



BDO Ukraine's 2014 Integrated Review

Resilience, flexibility and vision towards future success



DEAR READER,

Welcome to our 2014 Integrated Review (hereafter "IR")!

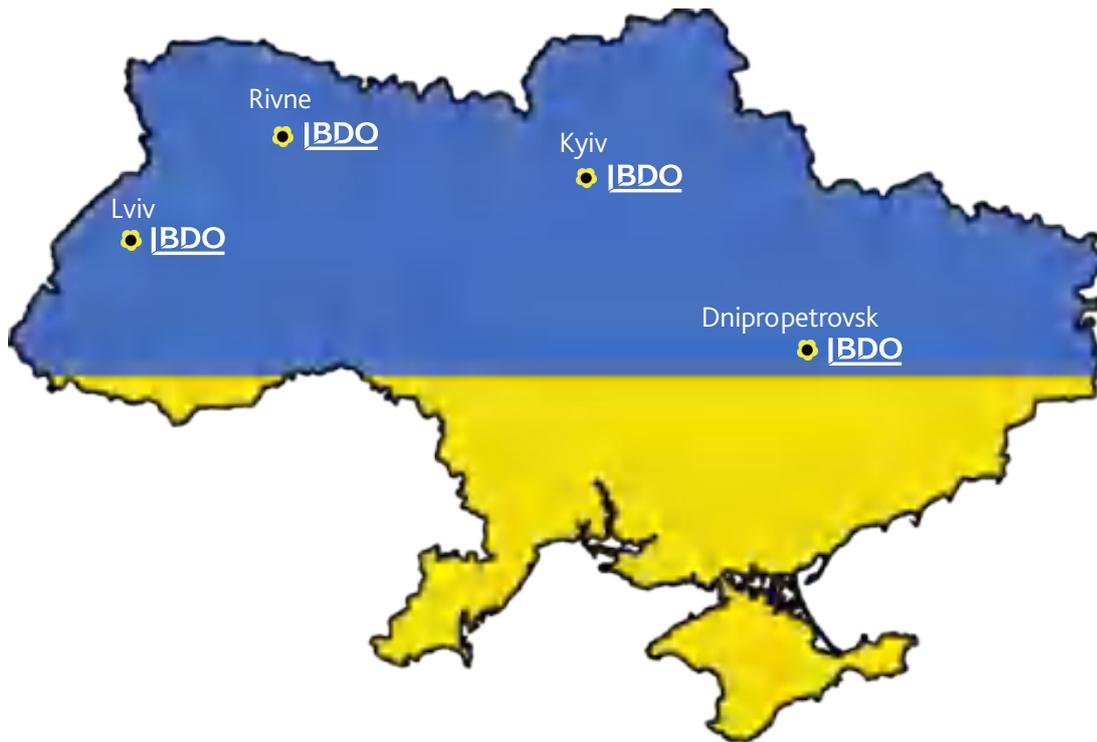
The IR is a snapshot of our material environmental, social and financial performance, which enables our business to create value for our employees, clients, community, industry, regulators and indeed Ukraine. The IR covers the period 01 January to 31 December 2014 and is prepared in accordance with the GRI G4 "Core option" as well as incorporating elements from the IIRC's Integrated Reporting Framework.

We are the start of a reporting journey with, no doubt, many twists and turns to come but the direction is clear to us; we want to regularly share with our stakeholders key developments and impacts so that your trust in our "licence to operate" is strong and renewable.

We hope you enjoy our Integrated Review.

ALLA SAVCHENKO

President of BDO Ukraine



ABOUT US

Founded in 1993, BDO Ukraine today is a leader in providing professional solutions including audit, tax consulting, financial advisory, capital transactions, restructurings, management consulting, legal advice, valuation, sustainability and CSR services.

We derive our revenue from fees charged to our clients for professional advisory, support, consulting, development, training, and other services.

