

BDO Ukraine Integrated Report 2016

DIVERSIFYING SUCCESS, SUCCESSFULLY DIVERSIFYING

Now and in the Future



ABOUT OUR INTEGRATED REPORT

Responsibility for the Integrated Report

As Management of BDO Ukraine, we acknowledge our responsibility for ensuring the integrity of our 2016 Integrated Report. Reflecting on our operating context, strategy and value-creation model, we believe this integrated report addresses all matters that have, or could have, a material effect on our ability to create value. We have applied our collective minds to the preparation and presentation of information in this integrated report, which has been guided by the International <IR> Framework.

Scope

BDO Ukraine offices in Kyiv and Dnipro. We have excluded our Odessa and Lviv offices due to their limited impact towards our total economic, social and environmental footprint.

Reporting period

- ▶ 1 January – 31 December 2016.
- ▶ Core reporting frameworks applied:
 - International Integrated Reporting Council (IIRC);
 - Framework Global Reporting Initiative (GRI) G-4 Core;
 - AA1000 Stakeholder Engagement Standard.

Additional frameworks and approaches that inspire us

- ▶ UN Sustainable Development Goals with focus on #4, #5, #8, #12, #13 and #17.
- ▶ UN Global Compact Principles.
- ▶ The B Corporation community principles.

Our reporting team

Henning Dräger, our Partner for Sustainability, Shared Value and Integrated Reporting has 20 years experience advising organisations how to develop and successfully adopt sustainability, CSR and Integrated Reporting solutions across multiple industries in over 20 countries. Henning is the most qualified and experienced professional in Ukraine and on a mission to mainstream sustainability thinking at the heart of organisational strategy. Motto: "Sustainability's goal is to create opportunities not to limit options".

Our Corporate Responsibility Manager Kateryna Sakhanda completed her economic studies in Italy, Turkey and had her professional internship with AIESEC in Sri Lanka. Kateryna's other responsibilities include working on economic projects and analytics as specialist consultant. Motto: "Be the change you want to see in the world".

A special thanks to our former CSR Manager, Anastasiya Borenkova, for supporting our data collection and verification efforts for this report.



Finally this Integrated Report is a team effort beyond our core team so a big thank you to all colleagues involved in compiling and verifying data and to BDO management for providing resources and encouragement for completing this Integrated Report.

Our view on external assurance

We firmly believe in independent verification of all report data as international best practice and aim verify our data in future reports once we have established a sufficiently robust data collection and assessment system. We will keep our stakeholders informed about our progress to that end and continue to seek their views as valued partners how to improve our financial, social and environmental value creation efforts.

GRI is a given

Drill into our GRI index and get the full picture [here](#).

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MESSAGE FROM OUR PRESIDENT

Dear readers and friends of BDO,

"Do not go where the path may lead, go instead where there is no path and leave a trail." This was a core belief of American poet Ralph Waldo Emerson, who forged many ground breaking paths through his writing and activities. Embracing Emerson's spirit has enabled us to celebrate 20 years of sustainable growth, success and innovation together with our amazing clients and much valued stakeholders. The motto of the 2016 Integrated Report "Diversifying success, successfully diversifying" truly reflects our core belief to look beyond classic industry solutions and find new areas of activity and markets where we can use our strengths to create and share added value. This approach rings particularly true considering the significant political and economic uncertainty Ukraine is facing so rest assured that BDO will continue to provide leadership and build solutions on clear eyed optimism and possibilities for our clients and wider societal stakeholders.

We celebrated many successes in 2016 but I am particularly proud of the following activities:

- ▶ We became SAP's first partner in Ukraine and are developing innovative solutions for existing clients and reaching out to the market.
- ▶ We launched our brand new BDO Ukraine website on the ground breaking "Kentico platform" and received the "2016 best innovative project award" as part of the BDO International website development.
- ▶ We welcomed 39 new employees (+25% compared to 2015) and created 12 apprenticeships for students to gain valuable work experience.
- ▶ We started implementing an environmental management system (ISO 14001) in our Dnipro and Kyiv offices to better understand and manage our resource use.
- ▶ We published Ukraine's first Integrated Report against the IIRC's Framework and developed a market leading sustainability, CSR and Integrated Reporting (<IR>) practice servicing clients across multiple industries.

Our strategy to develop and diversify market relevant solutions is being implemented despite the continuous cloud of economic and political uncertainty hanging over Ukraine. There are many challenges to overcome for Ukraine to attract meaningful investment, push ahead with progressive structural reforms, win the fight against endemic corruption and create an open, diverse and genuinely democratic space. Our activities are likely to be affected by these macro-developments over the short to medium term including fluctuating client investment levels. To smooth out any difficult periods our business model will remain flexible and we continue to vigilantly scan the horizon for opportunities and risks alike.



Despite this uncertainty we continue to play our part to affect positive change across Ukraine and will work together with our clients, government agencies and societal stakeholders to earn our "licence to operate".

I am proud that our employees continue to demonstrate full engagement and keep supporting efforts to create an accountable and fun culture underpinned by genuine values of delivering exceptional client service.

One example of taking responsibility for our impacts is the ability to minimise direct energy and water use from our Kyiv and Dnipro offices. In 2016 we used in total 14.4% less energy and 7.5% less water despite increasing the total number of employees by 25 percent. Positive behavioural changes and technological improvements will continue to help us minimise our environmental footprint going forward.

