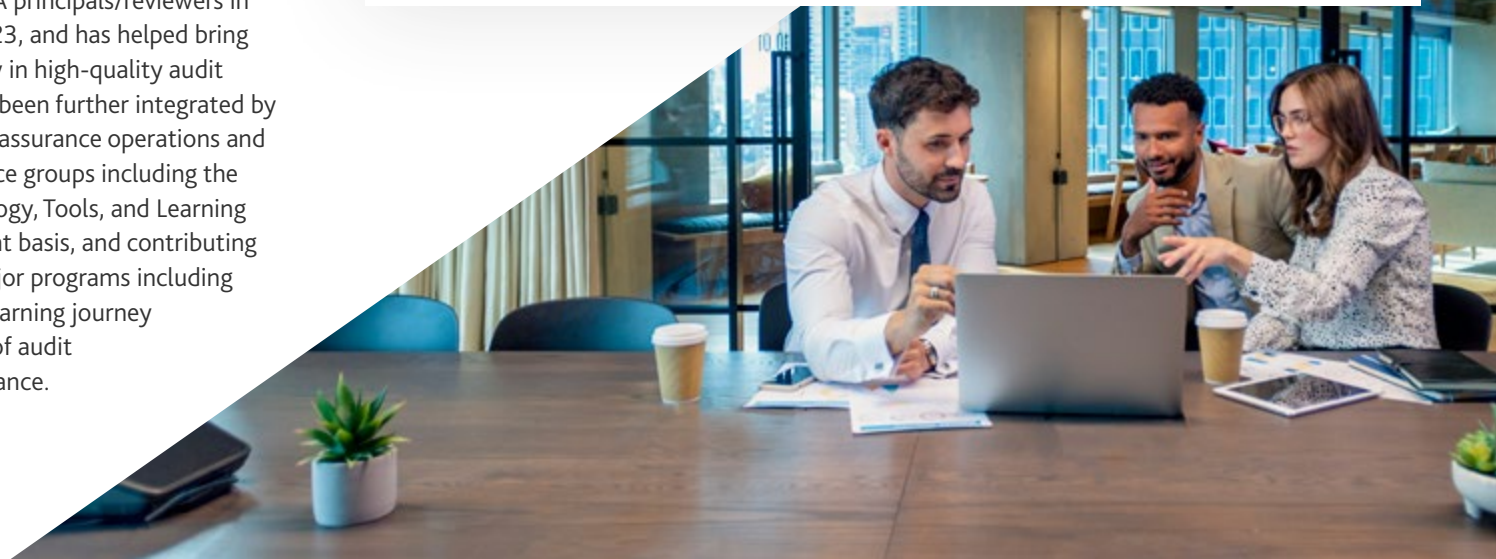
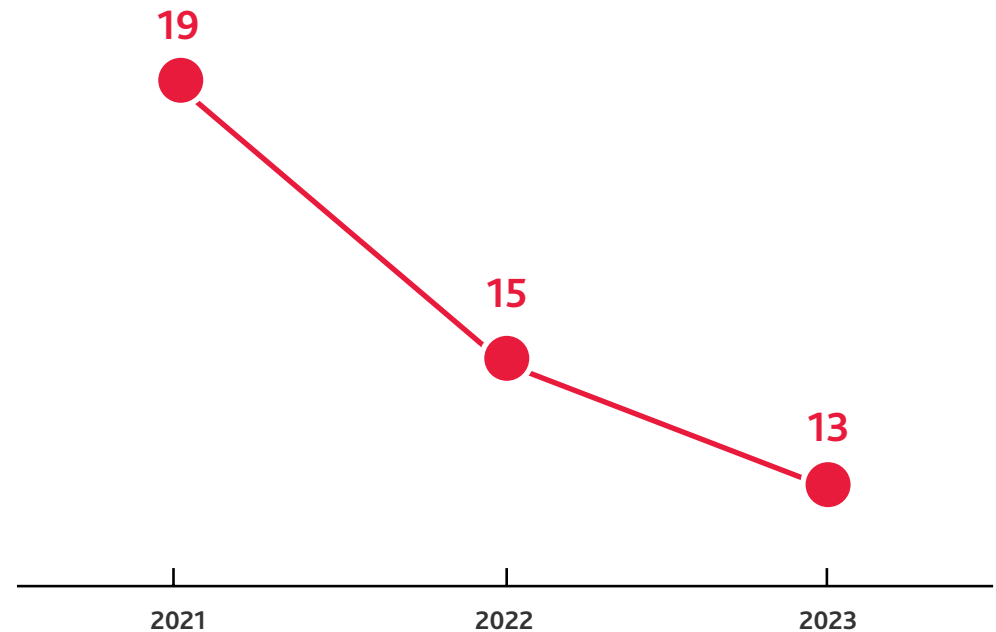
COMPONENTS OF AUDIT QUALITY / Driving Engagement Performance

INFORMATION SYSTEMS ASSURANCE

When an entity has complexity in its information technology (IT) environment, identifying the IT applications and other aspects of the IT environment, determining the related risks arising from the use of IT, and identifying general IT controls is likely to require the involvement of team members with specialized skills to perform a high-quality audit. Such involvement is likely to be essential, and may need to be extensive, for complex IT environments.

Since March 2022, the **Information Systems Assurance (ISA) team** has been operating at a national level and has been expanded under the **ANMP – ISA**. This strategy has allowed for better assignment of ISA resources based on skills and availability, has helped standardize technical training for the practice, and has brought more consistent operations throughout. This has helped reduce the average number of issuer assurance client assignments for ISA principals/reviewers in both 2022 and 2023, and has helped bring further consistency in high-quality audit execution. ISA has been further integrated by collaborating with assurance operations and professional practice groups including the Quality, Methodology, Tools, and Learning teams on a frequent basis, and contributing to many of the major programs including the audit quality learning journey and development of audit methodology guidance.

AVERAGE ISSUER ASSURANCE CLIENT ASSIGNMENTS FOR ISA PRINCIPALS/REVIEWERS



COMPONENTS OF AUDIT QUALITY / Driving Engagement Performance

CONSULTATIONS

Our consultations and risk policy protocols are designed to drive collaboration with engagement teams in addressing technical accounting, auditing, taxation, independence, and reporting issues arising during the audit. This further includes considering impacts of current economic and geopolitical risk factors, susceptibility to fraud, as well as rapidly emerging areas — e.g., cryptocurrency and other digital assets, environmental credits and other government programs, incorporation of AI and evolving technologies, as well as sustainability and ESG matters, to allow us to position our people to identify additional assurance needs and develop appropriate audit responses.

Our engagement teams collaborate and consult on accounting, auditing, reporting, and independence matters with our technical principals, SEC reviewers, and, as appropriate, within our diverse group of national subject matter teams to ensure an emphasis on quality and compliance. EQRs are also included in the consultation process.

The professional practice group monitors our formal consultation log and considers informal consultations to ensure that complex auditing and accounting matters and emerging issues are being identified in practice and inform our professional practice, risk management, quality management and our independence groups and operational leaders where additional guidance, policies, communications, and training may be needed.

Tools such as consultation memo templates include excerpts from professional standards and interpretative guidance to help engagement teams ensure completeness of their documentation. Published accounting blueprint [guides](#), such as [leases](#), [revenue recognition](#), and [variable interest entities \(VIEs\)](#) along with several other guides being developed or refreshed for issuance in 2024 (e.g., business combinations, debt, equity, and stock compensation), are made available to both our clients and engagement teams to facilitate application of professional standards, rules, and regulations in complex areas. For more, refer to our [Accounting Standards & Reporting Matters](#) insights.

We continue to closely monitor the trendlines of our consultative processes 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 formal and informal consultative processes:

ANNUAL CONSULTATION SURVEY RESULTS

	2023	2022	2021
I have confidence that the consultation process achieved a well-considered and technically sound outcome.	4.6	4.4	4.7
The consultation improved my personal knowledge and understanding of the issue.	4.6	4.3	4.4
The consultation improved my personal knowledge of how the judgments were reached.	4.5	4.3	4.3

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



SPOTLIGHT

Participation in Professional Accounting Standard Setting and Reporting Requirements

One of the ways we can help foster high audit quality is by embracing opportunities for our professionals to be appointed to serve on standard setting councils as well as to commit to regulatory agencies through fellowship programs. Each of these allow our professionals to gain specific regulatory insights to then share back with our practice:



ADAM BROWN

Member, Financial
Accounting Standards Advisory
Council (FASB)



JEN KIMMEL

Practice Fellow, Financial
Accounting Standards
Board (FASB)



JONATHAN PERDUE

Professional Accounting Fellow,
Office of the Chief Accountant
at U.S. Securities and Exchange
Commission (SEC)



PENNY PEPPERLING

Representative, Small Business
Advisory Council (FASB)

COMPONENTS OF AUDIT QUALITY / Investment in Resources

TALENT ATTRACTION, CULTIVATION, AND RETENTION OF OUR PROFESSIONALS

We continue to believe in providing an environment at BDO that allows professionals to thrive and be proud of the work they are doing in providing quality audits for the benefit of the public market. Through messaging, learning, and development, we encourage our professionals to embrace five core values that help our people model the ways we want to engage with one another, how we serve our clients, and be responsive to other stakeholders:

 PUT PEOPLE FIRST	 EMBRACE CHANGE	 CHOOSE ACCOUNTABILITY	 BE EXCEPTIONAL EVERY DAY EVERY WAY	 EMPOWER THROUGH KNOWLEDGE
<ul style="list-style-type: none">▶ Set and manage clear expectations▶ Earn trust▶ Align appropriate resources with identified risks▶ Supervise and review appropriately▶ Be a mentor and a coach▶ Integrate specialists and others▶ Monitor workload and capacity	<ul style="list-style-type: none">▶ Innovate to improve▶ Encourage forward thinking▶ Utilize emerging technology, analytics & tools▶ Project manage phasing and timing of work▶ Welcome diversity of thought	<ul style="list-style-type: none">▶ Take personal responsibility▶ Engage in difficult conversation with diplomacy▶ Be direct▶ Apply professional judgment & skepticism▶ Comply with laws, regulations, and professional standards▶ Seek feedback from others▶ Own quality	<ul style="list-style-type: none">▶ Model excellence▶ Have integrity▶ Be responsive▶ Be independent in fact and in appearance▶ Perform robust risk assessments▶ Communicate issues as soon as they arise▶ Consult▶ Demonstrate leadership▶ Welcome smart collaboration	<ul style="list-style-type: none">▶ Be curious▶ Listen intently▶ Learn continuously▶ Share what you know▶ Remain current on emerging areas of risk & opportunity▶ Seek to understand business, industry, and control environments▶ Provide timely feedback and insights



Today's talented professionals have many options in choosing where to start and build their careers. BDO has long been distinguished by a culture which puts people first with a commitment to thriving together.