As a member of BDO International, the world's fifth largest international network of independent accounting and consulting firms, our company is proud to provide services that meet the highest international standards, while retaining a strong Ukrainian footprint and deep expertise to service clients across all industries.

Our continued growth over the past 21 years is attributable to relentless innovation, an ever-growing portfolio of services, our ability to anticipate ever-changing client requirements and most importantly attracting the right talent to meet and exceed the expectations of our clients.

With more than 280 clients across Ukraine, BDO employs more than 200 employees across 4 offices; Kyiv (HQ), Dnipropetrovsk, Rivne and Lviv.



BDO Ukraine celebrating the 50th anniversary of the international network

Our values and culture are the centre of everything we do. Our company's culture continues to put our clients' success at the centre of everything we do, and is driven by our values – which are:

Professionalism – We demonstrate professionalism by consistently delivering quality work.

Innovation – We measure our ability to innovate by our clients' tangible successes.

Accountability – We fully embrace accountability and strive to always make good on our promises.

Integrity – We are honest, fair and take responsibility for all our actions.

Teamwork – We value teamwork because it enables us to exceed individual limits and celebrate greater success. Employees learn from each other and enhance their skills, while at the same time providing superior client service. Our clients benefit from BDO's collective expertise.

Trust – We work for each other's success and take personal responsibility for all of our relationships.

Accessibility/Responsiveness – Our clients can access us where and when they need us. Employees can live and work in the communities that meet their needs, now and in the future.

Courage – we are entrepreneurial and take risks, reach beyond boundaries and experiment.



OUR PRESIDENT SHARES

Where are the opportunities for growth?

Our purpose at BDO is to help our clients develop capabilities, skills and reputation to take advantage of opportunities closer ties with the European Union and global community will bring; regardless of the most difficult present circumstances. I truly believe in the old sayings "it is darkest just before the dawn" and "you invest for the future regardless of the present" are ringing true for BDO's attitude and outlook for over 21 years now. Ukrainian companies have much to learn from their international peers but are also increasingly resourceful and imaginative to build bridges into the future; a future which BDO's great experience and services can facilitate. Our core products of audit and business advisory will continue to grow strongly while our rising stars in tax, valuation and sustainability services including Integrated Reporting are adding tangible value to our clients' future runways. I am in particular excited about our unique Integrated Reporting capabilities which offer companies the opportunity to share their value creation story, disclose a fuller set of risks and opportunities as well as demonstrate their future strategic direction. In times of trouble which we are facing right now it will be important to have a keen eye on the future we would like to create together with our clients so Integrated Reporting fits our vision nicely. As such, I believe there has never been a better time for our business and growth prospects.

How is BDO capturing these opportunities?

Our people are the key to our continued success. We rely 100% upon our employee's recognised qualifications e.g. ACCA accounting qualification, deep and constantly updated market knowledge, active business networks and ability to listen intently to the needs of clients regardless of size and sectors. The current environment has meant that our clients are looking for more than numbers and standard service delivery. Now, more than ever, trust is vital and companies are expected to grow and deliver commercial value in a way that delivers broader

social and environmental benefit. We are fully aware that that doesn't just apply to our clients; it most certainly applies to our firm too. An example of staying two steps ahead of the market is the provision of Integrated Reporting services for our clients. BDO is proud to have become the only authorised company to deliver ground breaking professional Integrated Reporting services for private and public organisations in Ukraine. We believe that by taking risks and innovating always with the client's needs in mind our company will continue to prosper whatever the weather. We are intent on finding new and differentiating ways to serve our client as they face challenges. This, I believe, is what will set us apart.

How are your employees dealing with these times of change?

