



# Transparency Report

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

Year Ended 30 June 2024

**BDO**

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

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

## 2- Network

- SG is a member Firm of BDO International Limited as from 1 October 2010; BDOSG is a member Firm of BDO International Limited as from 2014.
- Description of the Network:  
The BDO network is an international network of public accounting firms, the BDO member firms, which perform professional services under the name and style of BDO. BDO is the brand name for the BDO network and all BDO member firms. 'BDO' and 'BDO International' are trademarks of Stichting BDO.
- To facilitate communication, coordination of actions and the sharing of best practice, BDO is divided into three regions: EMEA (Europe, Middle East and Sub-Saharan Africa), Asia Pacific and Americas (Latin America, North America and Caribbean), each supported by a Regional Board.

Details regarding the names of each audit firm that is a member of the BDO network, as well as the countries where these firms operate, can be found on the BDO Global website at the following link: <https://www.bdo.global/en-gb/global-locations>

The total combined revenue of BDO Member Firms (including their exclusive alliances) in 164 countries for the fiscal year ending September 30, 2022, amounted to over 12.8 billion USD. As of September 30, 2022, the number of partners and staff was 111,307.

- Legal and structural arrangements in the network:  
Each BDO member firm is a member of BDO International Limited, a UK company limited by guarantee, either as a voting member (one per country) or a non-voting member.

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

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

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

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

Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a Belgian limited liability company with its seat in Brussels. BDO International Limited and Brussels Worldwide Services BVBA do not provide any professional services to clients. This is the sole preserve of the BDO member firms.

Each of BDO International Limited, Brussels Worldwide Services BVBA and the BDO member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of BDO shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide services BVBA and/or the BDO member firms. More information about the network can be found through BDOSG website at [www.bdo-lb.com](http://www.bdo-lb.com).

### 3- Governance Structure of the Firm

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

Position	Number
Partners	4
Directors	6
Executive Senior Managers	6
Senior Managers & Assistant Senior Managers	13
Managers & Assistant Managers	26
Supervisors & Assistant Supervisors	20
Associate III	25
Associate II	20
Associate I	26
Administrative and Support employees	12
	<b>158</b>

- Key roles within the Firm are distributed as follows:

Role	Name
Managing and Regulatory Contact Partner	Antoine Gholam
Ethics and Independence Partner	Antoine Gholam
Head of Audit and Quality Management (HAAQM)	Antoine Gholam
HR Partner	Antoine Gholam
Tax Partner	Hani Abboud
IT Department in Charge	Zeina Saad
Accounting Department in Charge	Amir Younes

- **Executive Committee**

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

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

- **Stream Leaders**

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

- **Risk Management Committee**

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

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

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

## 4- Internal System of Quality Management (SoQM)

- **Overview of the SoQM**

International Standards on Quality Management 1 ('ISQM 1') became effective on 15 December 2022 and required firms to establish a System of Quality Management ('SoQM') which takes a proactive and risk-based approach to managing quality.

BDOSG is responsible for designing, implementing, and operating a SoQM for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm, to provide the firm with reasonable assurance that the objectives of the SoQM are being achieved.

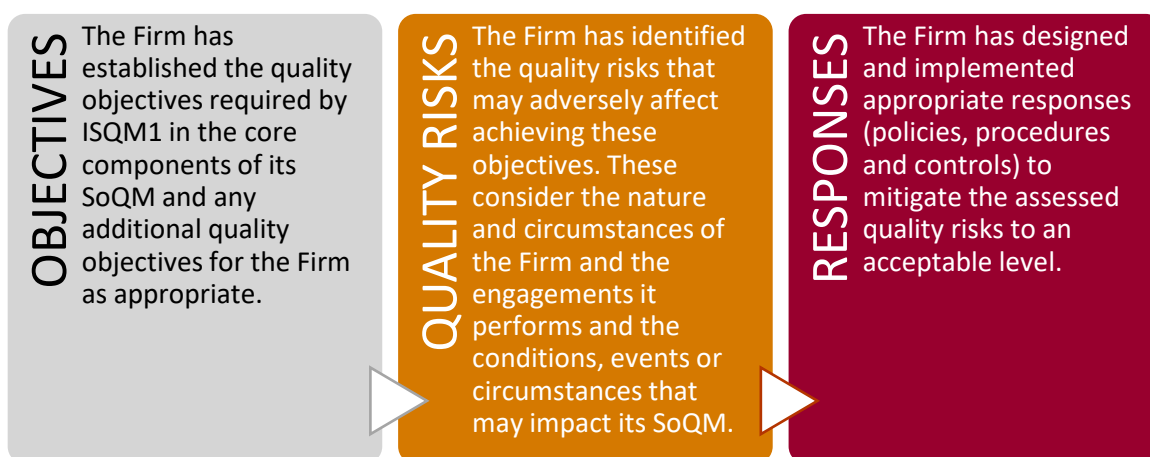
The Firm has invested significant time and resources to establish and operate a SoQM that complies with ISQM 1 and achieves its objectives.