CATHY MOY
Chief People Officer

COMPONENTS OF AUDIT QUALITY / Investment in Resources

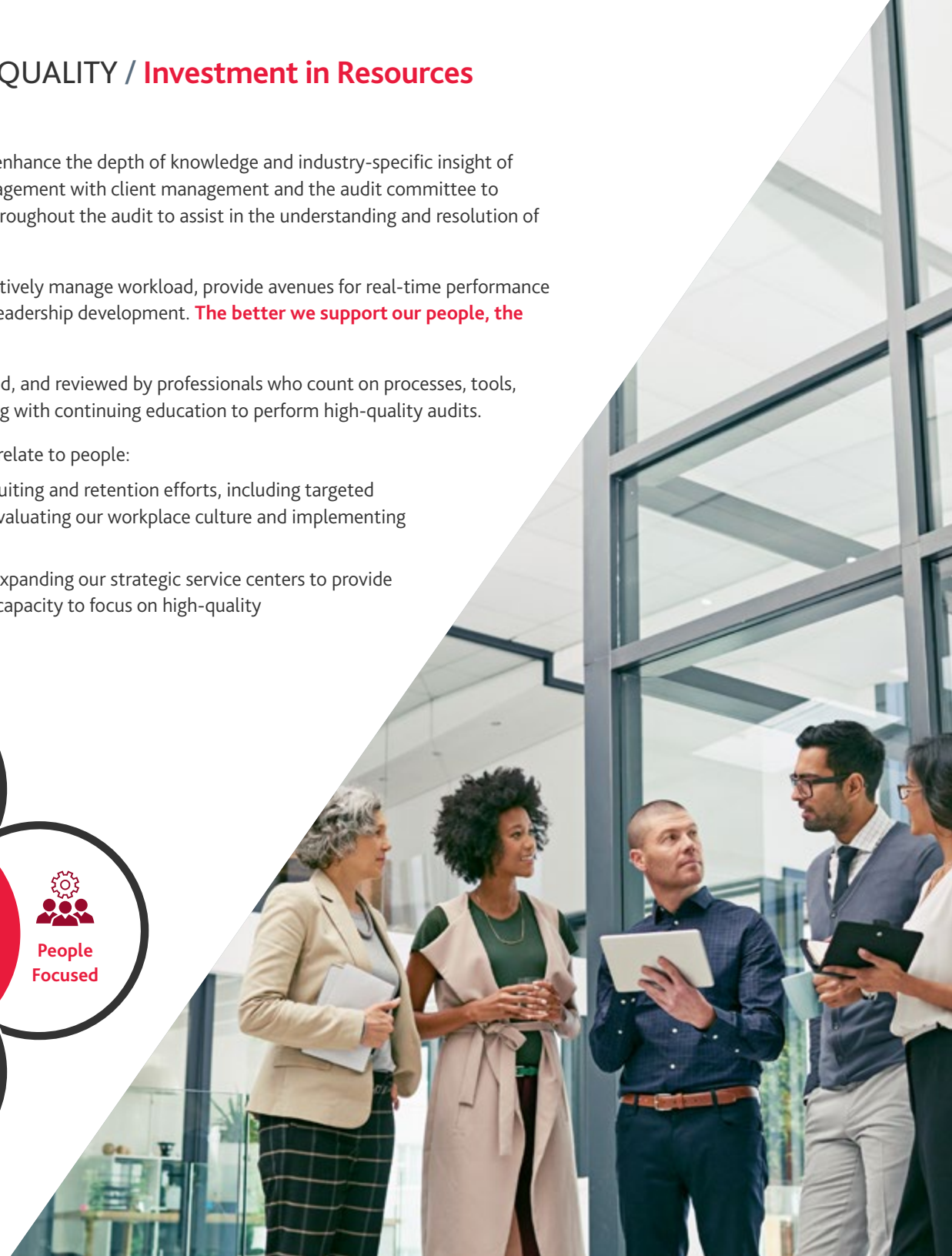
We believe in staffing our engagements to enhance the depth of knowledge and industry-specific insight of our professionals. We encourage direct engagement with client management and the audit committee to ensure two-way, timely communications throughout the audit to assist in the understanding and resolution of relevant matters.

We have taken more intentional steps to actively manage workload, provide avenues for real-time performance feedback, and deliver timely coaching and leadership development. **The better we support our people, the better we can serve our stakeholders.**

Our audits are planned, executed, supervised, and reviewed by professionals who count on processes, tools, technological and intellectual support, along with continuing education to perform high-quality audits.

Two out of the five key assurance priorities relate to people:

- ▶ **People Focused:** We are increasing recruiting and retention efforts, including targeted recruiting of experienced talent, while evaluating our workplace culture and implementing change where needed
- ▶ **Capacity Building:** We are focused on expanding our strategic service centers to provide our engagement teams with additional capacity to focus on high-quality audit execution



COMPONENTS OF AUDIT QUALITY / Investment in Resources

PEOPLE FOCUSED ACTIVITIES

Recruiting

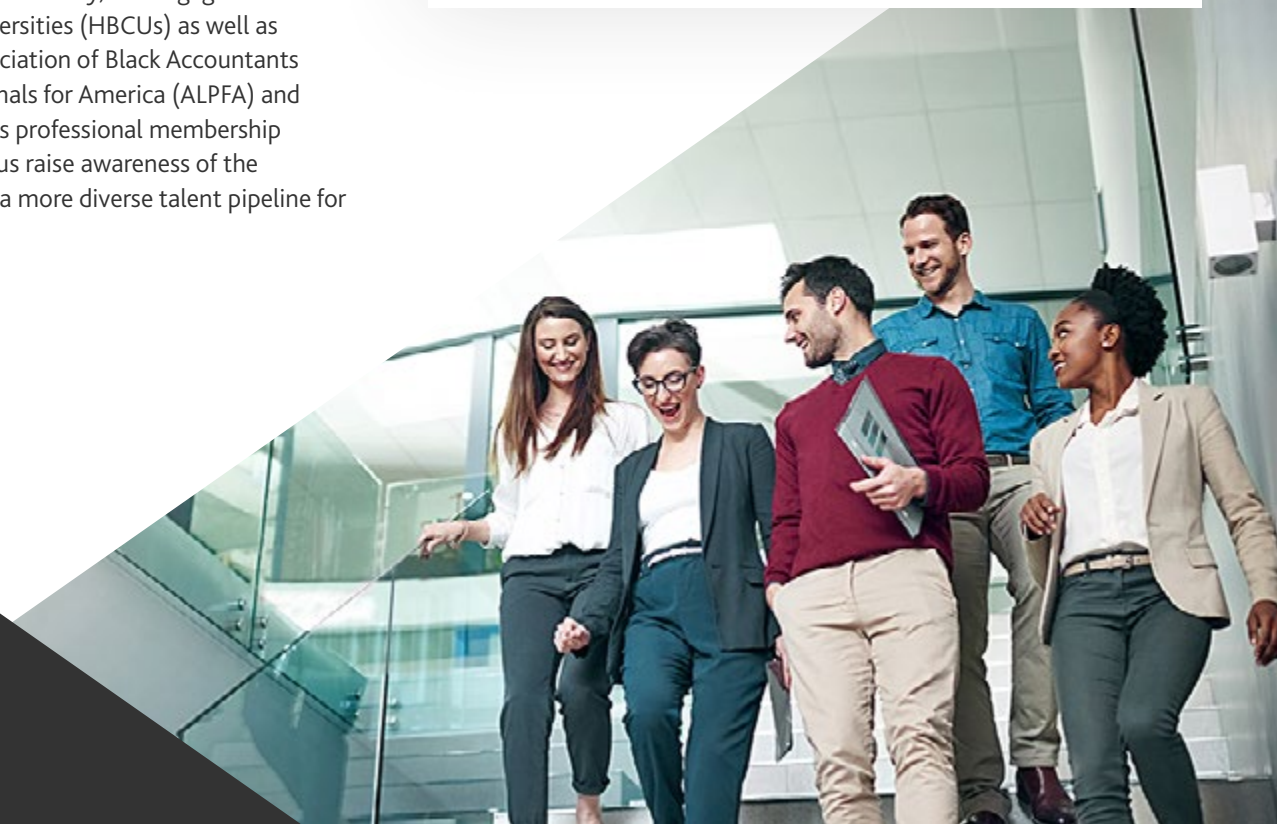
As we build our pipeline of diverse talent, we continue to invest in the recruitment, development, and retention of highly engaged and technically proficient people. This encompasses our robust [internship](#) and rising college student [Pathway to Success](#) programs and broad campus recruiting and hiring efforts. Our recently launched [Career Readiness Roadmap](#) program helps college freshmen and sophomores navigate decisions about majors, internships, and career paths. Our campus recruiters thoughtfully match students with BDO professionals from across the firm so that students can explore the public accounting profession and a possible future at BDO.

Through Pathway to Success, BDO also fosters participation and connection from students who come from historically underrepresented communities in the accounting field. Additionally, our engagement with historically Black colleges and universities (HBCUs) as well as organizations such as the National Association of Black Accountants (NABA), Association of Latino Professionals for America (ALPFA) and Ascend — the largest Pan-Asian business professional membership organization in North America — helps us raise awareness of the accounting profession, as well as builds a more diverse talent pipeline for our organization.

To address the rapidly evolving business environment and changing regulatory requirements, we have a targeted program for attracting seasoned professionals with diverse backgrounds, leadership, and supervisory experience, along with deep industry, accounting, and reporting knowledge into our multidisciplinary practices.



In calendar 2023, we hired **nearly 1,200** client-facing experienced hires into our firm, with **more than 400** of those being client-facing experienced assurance hires.





SPOTLIGHT

Sustainability and the Impact on People and Talent

In Summer 2024, BDO USA will issue its second sustainability report, highlighting how we continue to integrate sustainable practices in key operational and cultural aspects of our business. We continually seek ways to work better together while incorporating responsible governance practices into where and how we work, always striving to improve and innovate.

Through our sustainability reports, we share a range of initiatives aimed at enhancing the professional growth and well-being of our people. These initiatives include advancement opportunities, engagement programs, retention strategies, educational resources, peer networking, mentoring, and strategic relationship coaching. Such reporting shines a light on how we are fostering a culture of transparency, accountability, and continuous improvement — attributes that contribute to enhancing the quality of audit services provided by the firm.

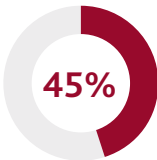


Focusing on candidate attraction and selection, employee experience and success, and transparency to shape our DEI efforts today and guide our forward journey.

ASSURANCE CLIENT-FACING WOMEN (ALL LEVELS)



2023

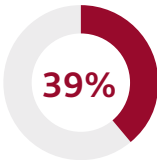


2022

ASSURANCE CLIENT-FACING PROFESSIONALS SELF-IDENTIFYING AS RACIALLY/ETHNICALLY DIVERSE (ALL LEVELS)*



2023



2022

*Note: 3% and 2% of assurance professionals chose not to disclose in 2023 and 2022, respectively.

INCLUSION GROUPS



Multicultural Alliance



Pride Alliance



Women



Parents



Military and Veterans



SPOTLIGHT Sustainability and the Impact on People and Talent



Growing the significance of our [community engagement efforts](#) by bringing focus to our long-standing BDO Counts volunteerism program and formalizing a firmwide social impact strategy that aligns employee passions with BDO's purpose.

Our evolved [social impact strategy](#) focuses on four central cause areas:



Children & Youth



Education & Literacy



Human Rights



Environment.