It is essential that each and every person within BDO understands her/his relation to our clients, and what we can do to contribute to a truly distinctive experience. This means driving a culture of innovation that encourages new ways of thinking about our business and interacting with our clients. It also means working together across business and divisions to fully optimise the resources and expertise that exist. The conditions for our business have changed significantly in a relatively short period of time. Consequently, I believe that attracting and retaining talented individuals who recognise and can embrace this change will define our success. This also requires us to attract people from outside our industry and integrate their knowledge and experiences in ways that can accelerate the changes we are implementing. Ours must be a culture that is open to new ideas and new approaches – learning from both failure as well as success. I believe we offer something valuable and essential to we will continue to measure our success by each and every instance in which we deliver on a promise to a client and help make possible the best they envision for their business operations and for those who depend on them – whether that's today or in ten, twenty or even fifty years.

Why is BDO considering adopting an Integrated Reporting approach?

We strongly believe in innovation and testing best practice approaches so Integrated Reporting is a natural component to explore to hopefully become part of our corporate DNA. The idea that our company is accountable to stakeholders for our future direction of travel and not just the past reporting period is an idea whose time has come. I liken the current reporting approach to driving a car constantly looking in the rear view mirror; at some point we will crash because of obstacles in front us or we miss lucrative forks in the road. I believe that measuring and reporting on a wider range of material social, environmental, financial and yes even possible cultural impacts flowing from our business activities will enhance our license to operate. It will also be a contribution to greater transparency and legitimacy which certainly is not the norm across Ukrainian businesses. Sure we are in a difficult period right now with the war in the East creating a highly uncertain operating environment but like Integrated Reporting, BDO will look towards the future and continue invest in ideas which will even fruit eventually. Our 2014 Integrated Review is our humble attempt to start this journey towards greater accountability and sharing our "travel plans" because if we don't do it we can't really ask our clients, peers and other stakeholders to consider adopting Integrated Reporting as the new norm for corporate disclosure. Exciting if turbulent times are ahead but we take faith in our resilience, flexibility, vision and closeness to the market.



OUR MATERIAL ISSUES

Not unlike gold panning our materiality analysis gave insight into which “golden issues” to focus on and which ones to discard on closer inspection. The 2014 analysis is based on the work of BDO’s Integrated Review Taskforce, a diverse group of employees and management representing 95% of all divisions. The Taskforce went through an elaborate process of filtering a plethora of issues linked to BDO’s operations and activities including transport emissions, diversity, safety at work, maternity leave policies and professional development assessment. It finally arrived at issues to select for reporting as well as target and activity setting. To further improve accountability and ensure our selections are based on solid analysis we aim to invite key external stakeholder groups to join the Taskforce process for the 2015 IR. The resulting materiality matrix will highlight the intersection between “high importance issues” to our external stakeholders and “high impact issues” to BDO. This will be the logical next step on our journey towards an even more representative and meaningful public disclosure.