The Firm has adopted all of the quality objectives and specified responses as set out in ISQM 1 for all of the eight components covered by our SoQM. The eight components are:

- The Firm's risk assessment process
- Governance and leadership
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Engagement performance
- Resources
- Information and communication
- The Firm's monitoring and remediation process

These components operate in the Firm's SoQM in an iterative and integrated manner. Other requirements of ISQM 1 comprise the roles and responsibilities for the SoQM, leadership's overall evaluation of the system, network requirements or network services and documentation.

To support the achievement of the Firm's overall quality objectives, in establishing and continuously improving the Firm's SoQM, the Firm has carried out the following for each of the components of its SoQM:





## MONITORING

The Firm monitors the design, implementation and operating effectiveness of the Firm's SoQM to identify areas for improvement. Root cause analysis is performed on deficiencies identified and remedial actions are implemented on a timely basis.

The Firm identified emerging developments and changes in the circumstances of the Firm or its engagements and adapted its system of quality management to respond to such changes.

### 5- Core Components of our System of Quality Management

#### a. The Firm's Risk Assessment Process

BDOSG's risk assessment process is an integral part of our System of Quality Management (SoQM), designed to proactively identify, evaluate, and address risks that may affect the quality of our audit engagements and overall firm operations. This annual process is conducted by the Head of Audit and Quality Management (HAAQM) and is continuously updated to reflect changes within the firm and its engagements, ensuring alignment with ISQM 1 requirements.

The risk assessment is built around key response areas including:

- Risk Assessment Impacted by Changes in the Firm and Engagements
- Risk Assessment Impacted by Findings from Internal and External Inspections
- Risk Assessment Impacted by Quality Events such as Complaints and Allegations
- Risk Assessment Impacted by Findings from Other Monitoring Activities Not Previously Considered.

The monitoring and documentation of this process ensure BDOSG's continued compliance with ISQM 1 standards and our commitment to high-quality audit services.

#### b. Governance and Leadership

Governance and Leadership within BDOSG are structured to ensure effective oversight and strategic direction for our system of quality management.

The Quality Management Committee, comprising of the firm's partners and senior management, provides leadership in setting quality standards and ensuring their implementation across the firm. This Committee is responsible for establishing and maintaining the firm's quality control policies, overseeing compliance with regulatory requirements, and addressing any issues that may arise.

The strong governance framework ensures that quality management is integrated into all aspects of the firm's operations and that high standards are consistently upheld.

#### c. Relevant Ethical Requirements

BDOSG commitment to ethical requirements is a cornerstone of our quality management system, aligned with ISQM 1 standards. Our Ethical and Independence Manual outlines principles designed to uphold professional integrity and independence throughout the audit process. These principles include adherence to professional conduct codes, avoidance of conflicts of interest, and ensuring that all personnel act with objectivity and fairness.

To support these standards, we conduct regular training sessions to ensure compliance with both International and Lebanese Ethical Standards. The guidance on ethical requirements is readily accessible to all partners and employees, reinforcing our commitment to ethical behavior. Additionally, annual declarations are required from all partners and staff to confirm their adherence to these ethical standards.

We have implemented policies to address and resolve any ethical issues that may arise, further supporting our dedication to maintaining high levels of professional conduct. Continuous compliance checks are conducted to ensure that all team members understand and adhere to the highest ethical standards, consistent with our commitment to quality management under ISQM 1.

#### d. Acceptance and Continuance of Client Relationships and Specific Engagements

The Firm's approach to the Acceptance and Continuance of Client Relationships and Specific Engagements is meticulously designed to uphold the highest standards of audit quality and integrity. This process begins with a rigorous evaluation of potential clients and specific engagements to ensure alignment with our firm's values and risk management criteria.

We conduct thorough due diligence to assess a client's integrity, financial stability, and compliance with legal and regulatory requirements. This includes examining the client's business practices, reputation, and potential conflicts of interest to maintain independence and objectivity throughout the engagement.

For ongoing client relationships, we perform regular reviews to monitor changes in circumstances that could impact audit quality or our ability to manage the engagement effectively. These reviews help identify emerging risks and guide decisions on whether to continue or terminate the client relationship. Our acceptance and continuance policies are crafted to protect audit quality and adhere to ethical standards, ensuring that we engage only with clients who meet our stringent criteria.