SHAPING A SUSTAINABLE FUTURE

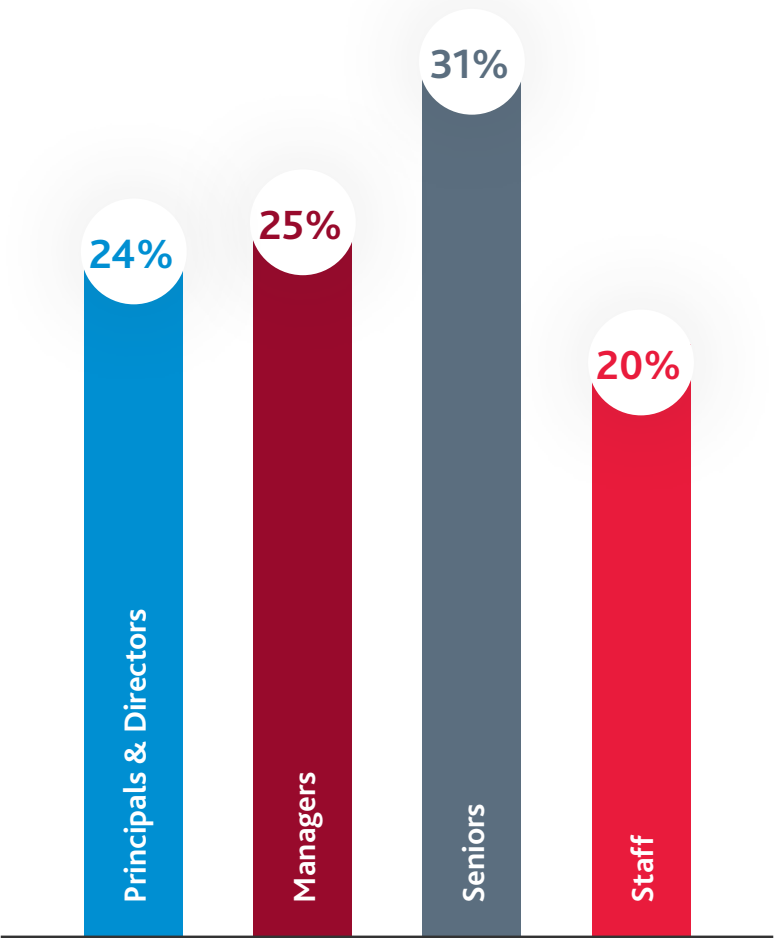
For us, sustainability isn't about checking boxes. It's about taking steps to continuously evolve our business to be more responsible and more resilient. It's about doing our part to make a positive impact and be a force for change, leading with purpose, holding ourselves accountable, and prioritizing long-term stability over short-term financial rewards.

Investing in sustainable initiatives isn't just about BDO's future. It's about the future of all of our stakeholders. That's why we are continuing to integrate sustainable practices into our operations and have made commitments that will help us ensure that our planet and its people thrive.

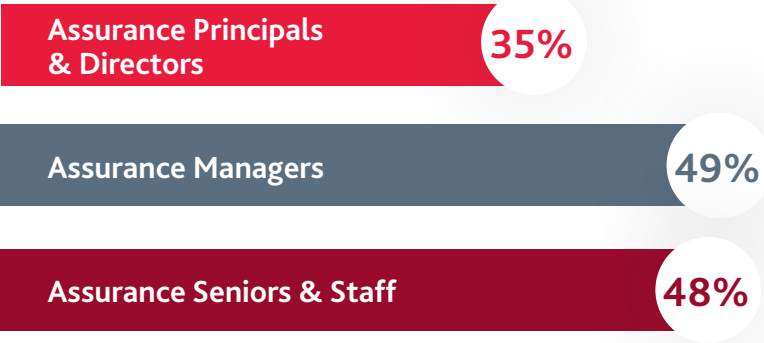


COMPONENTS OF AUDIT QUALITY / Investment in Resources

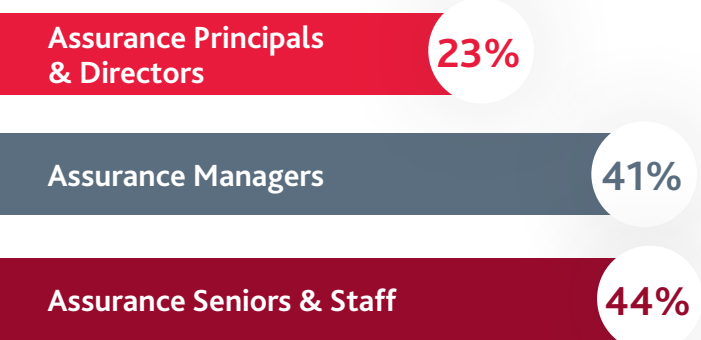
SNAPSHOT OF OUR CURRENT ASSURANCE PRACTICE AS OF 12/31/2023:



In 2023, women in our assurance practice represent:



In 2023, professionals self-identifying as racially/ethnically diverse in our assurance practice represent:

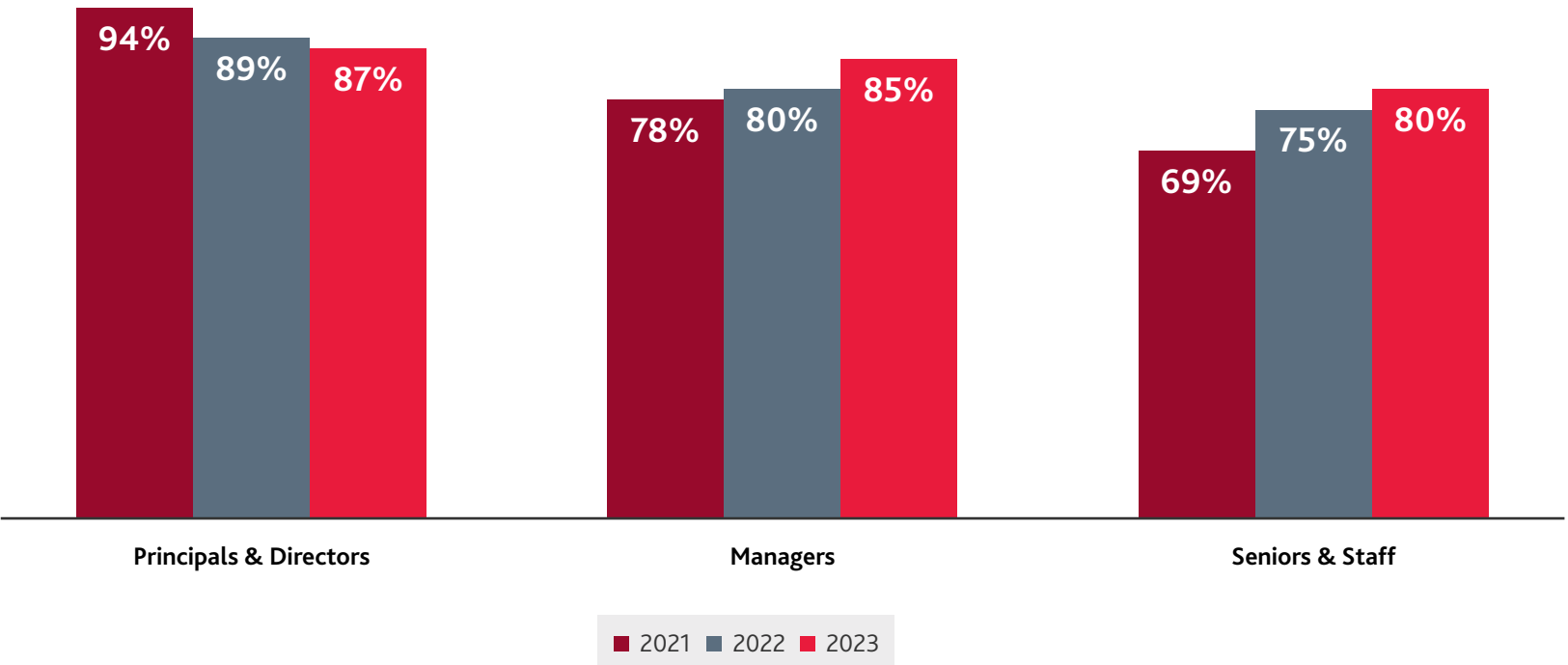


COMPONENTS OF AUDIT QUALITY / Investment in Resources

ASSURANCE RECRUITMENT AND ADVANCEMENT



ASSURANCE RETENTION RATES



FY 2021 reflects an 8 month period 5/1/21-12/31/21



SPOTLIGHT

ESOP: Investing in Our People and Our Future

In 2023, BDO took a trailblazing step by establishing an Employee Stock Ownership Plan (ESOP), a qualified retirement plan established as a trust for the benefit of its participants — our current and future employees — providing each a stake in the firm's success through beneficial ownership and a unique opportunity to enhance their financial well-being.

By participating, BDO USA professionals will be able to access a retirement plan that requires no out-of-pocket contribution, helping them better plan their financial future. In doing so, we became the first large accounting and advisory organization to implement an ESOP. With approximately **10,000** participating U.S. employees, BDO is among the largest ESOP companies in the country.

Along with many of our other efforts, the ESOP contributes foundationally to audit quality by putting each of our employees in an “ownership mindset” with aligned interest to provide exceptional work and drive the value of our firm. In essence, the ESOP represents a new model for the firm's continued investment, growth, and long-term sustainability.



BDO's ESOP not only embodies our core purpose of helping people thrive every day, but we also believe it will contribute to and enhance audit quality at the firm. By establishing a culture where everyone has a stake in our success, we encourage a heightened level of dedication and accountability across our teams. This collective investment in our firm's future sharpens our focus on delivering high-quality audits that are fundamental to building integrity, trust, and confidence in the capital markets. We are proud to create an environment where contributions to our success are recognized and rewarded, reinforcing our shared commitment to excellence in everything we do.

WAYNE BERSON

Chief Executive Officer

COMPONENTS OF AUDIT QUALITY / Investment in Resources

HUMAN CAPITAL PERSPECTIVE: BDO PULSE SURVEY

Recognizing the importance of a strong culture and the responsibility to provide an environment in support of that culture, it is critical to understand the mindset of our employees. Annually, we conduct two surveys: a firmwide Pulse Survey along with an assurance only Audit Quality and Operational Excellence Survey to inform firmwide and assurance-specific investments and actions aimed at enriching our culture, enhancing employee satisfaction and retention, achieving our strategic objectives, and delivering on our promise to provide high-quality service. Our firmwide Pulse Survey data can now be found within our BDO Sustainability Report.

As we reflect on the views expressed specifically about audit quality by our assurance professionals, we remain confident in our overall response trends, especially as the practice continues to evolve and embrace change to enhance audit quality.

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

	2023*	2021	2020
I believe I am personally responsible for our delivery of audit quality.	4.6	4.7	4.8
I believe I personally can have impact on executing on our audit quality commitments.	4.6	4.7	4.6
I believe my most direct supervisor demonstrates an effective commitment to audit quality.	4.5	4.6	4.6
I understand what is expected of me with respect to audit quality.	4.4	4.4	4.5
I believe the teams I supervise demonstrate an effective commitment to audit quality.	4.3	4.4	4.4
I am supportive of the direction we are heading with respect to audit quality and effective audits.	4.3	4.2	4.3
(New for 2023) I am familiar with SEED (What Audit Quality Means at BDO).	4.4	-	-

Results based on a 5.0 scale. *The Assurance practice paused the survey in 2022 but re-launched the survey in 2023 with an additional question related to our audit quality acronym.

“When I joined BDO in late 2023, I was immediately impressed with how quickly I connected with others across the firm, as if I had been a part of the BDO family for decades. I attribute that to our rich culture and an incredible common mission of continuing to improve audit quality. I am excited to take on my new role at BDO, surrounded by leaders and professionals that are all driven to make our firm better every day. I am confident that the changes and improvements to our audit methodology and tools will be appreciated, accepted, and embraced by our assurance professionals as we collectively drive improved audit quality.