Having met and happily exceeded the vast majority of our 2016 targets (page 16) we now begin our journey toward our 2019 goals (page 17), which include investment in more training, improved existing stakeholder engagement channels and seek independent verification of our environmental and social data. We continue to review all targets and where necessary will change or add goals to focus our resources. In collaboration with our clients, partners and stakeholders, we are committed to reach these goals. We will continue to invest in developing solutions that help our clients reach their objectives, while increasing our investment in measuring and maximising our positive impacts and minimising negative footprints.

Thank you for your trust and partnership over the past 20 years. We look forward to create and share ever increasing value with you over the next 20 years.

We hope you enjoy reading the BDO 2016 Integrated Report.

A handwritten signature in blue ink, appearing to be 'A -', representing Alla Savchenko.

Your Alla Savchenko

**President
of BDO Ukraine LLC**

ABOUT US

It all started in Dnipro 20 years ago, where BDO's head-quarter was located. Today BDO Ukraine has 4 offices in Kyiv, Dnipro, Lviv and Odessa with more than 150 employees.

In 1997 the company "BDO Balance-Audit" was established and joined the international BDO Network. Starting from 2009, we are called BDO in Ukraine, in compliance with BDO's global strategy.

As the years go by, BDO's entrepreneurial spirit lives on, and the company continues its history of growth as it expands across the country.

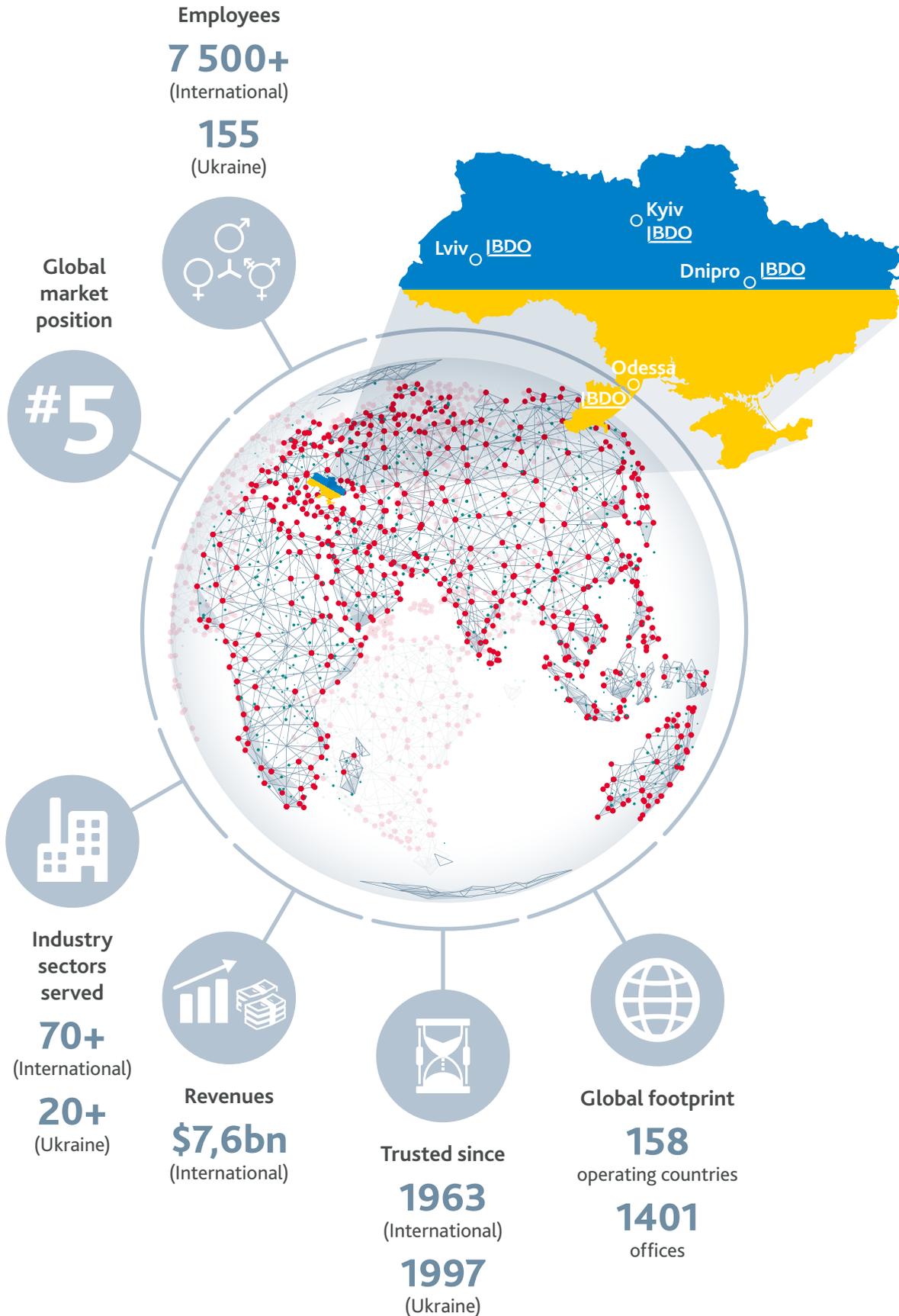
BDO in Ukraine is represented by 2 companies:

- ▶ BDO LLC
- ▶ BDO Consulting

"PEOPLE WHO KNOW – KNOW BDO"



GLOBAL CONNECTIVITY, UKRAINIAN FOOTPRINT

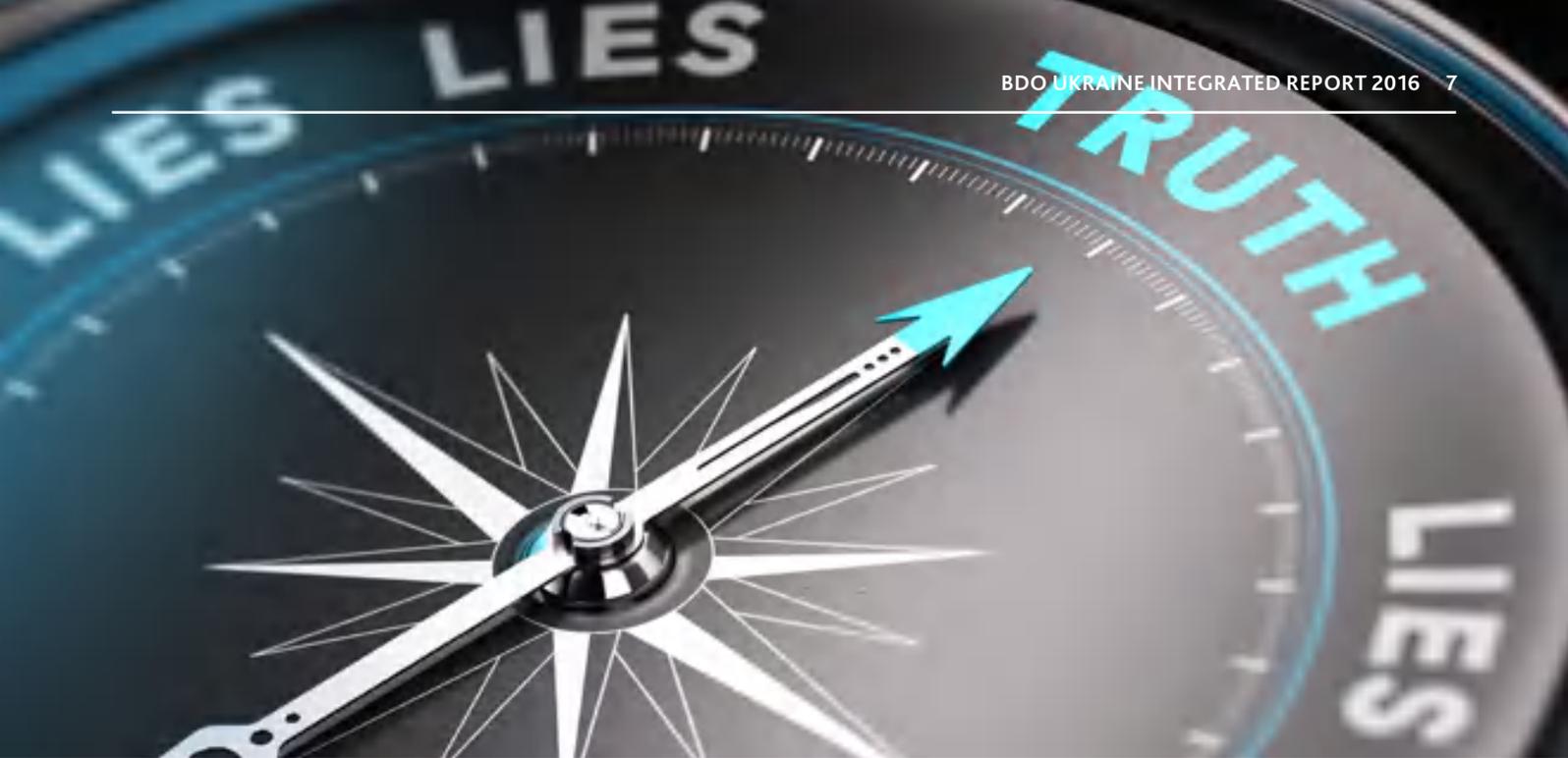


OUR GLOBAL COMMITMENT – UN SDGs

We are committed to supporting the United Nation's Sustainable Development Goals and its partners in building a better world in which no one is left behind.

We identified 6 SDG's reflecting areas where we continue to play a positive role:





PUBLIC TRUST MUST BE EARNED

Our central role as auditors and provider of leading business solutions is to provide trust and assurance to clients, regulators, providers of financial capital as well as our people and societal stakeholders. We frequently and rigorously review our policies, processes and governance mechanisms to build and maintain public trust in the work that we do.

We operate in an environment that requires us to meet high professional, ethical and independence standards than

are often required of other professions. There's a tendency – easy to understand after the financial crisis and the many Ukrainian corporate scandals of recent years – for people to see the failing of one set of practitioners in our industry as a failure of the industry as a whole. Over the past 20 years of doing business in Ukraine we have learned that taking the “high road” in all our business dealings requires resilience, determination and focus but in the end we pride ourselves being a responsible, accountable partner to all our clients and stakeholders.