Robust client and engagement acceptance procedures play a pivotal role in delivering professional and quality service. Prior to accepting any new client or considering the continuance with an existing one, we undertake several risk assessment procedures, including:

- Consultation of global professional tools for any classifications of the client by international organizations (e.g., terrorism, criminal, PEP).
- Evaluation of the client's business, including its geographical spread and the industry in which it operates.
- Assessment of information concerning the client, its management, and its owners, including obtaining evidence of their identities.
- Consideration of the character and reputation of the client and key personnel.
- Assessment of potential independence risks and conflicts of interest.
- Inquiry with the previous auditor regarding the reasons for the change of auditor and any concerns that might affect our acceptance.
- Evaluation of our firm's ability to serve the prospective or existing client.
- Reviewing the client's filings, including prior-year financial statements.

The acceptance and continuance of all clients require an approval process appropriate to the perceived risk, with "high-risk" assurance clients needing pre-approval by all Partners.



## e. Engagement Performance

Engagement Performance at BDOSG is governed by strict quality control procedures to ensure audits are conducted in accordance with applicable standards and methodologies. This encompasses the implementation of detailed engagement plans, adherence to audit methodologies, and rigorous review processes. Our system of quality management guarantees that audit work is performed competently and findings are accurately reported.

- **Common Methodology**

Our policies and procedures are designed to ensure that audits comply with all relevant professional standards and regulatory requirements. To achieve consistency and uphold fundamental professional skepticism throughout the BDO Network, BDO Global has developed the BDO Audit Methodology. This methodology, supported by related software tools and standardized documentation, is fully compliant with International Standards on Auditing. BDO's APT NG audit software leverages recent technological advancements to:

- Safeguard the tool's structural integrity for future use;
- Provide a fully integrated tool reflecting the latest auditing standards; and
- Enable efficient work on both large and small engagements.

BDO Advantage, our new data analytics audit tool, integrates smart technology with an in-depth understanding of clients' businesses. It facilitates exploration and interpretation of data, helping to spot patterns, trends, and anomalies.

- **Supervision and Review**

All professional work is supervised by staff members with appropriate knowledge and experience. The Partner, Senior Manager, or Manager is responsible for identifying related risks, making decisions at the appropriate level of authority, ensuring work is conducted with professional skepticism, and meeting the firm's standards. Our review procedures ensure that:

- Work is performed in accordance with applicable standards and regulations;
- Significant matters are raised for further consideration and addressed appropriately;
- Appropriate consultations have occurred;
- Planned work is reviewed to ensure objectives are achieved;
- Work performed and evidence obtained support the conclusions reached; and
- Documentation allows an experienced auditor to understand significant matters, procedures undertaken, and evidence obtained.

- **Engagement Quality Review (EQR)**

For audits of public interest entities and other high-risk engagements, an EQR Partner review is conducted. This concurring Partner, independent from the client's audit team, is experienced and knowledgeable about the client's industry but not involved in the engagement's ongoing decisions or performance. EQR Partners are selected from among the firm's Partners other than the engagement Partner.

- **Consultation**

Our firm promotes a culture of consultation with experienced Partners and specialists when appropriate. Specific consultation requirements are mandated in certain situations, particularly for audits of public interest entities.

## f. Resources

Resources at BDOSG are integral to our quality management system, ensuring we allocate sufficient and effective resources to support high-quality audit performance. This encompasses the provision of essential tools, advanced technologies, and skilled personnel required to execute audit engagements competently. To meet ISQM 1 standards, our resource management involves several critical elements:

- **Clear and Consistent Policies:** Our policies and procedures, including the employment manual, provide clarity on the firm's goals, structure, and acceptable behaviors. This manual, available for all partners and employees, is regularly updated to reflect new procedures and is enforced rigorously. Non-compliance is addressed through additional training, potential delays in promotions, or dismissal for serious breaches.
- **Recruitment Procedures:** We have established robust recruitment policies to ensure that new hires possess the necessary qualities to deliver high-quality services. Emphasizing diversity and inclusivity, we seek candidates with integrity, motivation, and leadership qualities, ensuring they align with our firm's ethical standards and professional requirements.
- **Workforce Planning and Succession Management:** Effective workforce planning and succession management are vital for maintaining audit quality. We ensure that personnel are assigned to engagements based on their technical training, proficiency, and competence. Regular evaluations and performance reviews help align staff capabilities with the firm's needs.
- **Grades and Levels:** Our competency management framework ensures that the right individuals are placed in appropriate roles at the right time. This involves structured HR processes, clear grading and compensation levels, and periodic reviews to align with market benchmarks. Staff progression is clearly defined, from introductory roles to senior management, with partners' compensation also reviewed regularly.
- **Continuous Performance Appraisal and Engagement Surveys:** We conduct formal performance appraisals to assess competence, development, and potential. This includes evaluating technical, personal, and management skills. Regular feedback and counseling help staff reach their full potential and maintain high service quality.
- **Development Plan and Training Policy:** Our learning and development strategy ensures that staff are equipped with the necessary technical skills and professional attributes. This strategy focuses on technical competence, integrity, and leadership qualities, fostering a motivated and skilled workforce capable of delivering exceptional audit services.