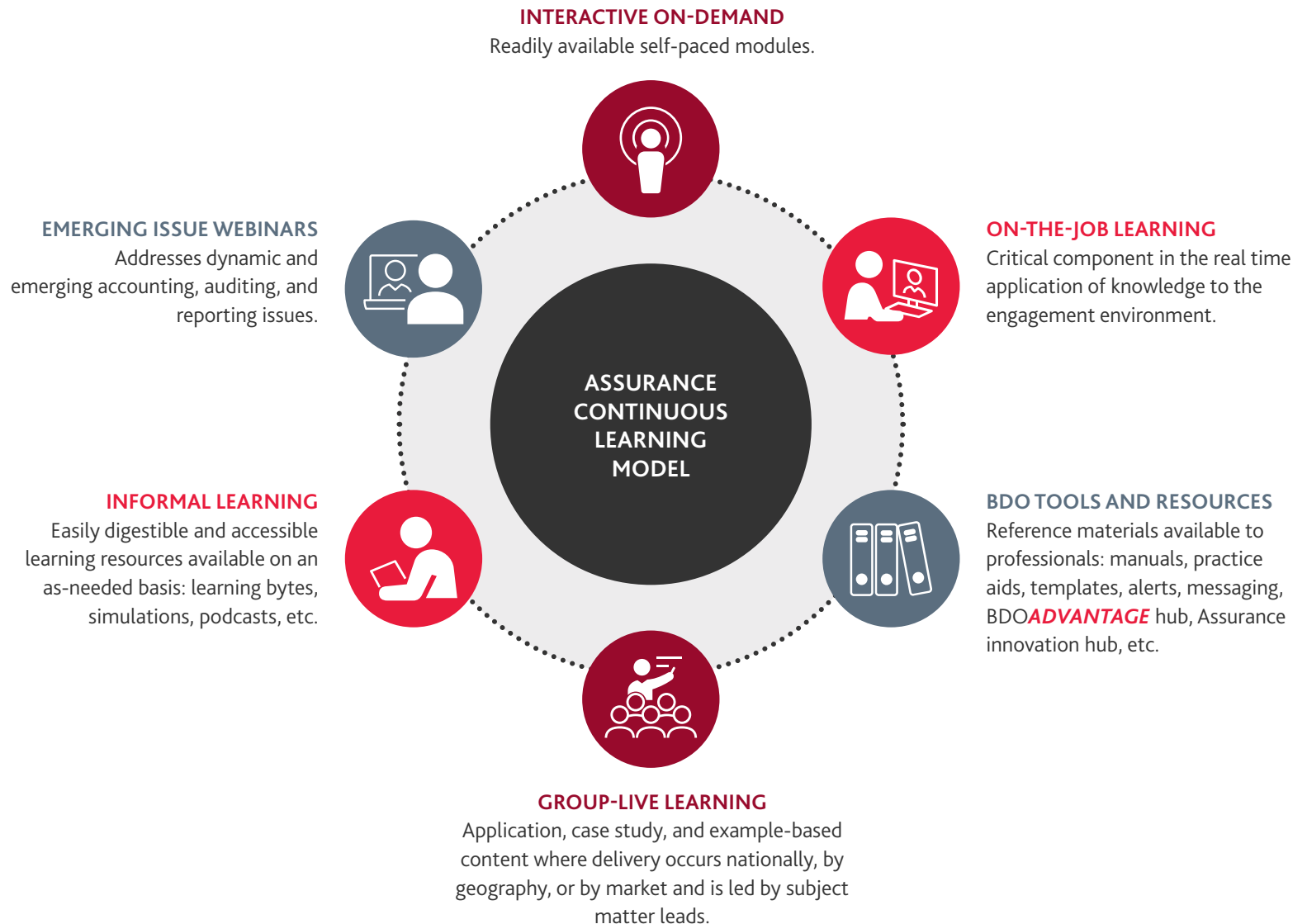
ROB THORNTON

ANMP Audit Policy, Methodology, and Learning

COMPONENTS OF AUDIT QUALITY / Investment in Resources

LEARNING AND DEVELOPMENT

BDO's assurance **Continuing Learning Model** is designed to create and drive a culture of continuous development — whether as a new staff member or an experienced principal — resulting in dynamic assurance professionals at all levels who are prepared to perform high-quality audits, while delivering exceptional client service. Broken down into level-specific curricula along with course work dedicated to special topics (e.g., industry-specific) and engagement type (e.g., IFRS, employee benefit plans, etc.), participants learn through a variety of modalities:





COMPONENTS OF AUDIT QUALITY / Investment in Resources

AUDIT QUALITY LEARNING JOURNEY

In May 2023, we implemented our newly designed Audit Quality Learning Journey (AQLJ) as an immersive and vertical integration approach for assurance and ISA professionals. Under the new AQLJ model, the following initial programs were designed, developed, and deployed in 2023: Issuer AQLJ, Non-Issuer AQLJ, In-Charge Senior AQLJ, and Engagement Quality Reviewer AQLJ.

The AQLJ development process builds upon our level-specific curricula to highlight the types of behaviors we want teams to demonstrate:*

Recall and apply foundational principles of PCAOB auditing standards and other related professional standards.		Create an engagement team committed to learning, training, and practical application.	
Use current facts and circumstances; seek and adjust to new information and take appropriate action throughout the audit.		Conduct a robust risk assessment by obtaining a deep understanding of the entity's business, industry, and economic environment in which it operates.	
Exercise due professional care by having adequate time planned for audit execution and review.		Provide timely feedback on work to provide on-the-job-learning, coaching, and in-depth understanding.	
Embrace the 70/30 model as an approach to move work forward (i.e., work toward a goal of performing 70% of all audit work before the balance sheet date) leaving sufficient time to appropriately exercise professional skepticism throughout the audit.			

*Not an all-inclusive list

COMPONENTS OF AUDIT QUALITY / Investment in Resources

2023 Issuer AQLJ (~75 hour series)

Our issuer program was directed at experienced seniors through principals in our audit practice, inclusive of ISA professionals, who perform issuer audits under PCAOB standards. This program included:

- ▶ 29 pre-work modules related to the foundational principles of PCAOB rules and auditing standards
- ▶ Immersive group-live, in-person learning sessions held in the spring across each of our three geographies; using a structured learning pod-design simulating engagement team interaction, individual engagement teams worked through provided principal-led real-life scenarios
- ▶ Engagement application workshops by market location followed in the summer and fall designed to allow engagement team learning pods to immediately apply concepts to their issuer audits

This structured learning was delivered to intentionally align with phases of the audit and project planning while promoting interaction and collaboration among audit engagement team members. It was further designed to foster a deeper understanding of foundational audit concepts and PCAOB rules and auditing standards and enable immediate and practical application to actual audit engagements.



81,000+ hours of learning delivered through our new AQLJ programs to assurance professionals in the U.S. and in our strategic services centers

2023 Non-Issuer AQLJ (~28 hour series)

This immersive program was delivered to experienced seniors through principals who perform U.S. GAAS audits, designed to drive exceptional audit quality. This program included:

- ▶ A series of group-live virtual classroom sessions, featuring numerous learning pod breakout sessions working as a simulated engagement team with principal/director-led activities
- ▶ The learning environment built on technical knowledge and behaviors rooted in SEED while providing real-time social (e.g., peer-to-peer) and on-the-job learning

2023 In-Charge Senior AQLJ (~43 hour series)

This program reflects a significant re-design to our core curriculum as a signature learning experience for our professionals preparing for in-charge responsibilities for audit engagements. This program included:

- ▶ A comprehensive immersive case-study series deliberately delivered over the spring, summer, and fall to build upon and align with the phases of the audit: Audit Planning, Audit Execution, and Audit Completion
- ▶ Breakout sessions allowed for small group collaboration on activities that integrated use of BDO's technologies, tools, and templates

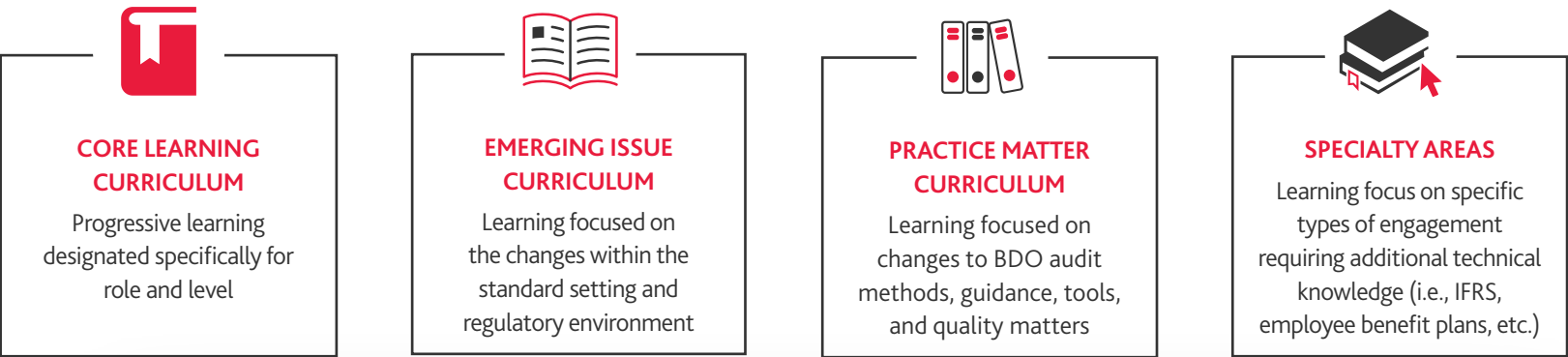
2023 Engagement Quality Review AQLJ (~4 hour series)

This program was delivered as a series to EQR professionals following the respective Issuer AQLJ sessions to focus attention on the specific relevant topics covered in the Issuer AQLJ program through the lens of being an engagement quality reviewer. The series was delivered in phased sessions in the summer and fall. EQR assistants were further provided a similar training as well.

COMPONENTS OF AUDIT QUALITY / Investment in Resources

The AQLJ components, design, and cadence are expected to have a positive impact on audit quality by empowering our auditors with the necessary knowledge and tools to perform their roles effectively.

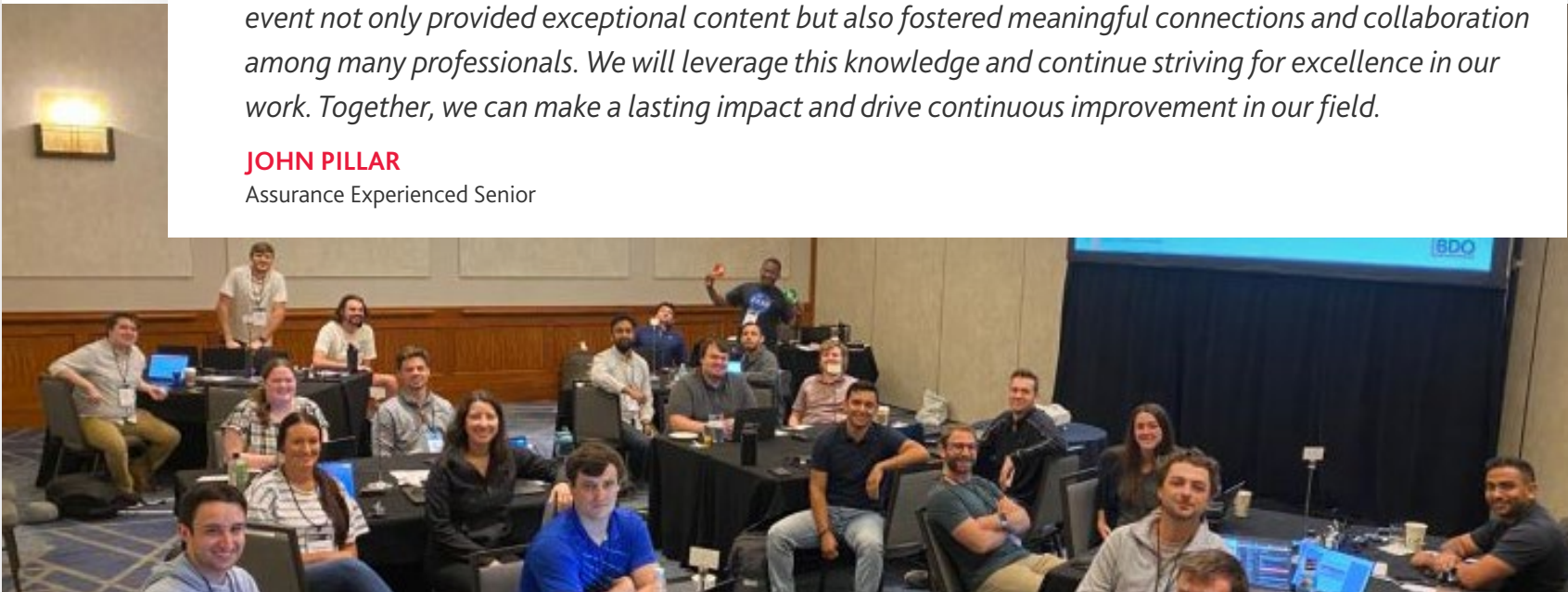
These programs build upon our core curricula developed for each professional level — intern through principal — that are rooted in auditing standards and underpinned by an outcome-based competency model. Comprehensive assurance learning path categorizations include:



“

Attending the BDO Senior AQLJ was an enlightening and enriching experience, delivered in a dynamic and engaging learning environment. Throughout the journey, we gained invaluable insights into audit quality, acquiring practical tools and strategies to enhance our performance and risk assessment. The event not only provided exceptional content but also fostered meaningful connections and collaboration among many professionals. We will leverage this knowledge and continue striving for excellence in our work. Together, we can make a lasting impact and drive continuous improvement in our field.