Awards and recognitions



SAP Strategic Initiative Award



BDO has been chosen by the EBA to chair Ukraine's premier CSR Committee for the second year running

Corporate Governance

BDO's corporate governance seeks to guarantee integrity, which is construed as ethical, transparent and responsible conduct towards clients, employees and the different stakeholders affected by the company's activities. This principle is key to ensuring profitable business and long-term sustainability in line with the company's strategy while strengthening the trust that clients and the different agents have in the company.

The BDO Code of Conduct documents the ethical and legal standards of behavior and business practices that are required of all our directors, partners and employees. All management and employees must complete training and/or certify compliance with the code.

THE BDO WAY

Purpose

- ▶ Delivering exceptional quality of client service, without exception.
- ▶ Earn the trust of all our stakeholders through honest, open and professional dialogue and delivery of promises.

Strategy

Our 2019 strategy is based on 4 building blocks:

- ▶ Exceptional client service in engagement, solutions delivery and follow up.
- ▶ Excellent quality in all solutions and service development based on industry leading qualifications and market knowledge.
- ▶ Engaged people willing to go the extra mile for our clients, inspire our stakeholders and provide leadership by focusing on solutions to any challenge.
- ▶ Efficient infrastructure to enable our organisation to realise its potential through administrative, project and management support, access to knowledge from relevant national and international networks and market relevant skills.

Ambition

- ▶ Establish and manage a strong global brand and reputation.
- ▶ Exceptional client service in everything we do.
- ▶ Establish credible market presence in all service lined and strategic sectors including ICT, agriculture, energy and outsourcing.
- ▶ Innovation and diversification of client solutions.
- ▶ Attract, develop and retain the best talent providing an open, democratic and experimental culture.
- ▶ Earn the trust of our clients and stakeholders through a professional, consistent, ethical and responsible delivery of promises and activities.

Culture & values

- ▶ People first – the key capital of our value creation.
- ▶ Exceptionality – setting highest industry standards in behaviour and delivery of services.
- ▶ Empowerment through knowledge – provide the right tools and skills to take advantage of opportunities and solve challenges.
- ▶ Accountability – trust is key to everything we plan and deliver.

KEY INPUTS

FINANCIAL*

High quality, focused investments in our business based on sustainable client fees and other positive cash flow generating activities

INTELLECTUAL

Access to service specific technology and tools to deliver client solutions

HUMAN

Diverse and talented people with market relevant skills and experience

SOCIAL & RELATIONSHIP

Positive engagement and collaboration with our clients, suppliers, regulators, communities and other stakeholders

NATURAL

Access to natural resources including water, energy and office materials to operate effectively

NOTE

* Due to our 2016 corporate consolidation of financial transactions and statements as well as finalising of IFRS compliance our reported data we will defer reporting of our key financial performance indicators and related business investments to the 2017 Integrated Report. We realise that the ability to attract primarily through client fees and prudently invest financial capital is at the heart of our business model. We assure readers of this report that we maintain the highest regulatory and ethical standards when publicly disclosing our financial performance and remain committed to a fuller disclosure in our 2017 Integrated Report.

OUR COMPETITIVE ADVANTAGES

01 Exceptional client service and high levels of innovation

KEY ACTIVITIES

VALUE CREATED



VALUE CREATION OVER TIME

FOR US

FOR OTHERS

FINANCIAL

Profit for future growth opportunities and investment

Tax receipts, supplier payments, funding community projects

INTELLECTUAL

Development of unique products, services and skills supporting future growth and diversification

New value adding client solutions, contribution to industry knowledge, understanding and thought leadership

HUMAN

People satisfaction, competitive remuneration, talent attraction and retention, training and career development opportunities, stimulating, learning working environment

Enhanced capabilities among our supporters

SOCIAL & RELATIONSHIP

Better understanding of our dependencies and networks of partners and stakeholders leading to better responsiveness

Trust, positive, open and dynamic relationships with partners and stakeholders

NATURAL

Greater people awareness leading to greater responsibility for our environmental impacts and better resource management

Minimising our natural capital footprint, sharing our knowledge of better resource management, raising awareness of business relevant issues including climate change and waste management