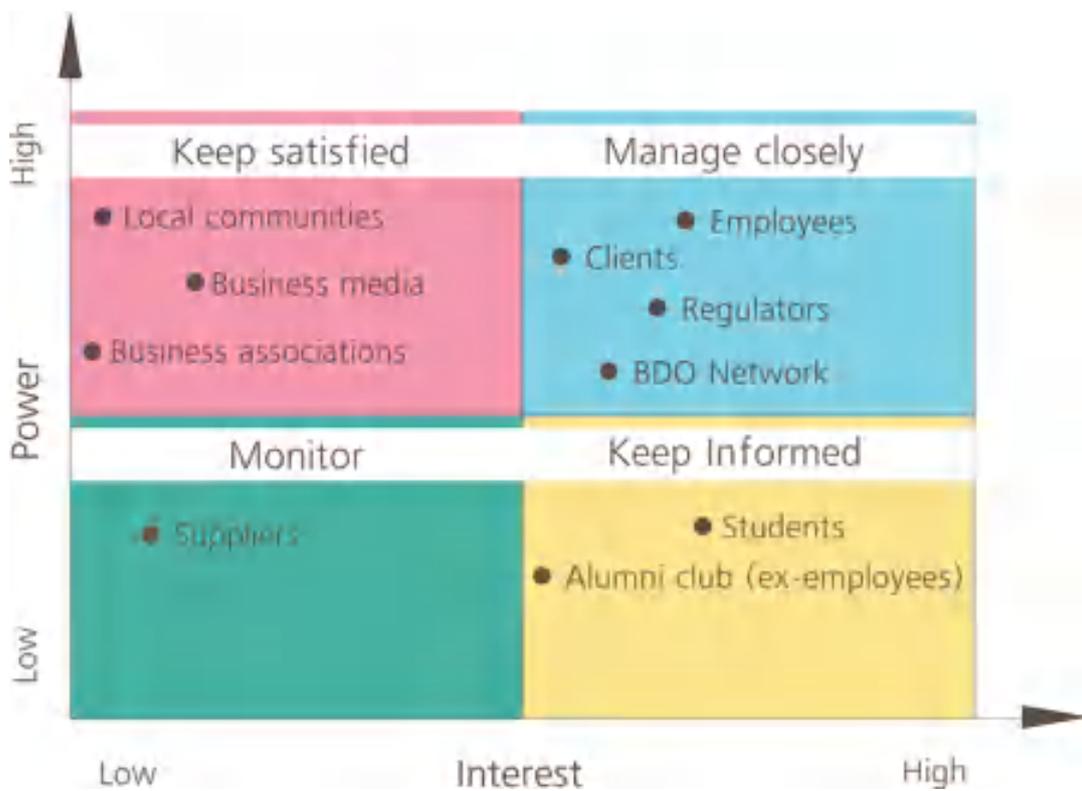
BDO International annual meeting

The Taskforce arrived on the following material issues to be used as benchmark for our future performance:

Issue	Aspect	Rationale
Social	Market relevant professional skills, qualifications and industry experience	Our employees are the foundation of BDO's value creation.
Environmental	Carbon emissions from operations (Scope 1 and 2).	Emissions from our office operations represent BDO's biggest environmental footprint as well as opportunity for improvement.
Financial	Revenue growth from a diverse client base.	Financial health is the cornerstone for investing in our employees and offer exceptional client service.
Legal	Timely payment of correct tax rates measured through regulatory approval.	Key to our licence to operate as well as supporting the economic health of Ukraine is payment of the correct taxes.
Governance	Full implementation of UNCTAD's "Guidance on Good Practices in Corporate Governance Disclosure".	Follow best international practice reflecting BDO's belief that corporate transparency and accountability starts with us.

OUR STAKEHOLDERS

The IR Taskforce has conducted a stakeholder mapping exercise identifying the full list of interested parties that affect our company or are affected by BDO's actions. In order to prioritise them we used a Power/Interest Matrix technique (see below). The Taskforce assessed the relative power and interest of each stakeholder regarding BDO operations and divided them in four groups according to the strength of the mentioned indicators. We will review the stakeholder matrix next year and apply necessary changes where applicable.



Source: BDO Ukraine's IR taskforce

Formal, consistent and deeper stakeholder engagement is important to us. We are committed to step up our stakeholder engagement efforts in the future by establishing a strong, transparent process using the latest best practice standards available such as AA1000 SES and other applicable engagement tools. This year's IR is based on the feedback from three stakeholder groups: clients, employees and members of the international BDO network.



Alla Savchenko talking to the audience at the event on family business

Engaging with our stakeholders

Clients	Colleagues	BDO Network	Regulators
BDO is a client-focused company. Understanding and satisfying their needs is the top priority for us.	Our colleagues are the foundation of BDO's value creation. We invest significantly in their professional development. We believe that highly skilled, motivated and satisfied employees contribute to both BDO's and client's success.	Being a part of the BDO Network which includes more than 150 member countries worldwide we learn from global best practice across all service lines and national differences.	We constantly communicate with our regulators (e.g. State Tax Administration of Ukraine) to get updates on all enacted legal changes imposed on our operations and learn about their future expectations and plans.

To deliver our messages and understand needs and expectations of each stakeholder group we used external and internal channels during the reporting year. We believe that such integrated communication is the most effective approach.