JOHN PILLAR
Assurance Experienced Senior



COMPONENTS OF AUDIT QUALITY / **Investment in Resources**

AVERAGE CPE HOURS OF LEARNING COMPLETED BY ASSURANCE PROFESSIONALS IN 2023

Both the AICPA and PCAOB have specific continuing education requirements for certified public accountants (CPAs) including completion of a minimum of 20 credits (hours) of qualifying continuing professional education (CPE) annually and at least 120 credits (hours) every three years. Our assurance professionals' average CPE hours for 2023 remains significantly higher than the minimum requirements and ranged from 57 to 87 average CPE hours depending on professional level.

Firm CPE hours provided to our assurance professionals emphasize accounting and auditing (A&A) topics but our professionals are additionally provided a variety of courses as part of their level-specific curricula related to non-A&A topics (e.g., industry-specific topics, technology, etc.) and other traditional and evolving business skills. Additionally, our professionals have access to all of the educational content we prepare for our external audiences (e.g., those serving in financial reporting, governance, and operational roles) via our various knowledge centers, business line thought leadership, and firm-sponsored events.

Building Our Capacity

Hiring for Experience

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 several components. First, is the significant recruitment of experienced principals and leaders into our multidisciplinary practice with deep industry, accounting, auditing, and reporting knowledge, and supervisory skills. This further includes hiring of specialists into our firm outside of our assurance practice such as those with proficiency in valuation and capital market analysis, actuaries, engineers, and appraisers.

Strategic Capacity Centers

To further address resourcing and capacity issues for our engagement teams, over the past several years, BDO has invested significantly in a capacity building strategy that enlists the use of shared service centers comprised of highly qualified professionals in specifically identified geographical locations to support our delivery of high-quality audits.

During the past two years, we welcomed **37** principals and **1,133** experienced staff through director-level professionals to our assurance practice.



COMPONENTS OF AUDIT QUALITY / **Investment in Resources**

In order to further ensure proper capacity of our professionals and tie individual performance to the delivery of high-quality work, the following are additional examples of our talent focus:

Workload Assessments

Workload assessments are performed to facilitate proper audit phasing, allow for adequate time for the most critical aspects of the audit, and the appropriate application of professional skepticism throughout. As we actively manage workloads, we further provide avenues for real-time performance feedback, timely coaching, and leadership development for our professionals.

Enhanced Accountability Frameworks

Enhanced audit quality performance measures have been implemented and mandatory audit quality goals have been established, both of which are used during the performance management process and in making compensation decisions for our professionals.

Building a pipeline of diverse talent, seeking feedback and input about our culture and work environment, changing our business model to ensure the economic future of our employees and drive quality and sustainability, providing continual education for all levels, building our capacity with qualified resources and managed workloads while holding our professionals accountable for their performance – these are a few of the many ways that we demonstrate our focus on our people.



It is imperative we operate as a globally integrated team dedicated to helping clients and our firm thrive together. We continue to execute our strategy of investing in highly trained, specialized professionals who have a rigorous commitment to quality. A major focus is innovating to standardize processes, drive efficiency, but most importantly, enhance quality.

BILL EISIG

Assurance National Managing Principal





SPOTLIGHT BDO RISE India

BDO RISE— or Round-the-clock International Services for Excellence — harnesses the power of global talent, empowering high-performing teams to provide exceptional client service in an around-the-clock economy. Leveraging highly credentialed talent in India, our BDO RISE India service centers enhance BDO USA's ability to optimize our collective capabilities and resources to deliver exceptional service and added value to our clients. Combined with a focus on best practices and consistent, reliable delivery, BDO RISE professionals bring technical skills and industry specialization, gained through experience and in-depth training.

BDO RISE supports our assurance engagements in the execution of effective and efficient quality engagements. RISE professionals fully integrate into our U.S. assurance engagement teams, embracing our core values and purpose. These professionals have similar educational and experiential backgrounds, receive similar training, and possess similar industry knowledge and experience as our U.S. audit engagement professionals.



Headcount

As of 12/31/2023, we had approximately **1,100** BDO RISE India assurance professionals who are either chartered accountants or other accounting certified professionals working under the direction of U.S. assurance engagement teams.



Contributed Hours

During calendar year 2023, BDO RISE India assurance professionals supported **1.5 Million** assurance hours, primarily for non-issuer assurance engagements.

COMPONENTS OF AUDIT QUALITY / Information and Communication

Communication with all of our stakeholders is critical to the support and understanding of our system of quality management. This includes identification of relevant and reliable information and ensuring it is consistently and accurately relayed internally and externally.

Our leadership restructure and nationalization of certain critical roles, discussed previously, has streamlined our ability to communicate from those in the field to inform decisions-makers about what is working or where there are opportunities for improvement. Similarly, being able to cascade important decisions, including policy changes, more easily from leadership to staff will positively affect timely change and increase effectiveness of our performance.

An example of how we are focusing our efforts internally:

Audit Quality Coalition: At the end of 2022, assurance leadership selected a group of assurance managers and directors representative of our practice by geography and industry for the purpose of being ambassadors for improved quality. They have a role in assisting the assurance practice to scale change that will impact how people do what they do working toward the collective goal of enabling high-quality audits. More specifically, this group is focused on:

- ▶ Facilitating conversations about quality with peers, sharing the ways we are working to improve quality at BDO and gather reactions and input
- ▶ Driving awareness to successes and quality “wins” — i.e., people and behaviors to celebrate
- ▶ Designing and implementing solutions to overcome barriers to quality
- ▶ Generating innovative ideas to help move quality forward



As a member of the Audit Quality Coalition, I actively communicate to firm leadership my observations of the practice that I believe either help or hinder our goal to improve audit quality and contribute to the development of solutions. For example, the Coalition has recently identified an area of improvement where we are currently working on more timely, two-way communications with respect to BDO policies to address recent inspection findings, improve application of such policies in the practice, and identify current processes or habits that should be promoted or revisited to achieve our audit quality goals.

DIANNA LORTON

Assurance Senior Manager

COMPONENTS OF AUDIT QUALITY / **Information and Communication**

As a multi-disciplinary firm, we provide our assurance clients with the full scope of our knowledge and insight. 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 external professional opportunities that include recurring engagement with standard-setters, regulators, industry and professional associations, and presenting to and dialoguing with broad audiences as thought leaders.

Our external professional opportunities range in scope from significant leadership roles to contributing members of working groups and task forces to private and nonprofit company board or advisory board service. For example, in addition to our professionals' work in accounting standard setting previously discussed, our CEO Wayne Berson serves as the Vice Chair of the Center for Audit Quality Governing Board. Many of our BDO professionals currently hold or have recently held positions in the external professional organizations on the following page that have a direct impact on advancing audit quality.



COMPONENTS OF AUDIT QUALITY / Information and Communication

CONTRIBUTING TO THE SUSTAINABILITY OF THE AUDIT PROFESSION

BDO representatives are currently or have previously participated over the past two years in certain professional organizations in various capacities, including but not limited to:

- ▶ AICPA ABV Credential Committee
- ▶ AICPA Associations Task Force
- ▶ AICPA Assurance Services Executive Committee
- ▶ AICPA Auditing Standards Board
- ▶ AICPA Circular 230 Revision Task Force
- ▶ AICPA Corporations & Shareholders Taxation Technical Resource Panel
- ▶ AICPA Council - Elected Members
- ▶ AICPA Depository Institutions Expert Panel
- ▶ AICPA Employee Benefit Plans Expert Panel
- ▶ AICPA Employee Benefits Plans Audit Quality Center Executive Committee
- ▶ AICPA Employee Benefits Tax Technical Resource Panel
- ▶ AICPA Enforcement Subcommittee
- ▶ AICPA Filing Flexibility Task Force
- ▶ AICPA Foreign Trust Form 3520 Penalties Task Force
- ▶ AICPA Governmental Audit Quality Center Executive Committee
- ▶ AICPA IFAC Convergence / Monitoring Task Force - Standing Task Force of the PEEC
- ▶ AICPA Investment Companies Expert Panel
- ▶ AICPA IRS Advocacy & Relations Committee
- ▶ AICPA National Commission on Diversity and Inclusion
- ▶ AICPA National Peer Review Committee
- ▶ AICPA Nominations Committee
- ▶ AICPA Past Presidents/Chairmen Of The Board
- ▶ AICPA PCPS Technical Issues Committee
- ▶ AICPA Peer Review Board
- ▶ AICPA Peer Review Board Planning Task Force
- ▶ AICPA Peer Review Board Standards Task Force
- ▶ AICPA Professional Ethics Executive Committee
- ▶ AICPA Statements on Standards for Tax Services Revision Task Force
- ▶ AICPA Tax Compliance Kit Task Force
- ▶ AICPA Tax Executive Committee
- ▶ AICPA Tax Methods and Periods Technical Resource Panel
- ▶ AICPA Tax Practice Management Committee
- ▶ AICPA Tax Practice Responsibilities Committee
- ▶ AICPA Women's Initiatives Executive Committee
- ▶ CAQ Governing Board
- ▶ CAQ Advisory Council
- ▶ CAQ Assurance Business Leaders
- ▶ CAQ Anti-Fraud Working Group
- ▶ CAQ Access to Audit Personnel Review Committee
- ▶ CAQ Audit Quality Indicators Task Force
- ▶ CAQ Auditors Reporting Model Task Force
- ▶ CAQ Broker-Dealer Task Force
- ▶ CAQ Communications Council
- ▶ CAQ Data Analytics Task Force
- ▶ CAQ Professional Practice Executive Committee
- ▶ CAQ SEC Climate Rule Steering Committee
- ▶ CAQ SEC Regulations Committee
- ▶ CAQ SEC Regulations Auditor Reporting Task Force
- ▶ CAQ SEC Regulations International Practices Task Force (IPTF)
- ▶ CAQ Smaller Firm Task Force
- ▶ CAQ Talent Steering Committee
- ▶ CAQ Talent: Chief Diversity Officer Working Group
- ▶ FASB Financial Accounting Standards Advisory Council
- ▶ FASB Practice Fellow
- ▶ FASB Small Business Advisory Council
- ▶ SEC Professional Accounting Fellow

60+ BDO principals and directors have currently or previously served in **90+** positions within professional and global organizations that have a direct impact on advancing audit quality. Additionally, nearly **25%** of BDO principals or **10%** of BDO managers through principals report serving as directors or officers for charitable, non-profit or private organizations in their communities.