02 Industry leading expertise and diversified solutions

03 20 years of corporate citizenship, transparency and ethical behaviour

04 Fostering a culture to unlock the potential of our people

ISSUES THAT MATTER

Key issues analysis

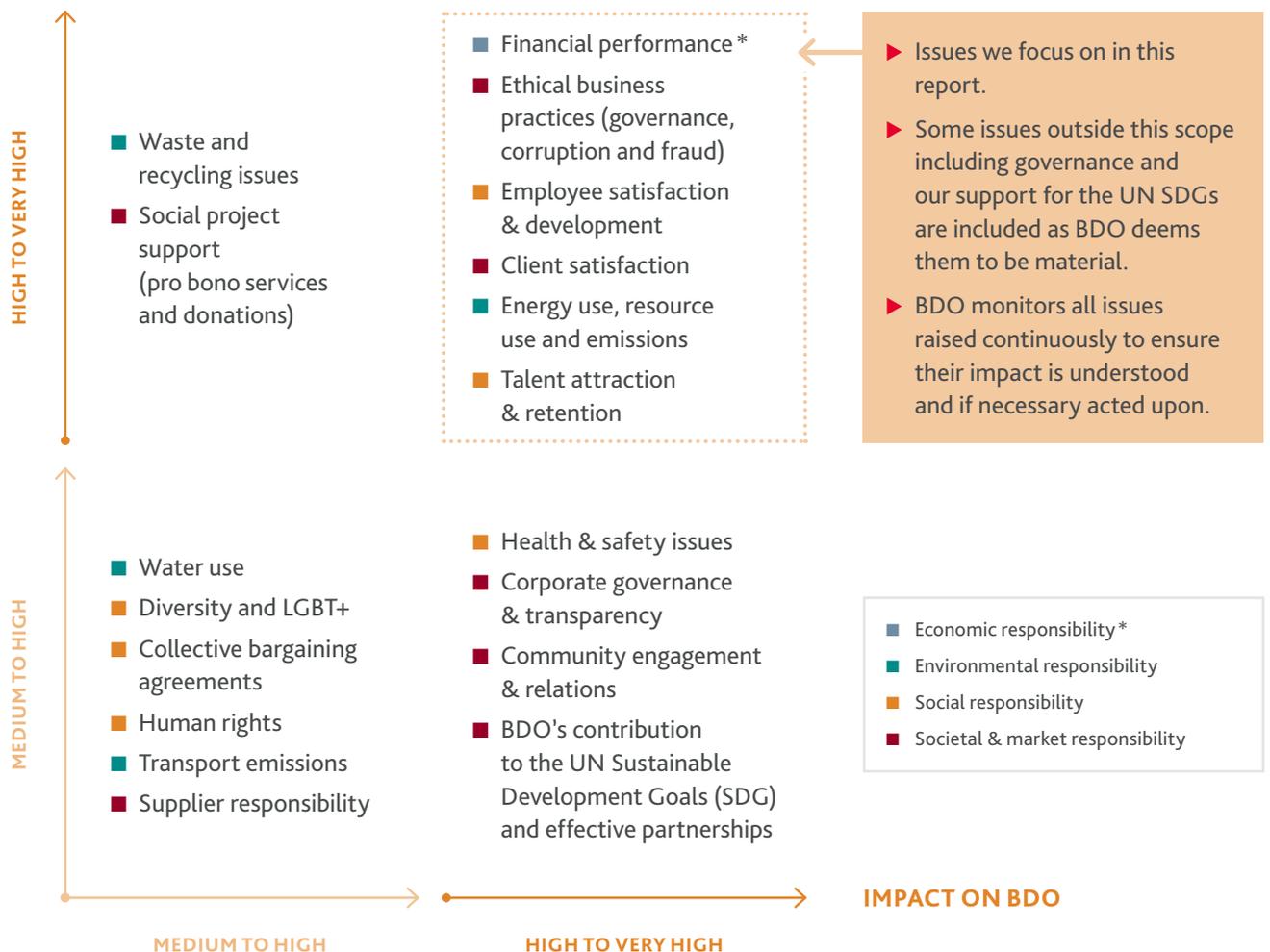
The issues analysis gives insight into where to deploy our resources and capital. The most recent analysis is based on stakeholder communication (survey, meetings and informal feedback) which included internal and external respondents from prioritised stakeholder groups in Ukraine.

The full list of key stakeholders and their impact on BDO can be found [here](#). Following the results, our internal Integrated Reporting team (comprised of management and staff from all key service areas) made its own assessment of which strategic issues to select for reporting as well as target and activity setting.

Key issues are those ranking high on both importance and impact (refer to the upper right square in the issues matrix). These issues are the ones that BDO prioritises when reporting and communicating on business activities and impacts. Issues ranking high on either importance or impact are also considered to be important for reporting purposes. In most cases, the results illustrate that there is a high correlation between importance and impact assessment, i.e. issues that stakeholders deem to be important are also deemed by BDO to have a high impact on the company's operations.

In preparation for the 2017 Integrated Report, we will conduct a new materiality assessment to define report content enabling us to respond to any significant changes driven by key stakeholder and corporate priorities.

IMPORTANCE TO STAKEHOLDERS



* Due to consolidation of our business we defer reporting on all financial performance data including investments to the 2017 Integrated Report.

OUR 2016 PERFORMANCE IN 4 CAPITALS

According to the IIRC's Integrated Reporting Framework's guidance to conciseness: "An integrated report includes sufficient context to understand the organization's strategy, governance, performance and prospects without being burdened with less relevant information".

The following 2016 performance highlights are intended to be concise, material and balanced across the 4 capitals our business model relies on to add value. They also inform our evaluation of targets set for the 2016 (page 16) and possible calibration of our 2019 targets (page 17).

INTELLECTUAL

HUMAN

SOCIAL &
RELATIONSHIP

NATURAL





HUMAN VALUE CREATION

We believe that human value creation alongside with the capital, will be the key factors connecting competitiveness, growth and innovation for BDO Ukraine. We constantly provide trainings, invest in talent development and create an environment for excellence performers, since the human capital is the organization's renewable source of creativity and innovativeness.

We provide the same recruitment opportunities and promote gender and wage equality that aligns with SDG 8 – Creating job opportunities and stimulate economic growth.