	Corporate web-site	Social networks	Direct	Indirect	Media	Events	Marketing materials	Internal web-site (BDO connect)
Employees	+	+	+	+		+	+	+
Clients	+	+	+	+	+	+	+	
BDO Network	+	+	+	+		+	+	+
Regulators	+		+	+		+		

OUR BUSINESS MODEL

Generating, capturing and sustaining value - our **business model** is fundamental to our ability to create value and to build a sustainable competitive advantage:



Inspired by the IIRC Framework

For our business to flourish we need a variety of capital inputs namely well qualified and experienced employees as well as a stable financial foundation. These capitals enable us to create services and solutions which are required by our clients whether for immediate use or to take advantage of future opportunities. We create value outputs which go beyond client engagements such as knowledge transfer, industry innovation and wider societal engagement including the funding of social projects. We continue monitoring the medium to long term outcomes of our value creation e.g. sustainable community investment and will adjust our priorities accordingly.

DRIVERS AND RISKS

Our business model does not live in a vacuum facing multiple opportunities and challenges. In order secure the sustainability of our operations and subsequent value creation we have identified the following material drivers and risks to impact our future performance:

	 Political	 Social	 Economic	 Environmental	 Industry
Future drivers	<ul style="list-style-type: none"> - Greater EU integration - Adopting best practice policies on e.g. corporate governance, transparency, anti-corruption, market and trade liberalisation 	<ul style="list-style-type: none"> - Rise in market relevant education and qualifications - BDO's international accounting, audit and business services attracting quality talent 	<ul style="list-style-type: none"> - Adoption of progressive corporate strategies, policies and technology requiring BDO advisory - Economic upturn following Russia conflict and implementation of economic reforms - Growing market for diverse advisory services e.g. sustainability and outsourcing 	<ul style="list-style-type: none"> - EU & global legislation/ best practice e.g. decarbonisation, waste management and renewable energy policies - Increased competition on non-financial parameters - Efficiency gains through applying appropriate technology 	<ul style="list-style-type: none"> - Agriculture, energy production and transmission, metallurgy, mining and infrastructure are future growth markets - Accounting and Audit industry to lead the implementation of best practice across all services and share with clients
Future risks	<ul style="list-style-type: none"> - Ongoing conflict with Russia - Systemic corruption - Reform inertia 	<ul style="list-style-type: none"> - Mismatch between market requirements and existing education/ experience - BDO failing to differentiate its value proposition 	<ul style="list-style-type: none"> - Economic situation worsens - Investment streams drying up - Reform resistance impacting economic climate - Ongoing conflict with Russia 	<ul style="list-style-type: none"> - Slow moving reforms - Lack of industry initiative and progressive engagement - Investment flows hampered by economic and political situation 	<ul style="list-style-type: none"> - Reform inertia - Lack of industry risk takers and political leadership - Lack of cost effective and impactful solutions
Our response	<ul style="list-style-type: none"> - Proximity to our political and regulatory stakeholders - Influencing progressive policy development e.g. sustainability and IFRS reporting 	<ul style="list-style-type: none"> - Cooperating and supporting educational institutions to develop market relevant expertise - Create working environment and benefits package for quality talent to choose BDO 	<ul style="list-style-type: none"> - Crafting market relevant and cost effective solutions for our clients. - Macroeconomic horizon scanning and planning 	<ul style="list-style-type: none"> - Continued advocacy of reforms, environmental awareness and adopting best corporate practice. - Applicable, market leading client solutions e.g. CSR, energy audits and Integrated Reporting 	<ul style="list-style-type: none"> - Matching the service needs of key growth markets - Maintaining industry thought leadership in non-financial solutions delivery e.g. social audit



OUR 2014 PERFORMANCE

Here are our 2014 performance highlights covering all our material issues. A full list of GRI G4 performance data can be found here: www.bdo.ua.