COMPONENTS OF AUDIT QUALITY / Information and Communication

COMMUNICATIONS WITH MANAGEMENT AND AUDIT COMMITTEES

For management to produce reliable financial information and the audit committee to fulfill its statutory responsibilities to oversee the financial reporting and audit processes, both need to be well educated and informed of changes in the company's environment. This includes continuous communications with auditors about the scope and progress of the audit, changes in regulations impacting financial reporting and disclosures, issues that arise during the course of the audit, as well as industry practices and trends.

In our interactions with management, the audit committee, or other members of the board, we leverage our firm's depth of experience across our assurance, tax, and advisory practices in timely discussions and education on emerging areas of risk and opportunity designed to inform our assurance clients. We believe when armed with appropriate knowledge and resourcing, our assurance clients are put in positions to execute sound judgment when providing appropriate accounting, reporting, and transparent disclosures to users of financial statements. Engagement with our assurance clients is a critical element of our audit process from start to finish in pursuing our ultimate goal of protecting investors.

Equally important is the information our professionals gather from the audit committee and management through probing questions, keen listening, and exercising appropriate skepticism. The exercise of these skills not only informs our audit approach but allows us to proactively identify topics of interest; and provides deeper insight and more timely information to our clients.

More specifically, we arm our audit engagement teams with tools to comply with standards and rules with respect to required communications to audit committees throughout the audit process. Examples include:

- ▶ Distinguish between the responsibilities of the auditor and those of management
- ▶ Establish an understanding of the terms of the audit engagement
- ▶ Confirm our independence
- ▶ Obtain information from the audit committee relevant to the audit — including, but not limited to, violations or possible violations of laws or regulations
- ▶ Significant risks identified during the audit
- ▶ An overview of the overall audit strategy and timing — including the engagement team; whether procedures are to be performed at multi-locations; our planned use of specialists or the work of others; our fees; and any significant changes to our strategy or identified risks and reasons
- ▶ Adoption of new accounting standards and implementation status
- ▶ Timely observations arising from the audit that are significant to the financial reporting process — including significant and critical accounting policies and practices, critical accounting estimates, and significant unusual transactions
- ▶ Evaluation of the quality of management's financial reporting
- ▶ Deficiencies related to the internal control over financial reporting
- ▶ Matters that relate to accounts or disclosures that are material to the financial statements and that involved especially challenging, subjective or complex auditor judgment
- ▶ Evolving accounting and auditing standards that will be impactful to financial reporting
- ▶ Preapprovals by the audit committee for permissible tax and non-audit services
- ▶ Other matters, as applicable – including but not limited to:
 - Fraud
 - Related parties
 - Going concern
 - Management letters
 - Engagement partner rotation

As part of our shared responsibility in helping keep our clients informed, we invite you to explore our BDO centers for [Corporate Governance](#) and [Accounting Standards & Reporting Matters](#).



SPOTLIGHT

Engaging the Board and Management in Timely Education

BDO is committed to providing meaningful education in the form of programming, thought leadership, podcasts, pulse surveys and forum discussions to foster knowledge sharing related to risks and opportunities that are impactful to businesses. Through these channels, we reach thousands of individuals covering a broad range of topics, including but not limited to:



Artificial Intelligence -
Risks & Opportunities



Audit Quality: Lens of the
Audit Committee



Board
Committee Priorities



Cybersecurity Risk,
Reporting & Oversight



Data Governance
& Protection



Effective
Audit Committees



Evolving Regulatory Landscape
& Governance Oversight



ESG
and Sustainability



Financial Reporting
& Accounting



Globalization &
Tax Reform



Governing Enterprise Risk
Management



Refreshment &
Succession Planning



Technology &
Automation Enablement



Total Tax Liability &
Evolving Regulation

COMPONENTS OF AUDIT QUALITY / Information and Communication

These topics are further requested by and delivered specifically for clients along with national or local governance, financial reporting, and industry conferences held by organizations such as:

- ▶ American Institute of Certified Public Accountants
- ▶ Chartered Institute of Management Accountants
- ▶ National Association of Corporate Directors
- ▶ Corporate Board Member
- ▶ Association of Audit Committee Members, Inc.
- ▶ Financial Executives International
- ▶ How Women Lead
- ▶ GreenBiz
- ▶ Reuters
- ▶ and many others



NACD Global Board Leaders' Summit 2023 moderated panel on evolving composition of small cap boards and c-suite, featuring board members: Anna Catalano, Eileen Kamerick, and Frank Jaehnert, moderated by BDO's Assurance Principal Mark Ellenbogen and supported by NACD staff.



Corporate Board Member 2024 Board Forum discussion on Board Dynamics, featuring board member Nina Vaca and BDO ANMP Corporate Governance Amy Rojik

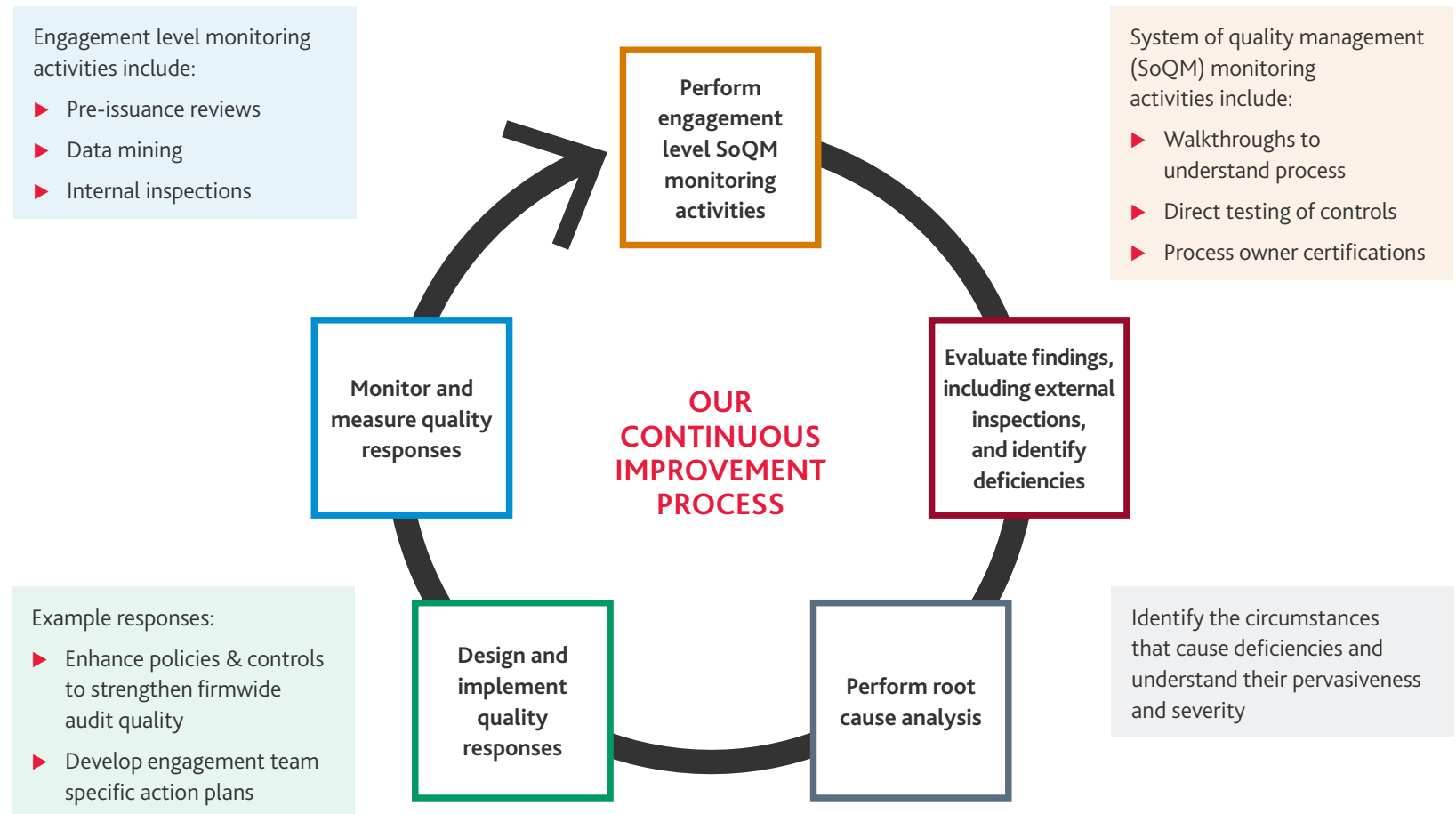


AICPA & CIMA Conference on Current SEC & PCAOB Developments panel on consultation trends featuring BDO Assurance Principal Angela Newell (2nd from right).

COMPONENTS OF AUDIT QUALITY / Continuous Quality Monitoring and Remediation

Over the last two years, we have added several new professionals to our Quality Management function, including a national managing principal who joined our firm in late 2022 to lead the quality management team after previously serving as an Associate Director in the PCAOB's Division of Registration and Inspections.

BDO's ongoing monitoring and remediation process drives continuous improvement by identifying and addressing risks to audit quality. The firm's quality monitoring activities include both monitoring of engagement level compliance with firm policy and professional standards and direct monitoring of the firm's system of quality management. The results of this monitoring, including robust root cause analysis, provides valuable information about how we can continue to improve audit quality.



COMPONENTS OF AUDIT QUALITY / Continuous Quality Monitoring and Remediation

SYSTEM OF QUALITY MANAGEMENT

An audit firm's effective system of quality management ("SoQM") is crucial for supporting the consistent performance of high-quality audits and reviews of financial statements, or other assurance or related services engagements under professional standards and applicable legal and regulatory requirements.

Accordingly, BDO has implemented a SoQM designed to provide reasonable assurance that its professionals fulfill their responsibilities and conduct compliant engagements. The firm's SoQM supports the consistent performance of quality audits through many ongoing activities including, at least annually, certification by leaders with responsibility for key controls and related processes. Our assurance quality management team performs regular reviews and tests key controls and processes throughout the SoQM and identifies and communicates areas for improvement.

In addition to and previously discussed, our AQAC supports our SoQM by providing guidance and input on audit quality initiatives.

As required by the International Standard on Quality Management 1 (ISQM 1) under the International Auditing and Assurance Standards Board (IAASB), BDO has conducted an evaluation of the effectiveness of our SoQM and concluded, as of July 31, 2023, that, except for certain deficiencies related to the execution of its issuer audits, that system provides the reasonable assurance that our professionals will perform audits and reviews of financial statements or related assurance engagements in accordance with professional standards, and applicable legal and regulatory requirements.



SPOTLIGHT Root Cause Analysis

A critical part of enhancing our SoQM is understanding underlying causes for identified deficiencies.

Our dedicated quality management professionals are enhancing root cause analysis that identifies the circumstances that cause the deficiencies and understand their pervasiveness and severity. Certain of our enhancements have included going deeper in reviews of audit workpapers, interviews of our professionals, analysis of various data points, and standardization of tools.