Formal training (hours per employee)	+6%
Employee satisfaction score	+ 76% (100 max)
Turnover rate	13% (-1%)
# reported accidents	0
Female partners and managers	48%
# new employees	+39 (+25%, total: 155)
% discrepancy female and male remuneration	0
Employee gender split	89 ♀ 66 ♂ 1 ♀

INTELLECTUAL VALUE CREATION



BDO Ukraine is committed to ongoing innovations absorbing the benefits of digital technologies into the business processes to meet current needs always anticipating future ones that establish a culture that inspires creativity and transformation. Unstoppable innovation is considered to be the integral part of company's culture and so in 2016 BDO becomes the first SAP partner in Ukraine. In 2017 BDO Ukraine completes the development of the localized beta version of SAP Business One in Ukraine. From now on, Ukrainian small and middle sized business can align the European business management standards keeping accounting in accordance to the Ukrainian legislation. Since 2016 BDO has the status of Silver Partner SAP and in 2017 became the winner in the SAP nomination "Strategic Initiatives".

We proudly published Ukraine's first Integrated Report against the IIRC's Reporting Framework. Our commitment to this reporting innovation was further underpinned by the development of an industry specific <IR> tool helping our clients to align their reporting processes to this fast developing international disclosure framework.

Together with the European Business Association we delivered 12 innovative sustainability and CSR master classes covering a wide range of business relevant subjects including environmental impact assessment, developing sustainability metrics and stakeholder engagement approaches open to the EBA's over 900 members.



INTEGRATED
REPORTING <IR>



SOCIAL AND RELATIONSHIP VALUE CREATION

We are a people led business that depends on a network of high quality social and relationship capital to add value to our clients, regulators, providers of financial capitals and wider society.

People are at the heart of our business. Our culture and our approach to the recruitment, rewarding and engagement of talented people, and our efforts to build a truly diverse and inclusive business, are central to achieving our strategic goal to be the clear choice employer.

Our global network of member Firms operating in 158 countries enables us to provide assurance and other services, consistently, to global and small national clients alike. Our scale provides the opportunity to invest in global tools and solutions which underpin our knowledge and expertise.

The exceptional knowledge and expertise demonstrated by our people is achieved through a combination of technical expertise and applying relevant experience. Training, staff retention and development are key to that.



OUR CLIENTS

Our business model depends on recurring relationships. We must manage the client relationship whilst remaining focused on delivering a service and opinion that meets the needs of our clients. We have a sector based approach to meeting client needs. Combining our expertise across multiple areas to deliver multidisciplinary solutions is important for us, and a key differentiator when we compete with competitors outside the accountancy sector.

REGULATORS

We work in open, frequent dialogue with all relevant regulatory bodies to ensure compliance and demonstrate constructive relationships with our government partners at all times.

SOCIETAL PARTNERSHIPS

The long-term future of our business depends on our ability to contribute to the efficient functioning of capital markets, the organisations that operate within them, and society at large. Compliance is important but at a wider level we also aim to maintain positive and proactive relationships with regulators and professional bodies. More broadly we recognise the importance of operating to a set of values that are consistent with society's needs.

In 2016 we refined our stakeholder approach further using the AA1000 stakeholder engagement standard to map our relationships and better understand the role each relationship impacts our business. This enables us to have a clearer deployment of resources to meet the expectations and needs of our partners whether they are clients, regulators or key societal groups. We review our stakeholder engagement strategy annually to reflect any changes in composition and importance.

We consider 4 stakeholder groups to be key to our value creation efforts:

- ▶ Clients
- ▶ Employees
- ▶ Regulators
- ▶ Select societal groups

For a detailed breakdown of each group including our communication with them please click [here](#).

NATURAL VALUE CREATION

We ensure compliance with relevant Ukrainian environmental laws and regulations in order to perform in line with internal and external stakeholders' expectations. Furthermore we aim to have a robust Environmental Management System (EMS – ISO 14001) in place for both offices this year supporting our efforts towards better environmental and resource management. Office electricity consumption, paper use and business travel including commuting have been identified as the 3 major areas of our environmental impact.

Energy use and emissions

Although our operations are low in carbon intensity compared to other energy heavy organisations and industries; energy, emissions and environmental compliance are identified as material aspects. In light of climate change being a global challenge, which we contribute to, we want to contribute to solving problems and helping mitigation by measuring and minimising our impacts.

For us, electricity consumption is key as this is the major source of our emissions of footprint. In 2016 we managed to reduce our total energy use per employee from our offices by 9.5% while reducing our emissions footprint by 4% compared to the previous year. Our Dnipro office reduced their energy footprint per employee by 11% by switching to more energy efficient appliances and using insulating materials alongside positive energy awareness campaigns. Our Kyiv office achieved an 8% reduction due to significantly due to behaviour change as a result of increased energy awareness campaigns and instalment smart metres to monitor our consumption.

Paper use

We managed to decrease paper use by 9% to 18.5 Kg per employee in 2016 (client proposals, audits and general office use) due to a combination of green office campaigns leading

to behaviour change and the increased use of electronic documentation where permissive. We continue to use 100% recycled FSC labelled office paper for all our needs e.g. presentations, client proposals and audit reports in both offices despite the additional costs occurred compared to less sustainable alternatives.

Transport

We are in the process of capturing and standardising our complete transport data set (scope 1, 2 and 3) and calculate the subsequent emissions footprint from daily commuting, client visits, conference attendance and other engagements across the full range of transport modes (walking, cycling, car, public and air transport). Our aim is to provide a better picture of our complete transport footprint and help us manage reduction efforts more effectively.