Social

Aspect	GRI Indicator
Average hours of training per year, per employee; Programmes for skills management and lifelong learning; regular performance and career development reviews	G4-LA9, LA10, LA11
Number of training hours : 2013 - 10 733 2014 - 11 077  Increase of 10 per cent	

Environmental

Aspect	GRI Indicator
Energy consumption within the organization Giga Joule (GJ)	G4-EN3
Electricity, heating and cooling purchased for consumption	GJ
Electricity, heating and cooling	223
Energy mix* Coal 31%, Nuclear 17%, Oil 10%, Gas 40%, Hydro 2%	G4-LA9, LA10, LA11

* Energy mix of based on electricity provider Kyiv Energo information March 2015

Aspect	GRI Indicator
Direct and energy indirect greenhouse gas (GHG) emissions (scope 1 and 2) tons CO2 eq	G4-EN15, EN16

Office	Direct	Indirect	Total
Kyiv	4	20	24
Total	4	20	24

* Due to number of staff and major premises our Kiev office represents the biggest environmental footprint. We strive to cover all our Ukrainian offices in the next IR.

Financial

Aspect	GRI Indicator
Direct economic value generated: revenues	G4-EC1
<p>Revenue of BDO Ukraine for 2014 - 45 416 676 UAH.</p> <p>This constitutes a decline of 10 per cent compared to 2013. The decline is completely attributable to Ukraine's economic and political situation affecting our clients' investment willingness.</p>	

Legal

Aspect	GRI Indicator
Timely payment of correct tax rates measured through regulatory approval.	G4-LA1
Certification by Ukrainian tax authority that BDO paid owed corporate taxes for the 2014 financial year.	

Governance

Aspect	GRI Indicator
Corruption risk assessment; the total number and percentage of operations assessed for risks related to corruption	G4-SO3
100% of BDO's 2014 projects/engagements [127] were assessed by our Corporate Governance experts with no no cases of corruption reported.	



OUR FUTURE TARGETS

BDO UKRAINE

Environmental:

- 5% reduction of organisational energy consumption by 2016

Social:

- Review existing social investments e.g. pro bono audits and project support and share new social strategy with stakeholders by 2016

Reporting/communication:

- Improve quality of non-financial data and include impact of all BDO offices by 2015
- Commitment to annual Integrated Reporting

Stakeholder engagement:

- Formalise and communicate progress on stakeholder involvement in our 2016 IR

BDO INTERNATIONAL

- Be the leader for exceptional client service
- Contribute to the BDO Network revenue target of US\$10 billion by 2019
- Grow tax services to 25% of global revenues
- Grow advisory services substantially
- Increase BSO services significantly
- Lead the consolidation in the mid market client segment

CONTACT

We welcome your opinion.
All comments should be sent to our Sustainability & CSR team.

Henning Dräger
Partner Sustainability
Tel. +38 050 452 20 37
hdrager@bdo.ua

Anastasia Borenkova
Head of CSR
Tel. +38 050 450 35 53
aborenkova@bdo.ua

Head office

Office BDO in Kyiv:
201-203, Kharkivske Road,
Kyiv, 02121, Ukraine
Tel: +38 044 393 26 87 (88)
Fax: +38 044 393 26 91
E-mail: bdo@bdo.Kyiv.ua

Office BDO in Dnipropetrovsk:
4, Serova Street,
Dnipropetrovsk, 49000, Ukraine
Tel: +38 056 370 30 43 (44)
Fax: +38 056 370 30 45
E-mail: office@bdo.com.ua

Office BDO in Rivne:
5a, Lermontova St., office 1
Rivne, 33028, Ukraine
Tel: +38 0362 26 24 69
Fax: +38 0362 26 44 93
E-mail: rivne@bdo.com.ua

Office BDO in Lviv:
109, Zelena Street, 3rd floor,
Lviv, 79035, Ukraine
Tel: +38 032 294 96 65
Fax: +38 032 294 96 65
E-mail: lviv@bdo.com.ua

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