COMPONENTS OF AUDIT QUALITY / Continuous Quality Monitoring and Remediation

INSPECTION INSIGHTS: CRITICAL TO RISK MANAGEMENT AND ENHANCING AUDIT QUALITY

Internal Inspection Program

As a critical component of our SoQM, the processes and related findings from both our internal and external inspections of our executed audits and other assurance-type engagements inform our investment in continuous improvement, including active communications with and development of our professionals.

Our inspection professionals report directly to the ANMP Inspections under the oversight of the ANMP Audit Quality. Our Inspections Program includes internal inspections of both issuer and non-issuer assurance engagements. In addition, inspection professionals provide support to engagement teams for regulatory inspections, including PCAOB inspections. Information gathered from inspections is analyzed in determining enhancements to SoQM.

In 2022, we returned to performing on-site inspections for issuer audits after having performed inspections remotely during 2020 and 2021 due to the pandemic. Over the last two years, we have added several new inspectors to our group including a new leader, who joined our firm in late 2022 to lead the Inspections Program after previously serving as an Associate Director in the PCAOB's Division of Registration and Inspections.

All assurance principals have the potential to be subject to inspection each year and will generally be inspected at least once within a three-year period. Principals are selected for inspection through a risk-based process with consideration given to, among other things, the date of their most recent inspection, recent inspection results (internal and external), and other audit quality risk factors (e.g., workload, restatements, technical rating). Engagement characteristics are also considered in our inspection scoping decisions.



COMPONENTS OF AUDIT QUALITY / Continuous Quality Monitoring and Remediation

INTERNAL INSPECTIONS OVERVIEW FOR THE 2023 AND 2022 CYCLES



During **2023**, we inspected

48%

of principals across all three
geographies and our 14 markets

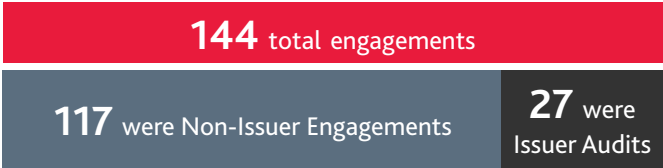
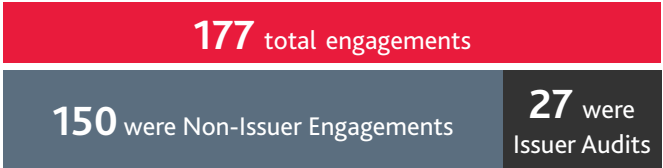


During **2022**, we inspected

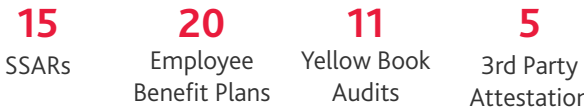
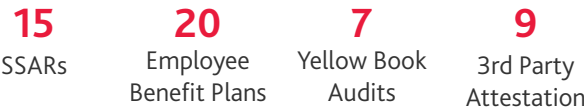
41%

of principals across all three
geographies and our 14 markets

Representing



Including



Covering



COMPONENTS OF AUDIT QUALITY / Continuous Quality Monitoring and Remediation

BDO Network Quality Assurance 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 internal policies and procedures. Our latest report reflects an acceptable level of performance in all functional areas.

In addition, as one of the largest firms in the network, BDO USA contributes to the global QAR inspection process by providing four members of our national Global Offering Services group to conduct QARs of BDO international member firms primarily focusing on QARs of BDO member firms with significant concentration of issuer audits of U.S. listed companies or U.S. listed issuer component engagement teams.

Gatekeeper Reviews of BDO Member Firms

As required by PCAOB rules, BDO USA performed **60** gatekeeper client reviews in the most recent period ended December 31, 2023. This included active registrants, clients in the initial public offering (IPO) process, SPAC targets and reverse mergers audited by BDO member firms. In addition, BDO USA gatekeepers working closely with other experts from BDO USA's professional practice group provided quarterly and annual trainings to BDO member firms focusing on the following topics: SEC reporting, auditor independence, audit execution under PCAOB auditing and related professional practice standards, and BDO audit methodology.

EXTERNAL INSPECTION PROGRAMS

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 the review of **89** engagements 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](#). Our next triennial peer review will take place in the summer of 2024.

Department of Labor Inspections

In 2022, the Department of Labor (DOL) inspected five of our employee benefit plan engagements in connection with their overall audit quality study. None of the five engagements were classified as non-conforming. There were no DOL inspections performed in 2023.



COMPONENTS OF AUDIT QUALITY / Continuous Quality Monitoring and Remediation

PCAOB Inspections

The PCAOB annually inspects registered public accounting firms, like BDO, that provide audit opinions for more than 100 issuers. A listing of registered companies audited by BDO can be viewed [here](#). A PCAOB inspection is designed to review portions of selected audits of public companies and to evaluate elements of a firm's system of quality management. Each PCAOB inspection results in a report, specific to the portions of each audit firm inspected, which may summarize identified deficiencies. The most recent BDO inspection reports issued by the PCAOB covered: [2020 inspection](#) of issuer audits with fiscal years generally ending in 2019, [2021 inspection](#) of issuer audits with fiscal years generally ending in 2020 and the [2022 inspection](#) of issuer audits with fiscal years generally ending in 2021.

Visit the PCAOB's [website](#) for more information regarding their inspections process.

PCAOB Inspection Observations

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 I.C: (New in 2022 inspection reports) Deficiencies of potential noncompliance with SEC rules or PCAOB rules related to maintaining independence.

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.

While our reports are publicly available, we have summarized our recently issued PCAOB inspection report findings related to audits performed in 2021, 2020, and 2019, respectively.

- ▶ Our Part 1.A deficiency rates were 66% of 29 issuer audits inspected in 2022 and are expected to be higher in 2023, 53% of 30 issuer audits inspected in 2021, and 54% of 24 issuer audits inspected in 2020. For the inspections of 2021 audits, nine audits reflected deficiencies for both financial statement and ICFR audits, nine audits were deficient for financial statements only, and one audit was deficient for an ICFR audit only
- ▶ Part 1.B deficiencies of our 2021 issuer audits reflect certain deficiencies related to the retention of audit documentation, audit committee communications, risk assessment, fraud, critical audit matters, and Form AP
- ▶ Part 1.C instances of noncompliance noted in certain 2021 issuer audits related to non-audit services, audit committee pre-approval, and indemnification clauses that were self-identified by BDO as part of our independence monitoring activities

For audits inspected in 2022, one resulted in a restatement and one resulted in a withdrawal of our ICFR opinion. No audits inspected in 2021 and 2020 resulted in either a restatement or a withdrawal of our audit opinion.

COMPONENTS OF AUDIT QUALITY / Continuous Quality Monitoring and Remediation

Part II: Observations Related to Quality Control

The PCAOB is in the process of reviewing our remedial responses to our 2019, 2020, and 2021 inspection reports. Our remedial response for the 2022 inspection report is in process.

The PCAOB's most recently completed inspection cycle is its 2023 inspection of 2022 audits, and is expected to be released shortly.

We value the PCAOB inspection process as an independent assessment of the quality of our audits and the effectiveness of our approach to further enhancing our audit quality.

PCAOB Chair Williams recently [expressed](#) that the upward trend in inspection deficiencies rates being observed across the auditing profession was unacceptable. She further acknowledged, *"It will take time for the quality-control improvements to take root, and firms will need to be diligent to ensure they translate improvements in engagement performance."*

As a firm, we are disappointed with our PCAOB inspection results and know we must do better. The work we have outlined in this Audit Quality Report exemplifies our commitment to focusing on the PCAOB's inspection findings as part of our continuous improvement process in our SoQM. We agree with Chair Williams' statement above and expect that the actions we are taking to improve our quality will take time to take hold and will not be fully reflected immediately in our inspection results.

In the past year, we have made critical changes in our audit practice to strengthen our approach to audit phasing, project management, and learning and development. We have also enhanced how we conduct, supervise, and review our work to ensure that all the tenets of high audit quality are embedded in all our assurance engagements.

We remain committed to our audit quality objectives and anticipate that the efforts we are expending to align our behaviors with our SEED framework will strengthen our performance and work product. We will continue to be transparent in our efforts and communicate directly with stakeholders: our professionals, the companies we audit and their audit committees, investors, regulators and others who rely on the financial statements.





SPOTLIGHT

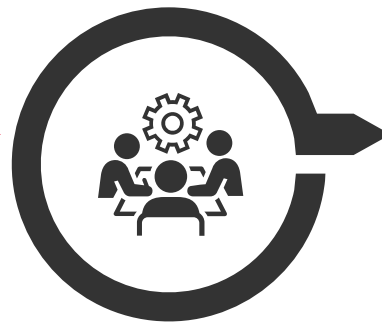
Quality in Action: Communication of Inspection Findings and Related Training

The following provides a snapshot of various communication activities, analysis, and related trainings provided in 2023 that conveyed both external and internal inspection findings, leadership messaging about actions being taken by the firm along with expected actions to be taken by individual professionals to enhance our audits:

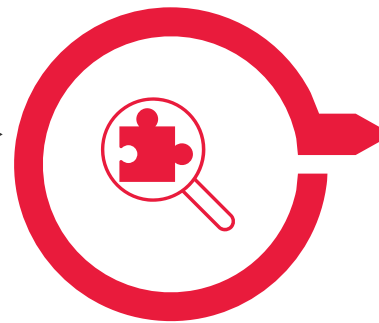
ASSURANCE DELIVERY TOOLS



**2023 Inspection Results
Webinar for Assurance Practice**



**2023 Audit Quality
Learning Journey**



**2023 Root Cause Analysis &
Enhancements to
Tools & Templates**



**2023 Inspection Reports by
Geography / Markets**

COMPONENTS OF AUDIT QUALITY /

Continuous Quality Monitoring and Remediation

In 2024, the PCAOB indicated their inspection program will consider overall business risks present in the audits inspected and have announced enhancements to its inspections approach. Refer to the PCAOB's [2024 Priorities Spotlight](#) to learn more.

Our discussions with the PCAOB Board and inspections staff along with the PCAOB's publications provide additional guidance on inspection trends and areas of focus. This information combined with our internal inspection programs, our active monitoring programs, and our root cause analysis activities enables us to make overall enhancements to our SoQM as part of continuous improvement process and specifically focus on:

- ▶ Timeliness and effectiveness of our remediation work
- ▶ Designing tools and guidance, education, and performance incentives/ disincentives to drive appropriate behaviors that result in higher audit quality
- ▶ Cascading of communications to keep our leaders and staff informed of critical areas requiring heightened attention and oversight



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**2023 AUDIT
QUALITY REPORT**