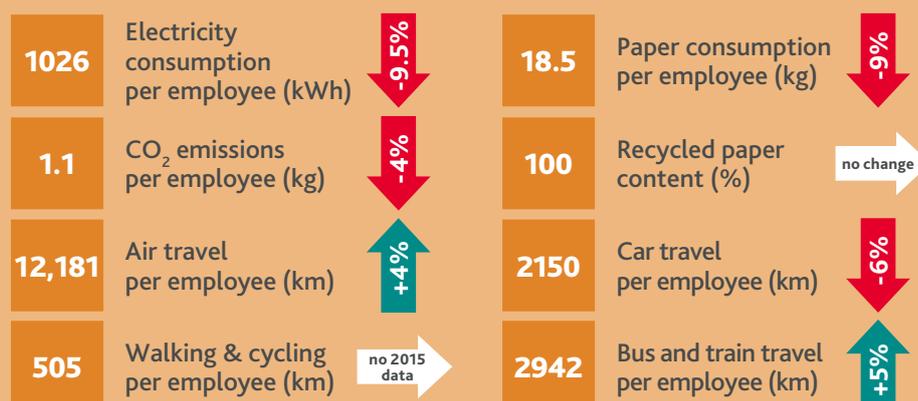
In 2016 we increased our use of public transport by 5% as a direct result of issuing subsidised monthly metro and bus cards while at the same time decreasing individual car use by 6%. Air travel grew by 4% due to greater international commitments by especially partners and senior managers. Finally we have started in 2016 to track the use of cycling and walking primarily to work as part of our commitment to their health and wellness.

Additional aspects including water consumption continue to play a role as part of our commitment to manage natural resources better. We achieved a 7.5% deduction in total water consumption is due to increase water awareness campaigns in both Kyiv and Dnipro office including explaining in particular the value of using the installed dual flush toilet technology. International dual flush studies have shown can save up to 67% of water consumption in comparison to a conventional toilet.

Our biggest environmental impacts:

- ▶ Electricity consumption (office operations).
- ▶ Paper use (proposals, audit documents, other use).
- ▶ Transport (commuting, client visits, other travel).

Notes: All figures are compared to our 2015 baseline and are calculated as an average per year



KEEP CLIMBING – OUR TARGETS

2016

✓ ACHIEVED  WORK IN PROGRESS

People

-  We partially implemented the SA 8000 social performance protocol to support our “zero accidents” office policy and create a safe and healthy working environment.
- ✓ We successfully conducted an employee satisfaction survey and are evaluating the results to inform future investment.
- ✓ We offered all employees subsidised metro and bus passes in Dnipro and Kyiv to advance the transition to lower carbon travel.
- ✓ We offered all employees private health insurance.

Planet

- ✓ We raised sustainability awareness through 5 lunchtime events, internal communication and events encouraging positive, resource minimising practices.
- ✓ We exceeded our direct energy consumption reduction target (7.5%) from our office operations in Kyiv and Dnipro achieving a 9.5% per employee saving.
- ✓ We achieved our water consumption reduction target (7.5%) from our office operations in Kyiv and Dnipro.
- ✓ We achieve full separation of our waste stream (paper, plastic, food, electronic and general waste) in both offices.
-  We partially implemented the EMS based on ISO 14000 across our offices.

Partnerships

-  We continue to implement the AA1000 stakeholder engagement standard to monitor and manage our relationships with key stakeholders.
- ✓ We continue to work closely with business associations, universities, NGOs and other societal groups on relevant sustainability issues and solutions. In particular our work with the European Business Association (EBA) and its over 900 members, where we chair Ukraine's only CSR committee, provided an impactful platform to share and discuss practical approaches to resource management, CSR integration in corporate strategy and sustainable development initiatives.

KEEP CLIMBING – OUR TARGETS

2019

In 2016 we reviewed and refined our 2019 targets based on a changing resource situation and focus. We continue to align our targets with the 2019 corporate strategy focusing our efforts to maximise impact for our communities and business.

Profit/Market

- ▶ Double our net profit based on 2015 baseline.
- ▶ Develop service lines in cyber security, cloud computing and other market relevant ICT services.
- ▶ Close market share gap between KPMG and BDO based on 2015 baseline.

People

- ▶ Provide all employees with the opportunity to take two fully paid "community positive" days for their chosen project.
- ▶ Create employee remuneration and a talent management programme which reflects best practice in our industry.
- ▶ Fully implement SA 8000 social performance protocol across our offices to create and maintain a "zero accident" culture.
- ▶ Become recognised as "Best Employer in Ukraine" through a credible award and/or certification.

Planet

- ▶ Capture our entire carbon footprint (scope 1, 2 and 3) including all business travel and commuting.
- ▶ Reduce our paper consumption per employee by 10%.
- ▶ Reduce our direct energy consumption by 5%.
- ▶ Offset all our travel emissions through a gold standard offset scheme.

Partnerships

- ▶ Increase community volunteering hours by 10% against 2015 baseline.
- ▶ Full implementation and publishing of our AA1000 stakeholder engagement approach.
- ▶ Creation of a "Community Partner of the Year" scheme providing funding and relevant pro bono services an organisation selected by our employees.

Accountability

- ▶ Independent verification of our financial data, more than financial information and Integrated Report.
- ▶ Publish 2017, 2018 and 2019 Integrated Reports.

DRIVERS AND RISKS WE CONSIDER

To deliver our strategy, we systematically manage opportunities and risks attached to our operations and business environment opportunities and risks linked to its daily operations and those arising from our business environment.

Drivers

We identify 3 main drivers which will shape our ability to create value for our stakeholders and allow our business to grow sustainably.

Talent attraction and retention

We aim to offer new and existing employees a project and purpose that encourages them to perform better every day and provide the tools needed to develop their capacities to reach the levels of excellence demanded by the projects and industries in which we operate. Talent attraction including in BDO growth areas of ICT, corporate finance and sustainability remains more than ever key to develop market relevant solutions.

The role of technology

The rapid increase of technology and digitisation will require significant adjustments to existing Ukrainian business models to be able to compete and prosper. As part of our diversification drive we will service these evolving market needs by developing relevant service lines in ICT including cyber security, cloud computing, block chain, digital footprint analysis and others.

Globalisation and Ukrainian integration

Due to the development of the digital economy, greater openness and development of relevant capabilities to trade beyond our border, Ukrainian small and medium sized businesses (SMEs) will get the opportunity to develop a global footprint. BDO is ideally placed to support SMEs' expansion plans through local and international BDO Network experts from 158 countries. Supported by transparent, leading trade practices and progressive laws, new opportunities for SME development can be realised.

Material risks

Strategic risks

1 Regulatory changes/compliance risk related to audit and other key service lines

Unexpected and unannounced changes to the legally compliant delivery of our audit and other affected services leaving us with little time to adopt to the new requirements.

2 Economic and political environment

National and international economic and political uncertainties could impact our business and that of our clients. In particular, the risk of an economic recession,

military conflict, change of laws, trade restrictions, inflation, fluctuations in exchange rates, devaluation, nationalisation, financial crisis, or social unrest could adversely affect our revenues and profits.

3 Client relationships

Maintaining strong relationships with our clients is key for brand positioning and future growth. Service delivery below our expected standards may affect our ability to maintain existing and secure the new relationships which negatively impact our cash flow.

4 Management and talent recruitment and capabilities

BDO relies on the skills of its people to lead its growth agenda and any strategic change programmes. BDO may not be successful in attracting, developing and retaining talented staff with the required capabilities, which may jeopardise its capacity to execute its strategy and achieve the targeted profitability.

5 Changing industry environment

Forces impacting our ability to operate include firm consolidation, technological developments, greater competition through increased investment from existing and/or new entrants.

Operational risks

6 Health, safety and environment

BDO is committed to providing a safe, rewarding workplace for all employees. Despite the controls in place, incidents and accidents may happen in our offices or at client location leading to physical injuries or in worst case fatalities to our employees

7 Information security

BDO's business relies heavily on its IT infrastructure. Failure of our IT system or a breach in the security infrastructure may lead to business disruption, loss of confidential information, financial and reputational damage.

Monitoring and mitigation

- ▶ Continuous dialogue with regulators and diligent horizon scanning. We have scenario and action plans in place for a wide range of regulatory impacting our audit and wider service delivery.
- ▶ BDO set up various tools to limit the impact of such events on its business such as supplier and client management, short-term liquidity management, prudent balance sheet measures and scenario planning. For events which could threaten the continuity of the business, contingency plans are in place.



- ▶ BDO constantly invests in its client relationships and has customer relationship management plans in place at central and local level.
 - ▶ In order to secure a strong management talent pipeline, BDO has designed a best practice appraisal and evaluation processes, as well as the range of management development programmes and initiatives. Management capabilities and succession planning have been enhanced by our Management Development Strategy. In addition our continuous recruitment and marketing efforts underpinned by our talent development programme aim to attract and retain talent across our services, Furthermore we are embedded in the BDO International Network allowing us to draw on additional supporting resources in particular in the key area of audit.
 - ▶ We counter increased competition through consistently delivery of exceptional client service and offering relevant, diversified solutions that support our clients' success.
- Our CRM strategy helps us to develop deep, trusted relationships with our clients staying to understand and act on expectations diligently and timely. We follow key developments in our industry through membership of relevant business associations and through continuous intelligence gathering of trends likely to impact the way we do business.
- ▶ BDO has established 'Safety First' as a key employee behaviour and Health and Safety as a pillar monitored through our SA 8000 social performance programme. Continuous improvement is achieved through national compliance monitoring, systematic gap-closing and central reporting of accidents, incidents and near-misses.
 - ▶ BDO has developed a comprehensive information security policy and framework addressing IT security, continuity and confidentiality. The dedicated Risk Management team performs central testing of the IT systems and focuses on enhancing the resilience of BDO's IT infrastructure.

We welcome your feedback



Henning Dräger

Partner Sustainalytics,
Shared Value & Integrated Reporting

Tel. +380 44 393 2687
hdrager@bdo.ua

Office BDO in Kyiv (Head office)

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



Kateryna Sakhanda

Corporate Responsibility Manager,
Consultant on Economic Issues

Tel. +380 44 393 2687
ksakhanda@bdo.ua

Office BDO in Dnipro

4, Andriia Fabra Street,
Dnipro, 49000, Ukraine
Tel: +38 056 370 30 43 (44)
Fax: +38 056 370 30 45
e-mail: dnipro@bdo.com.ua

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