Our Audit Quality Journey - Future Focus

OUR AUDIT QUALITY JOURNEY - FUTURE FOCUS

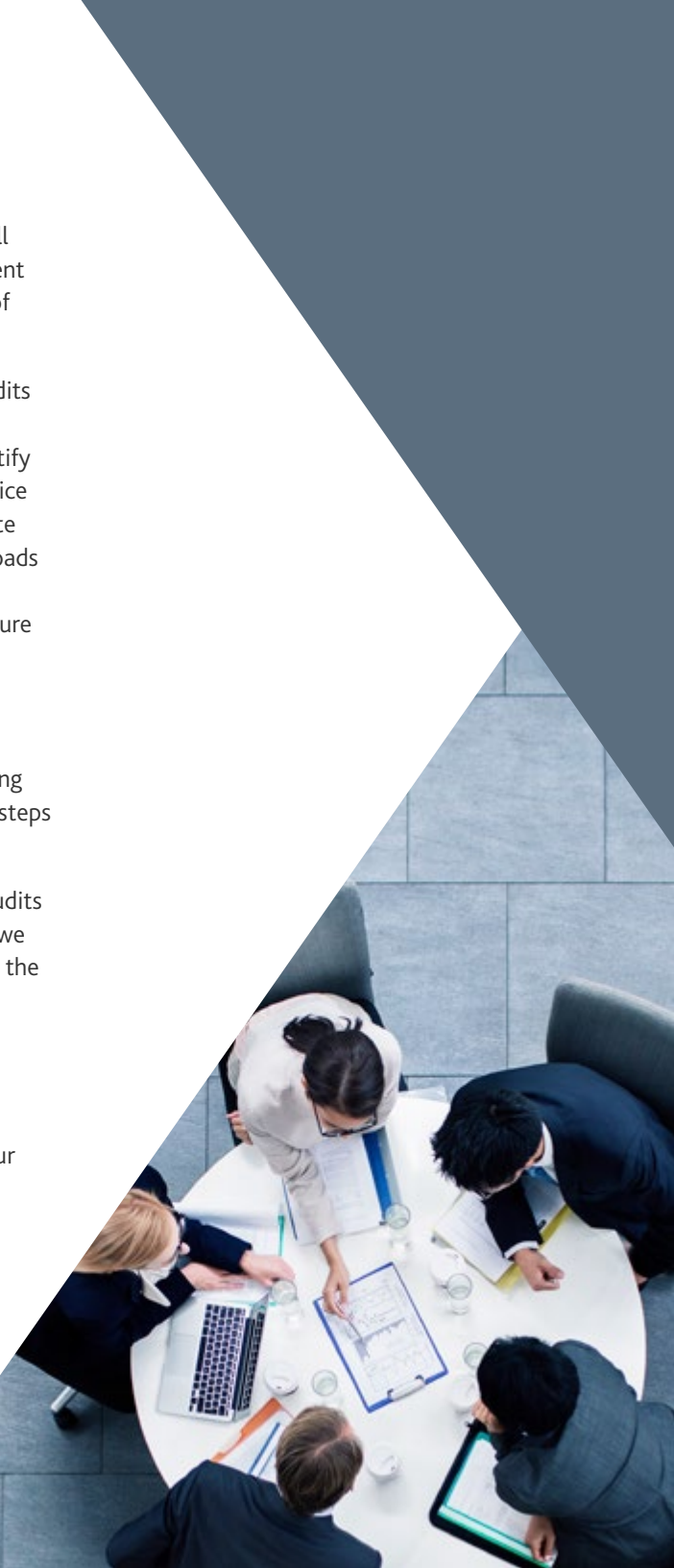
As auditors, we have a vital role in serving our ultimate clients: the consumers of our audit reports. Firms that the public perceive as being the best at safeguarding the capital markets will be the firms with high audit quality, great reputations, and sustainable growth. Our commitment to exceptional quality — across all aspects of our business — is critical to BDO remaining one of these firms.

We are making significant investments to strengthen our SoQM in performing high-quality audits on a consistent basis. Through changes in leadership structure and enhancements in quality management and oversight, we continue to strengthen our culture and tone at the top to identify and remedy casual factors that detract from quality. We have nationalized aspects of our practice to streamline communications, drive consistency, enhance project management, better allocate technical resources, phase audit work and monitor effective audit execution, and adjust workloads while enhancing accountability. As we further invest in capacity building, audit technology and enablement, along with a robust practical learning curriculum, we are providing the infrastructure and development that our professionals are embracing to execute audits with the right tools, adhere to professional standards, and demonstrate a skeptical mindset to deliver on our quality commitment.

We are currently in the discovery phase of a multi-year project with an initial focus on evaluating opportunities to enhance our existing audit methodology and enabling tools, as well as taking steps to modernize our global audit platform (APT).

As we move through 2024, we are unrelentingly monitoring our effectiveness in performing audits and making course corrections, where necessary, to continuously improve. The improvements we are making reflect changing business, regulatory, and socio/macroeconomic factors along with the internal opportunities we identify to improve our audit work.

Emerging Risks and Opportunities: Addressing increasing use of technology — including generative AI, recognizing significant risks posed by changing climate indicators, along with an increasing interconnected global economy requires us all to be constant students and embrace change. The following pages include several examples of how we are engaging with our professionals and our clients on significant changes impacting our assurance engagements.



OUR AUDIT QUALITY JOURNEY - FUTURE FOCUS

EMBRACING THE CHANGING LANDSCAPE OF TECHNOLOGY

As the world embraces rapid advancements in Artificial Intelligence (AI), Large Language Models (LLMs) and other emerging technologies, we recognize the opportunities and risks presented to our clients. In this regard, we are providing continual education and services to management teams and boards of directors to help identify where technology may be most impactful to their businesses and how to establish protocols for responsible use.

As auditors, we are engaging with regulators and other organizations — e.g., via the Center for Audit Quality (CAQ) Generative AI Task Force and the AICPA and CPA.com AI Symposium — to help define risks and opportunities to audits with respect to use of AI by clients and by auditors. We are further monitoring guidance being considered and issued by both the PCAOB and SEC in this area.



Brian Miller, Assurance Principal Audit Data Analytics & Emerging Methods, participating in the AICPA and CPA.com AI Symposium

SOCIAL INNOVATION AI CHALLENGE – ENHANCING AUDIT PROCEDURES IN THE FUTURE

BDO professionals are being encouraged to think big and be creative about ways AI can help them prioritize the most important parts of their work.

During our firm's recent Social Innovation AI Challenge, an assurance professional submitted the winning "hackathon" design for an AI-driven assessment to address a certain risk. This is one of many examples of how BDO professionals are seeking to combine their institutional and audit knowledge with the use of AI to make suggestions for leaders to vet and consider the application of such ideas in the context of professional standards and our audit methodology.



Gregory Alayev,
Assurance Senior,
BDO "Hackathon"
winner



SPOTLIGHT

Engaging Board Members and CFOs on Opportunities and Risks Posed by AI

For our board and executive management audience, along with our own professionals, BDO continues to produce a variety of content that keeps the changing AI landscape in focus. Examples include:

Education

- ▶ 2023 fall technology series: [BDO in the Boardroom Podcasts](#)
- ▶ December 2023 National Association of Corporate Directors (NACD) New England: Future Focused Board event
- ▶ 2024 Scheduled NACD Chapter events
- ▶ May 2024 BDO webinar: [Board's Oversight of Artificial Intelligence](#)
- ▶ June 2024 BDO webinar: [From AI to IA: How Internal Audit Can Adopt and Address the Risk of AI](#)

Thought Leadership

- ▶ [10 AI Considerations for the Board](#)
- ▶ [The Internal Auditor's Artificial Intelligence Strategy Playbook](#)
- ▶ [BDO Digital's AI Strategic Plan and Interactive Roadmap](#)

In collaboration with our BDO advisory colleagues, our assurance practice is also continuing to conduct a series of engaging board of director and CFO forums, featuring Kirstie Tiernan, BDO Digital Advisory Principal and practice leader of Data Analytics, focused on:

- ▶ Impactful business use cases being adopted to drive efficiency and effectiveness
- ▶ Governance structures, roles, policies, and processes needed to both safeguard information and mitigate ethical risks and biases in deploying AI and other technology
- ▶ Necessary changes in company infrastructure, tools, and resources required to support adopting of new technologies
- ▶ Education and communication for all levels within an organization
- ▶ Prioritizing where to focus investments and efforts, given the specific circumstances of an organization



OUR AUDIT QUALITY JOURNEY - FUTURE FOCUS

INCREASING SUSTAINABILITY AND ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) FOCUS

Since launching our [BDO Sustainability & ESG Center of Excellence](#) (COE) in 2021, we have been building our capabilities across our firm, including the ability to provide attestation services with respect to sustainability metrics. Under the leadership of Karen Baum, Sustainability and ESG Advisory Services Leader (and her predecessor Christopher Tower, recently retired), we have advanced our objectives in:

- ▶ Monitoring and educating our professionals on the global and domestic ESG and sustainability reporting landscape, including the recent release of the SEC's final [Climate Change Related Disclosures](#) rules
- ▶ Supporting our business lines and industry teams in their delivery of ESG and sustainability services to our clients, including [attestation](#)
- ▶ Coordinating with BDO Independence as we develop new ESG attest and non-attest services to ensure our services are permissible under issuer and non-issuer independence rules
- ▶ Serving as a center of knowledge for:
 - Related accounting, reporting, attestation, and regulatory standards and requirements
 - Other matters, including supply chain implications, Foreign Corrupt Practices Act (FCPA) considerations, ESG risk assessments, transparency in disclosure of human capital matters, etc

These are just a few of the many evolving areas that will continue to impact the audit process and require new focus, tools, and knowledge that we as auditors, our clients, and their boards need to continue to navigate in order to build and retain the trust of investors and other stakeholders. As we continue to cultivate a firm focused on aligning our actions to continuously improve our quality, being transparent about the opportunities and challenges we face and sharing publicly how we are addressing them is necessary to reinforce the confidence of those we serve. We take our role seriously and are committed to enhancing public trust in corporate financial statements for the success of capital markets. Thank you for taking the time to explore BDO's audit quality journey.

The SEC, PCAOB, AICPA, and their global counterparts have made and are contemplating further significant changes to standard-setting and rulemaking toward a common set of sustainability reporting metrics, along with the integration within the reporting of traditional financial information. In anticipation, we are actively monitoring regulatory actions and continuing to align people, processes, and resources to best serve our clients in advancing their ESG and sustainability reporting activities.

In 2024, we launched a [Climate Change resource center](#) for our professionals and clients to help them in understanding compliance with the SEC's final climate disclosure requirements. We have issued [thought leadership](#) and several podcasts, including ["Are Your Prepared for New Sustainability Laws in California?"](#) and have several webinars in development, including our [Quarterly Technical Update series](#) for professionals and clients.

We are further participating in the CAQ's SEC Climate Rule Steering Committee to assist in identifying practical implementation questions that are arising as companies and firms consider the SEC's new climate change related disclosure rules.

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**2023 AUDIT
QUALITY REPORT**



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APPENDIX

BDO USA AS PART OF THE BDO GLOBAL NETWORK

BDO USA, P.C. 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 75 offices. As an independent Member Firm of [BDO International Limited](#), BDO serves multi-national clients through a global network of more than 115,000 people working out of more than 1,700 offices across 166 countries and territories.



APPENDIX

BDO USA BOARD OF DIRECTORS



KELLY JOHNSON

Board Chair
Assurance Specialty Practice Managing Principal



TONY ARGIZ
South Florida
Managing Principal



WAYNE BERSON
Chief Executive
Officer



MIKE CAMPBELL
Tax Market
Managing Principal



MARK ELLENBOGEN
Assurance Principal



MARIA KARALIS
Assurance Market
Managing Principal



NATALIE KOTLYAR
National Managing
Principal



HOON LEE
Tax Managing
Principal



MONIKA LOVING
Specialized Tax
Services Managing
Principal



JOHN MARQUARDT
Tax Managing Principal



TIFFANY PRUDHOMME
Assurance National
Managing Principal



STEVEN SHILL
Assurance Market
Managing Principal

BDO USA EXECUTIVE TEAM MEMBERS



WAYNE BERSON
Chief Executive Officer



STEPHEN FERRARA
Chief Operating Officer



CATHERINE MOY
Chief People Officer



MATTHEW K. BECKER
National Managing
Principal of Tax



WILLIAM EISIG
National Managing
Principal of Assurance



ESKANDER YAVAR
National Managing
Principal of Advisory



People who know, know BDO.SM

Our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes and value for our people, our clients and our communities. BDO is proud to be an ESOP company, reflecting a culture that puts people first. BDO professionals provide assurance, tax and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. For more information, please visit: www.bdo.com.

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