By adhering to these practices, BDOSG ensures that our resource management supports the delivery of high-quality audit services and meets client expectations.

## g. Information and Communication

Information and Communication at BDOSG form a critical component of our quality management system. Effective communication, both internally and externally, ensures that all personnel are aware of the firm's policies, procedures, and quality control measures. It also helps maintain transparency, facilitate decision-making, and foster a culture of accountability.

Internally, we ensure that key information related to audit processes, standards, and risk management is easily accessible to all partners and staff. This includes the regular dissemination of updated policies, audit methodologies, and ethical guidelines through the firm's communication channels, such as intranet platforms, emails, and internal meetings. Open channels of communication are encouraged to ensure that any concerns, suggestions, or issues are raised and addressed promptly.

Externally, clear communication with clients and stakeholders is maintained to uphold the firm's standards of professionalism and integrity. This includes ensuring that clients are informed about the scope of our services, audit processes, timelines, and the responsibilities of both parties. Any potential risks or issues identified during the audit process are communicated transparently and in a timely manner, ensuring full disclosure and informed decision-making.

We also emphasize the importance of consultation within the firm, encouraging engagement with experienced partners and specialists where necessary. This ensures that critical decisions, especially those involving complex or high-risk matters, are made with the input of knowledgeable professionals.

In line with best practices, we maintain documentation of all significant communications related to audit engagements. This includes audit plans, client correspondence, and consultation records, providing a clear audit trail that supports accountability and quality control.

Overall, our robust information and communication framework enhances the effectiveness of our quality management system, helping us deliver consistent, high-quality audit services while adhering to ethical and professional standards.

Monitoring and Remediation at BDOSG is a critical component of our quality management system, designed to ensure continuous improvement and alignment with the highest standards of audit quality. This process involves the ongoing monitoring of the firm's compliance with professional standards, legal requirements, and internal policies. It also includes the timely identification and remediation of deficiencies in the system of quality management.

The firm conducts regular internal reviews and assessments of audit engagements to evaluate the effectiveness of our quality control measures. This includes peer reviews, inspections, and quality control reviews.

A fundamental part of the effective monitoring and remediation process is to perform root cause analysis ('RCA') on the identified deficiencies to understand why deficiencies arose and to be able to design an effective remediation plan to prevent deficiencies from occurring again in the future. On at least an annual basis the Firm evaluates whether these deficiencies have a severe and/or pervasive impact on the achievement of the quality objectives in the Firm's SoQM.

BDOSG ensures that any risks or deficiencies in the quality of our audit work are promptly addressed, safeguarding the integrity and reliability of our audit services.

## **6- Statement on Effectiveness**

The administrative and management body of BDOSG has conducted a thorough assessment of the effectiveness of our internal quality management system, in alignment with ISQM 1 and ISQM 2 standards. The assessment confirms that our quality management policies and procedures are functioning effectively, ensuring compliance with professional standards and regulatory requirements.

Our ongoing evaluation process, which includes monitoring, feedback collection, and remediation activities, demonstrates our commitment to maintaining high standards of audit quality. We continuously review and enhance our quality control system to adapt to evolving standards and to ensure the delivery of high-quality audit services.

## 7- Quality Assurance Review

The last quality assurance review of the Firm took place in June 2021.

## 6- Audit Clients Listed on Regulated Markets

Name of Audit Client	Regulated Market
Bank AUDI SAL	Beirut Stock Exchange
BLOM Bank SAL	Beirut Stock Exchange
Byblos Bank SAL	Beirut Stock exchange
Banque BEMO SAL	Beirut Stock exchange

## 7- Firm's Independence

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

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

These include:

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

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

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

## 8- Firm's Education Policy

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

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

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

Extensive training is given to all new recruits on the BDO audit methodologies, tools and processes.

More experienced personnel and partners are encouraged to constantly update and deepen their technical knowledge. Developing management and interpersonal skills are also very important for teams' management.

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

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

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

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

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

## 9- Rotation of Key Audit Partners

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

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

## 10- Financial Information

In accordance with Article 13(k) of Audit Regulation 537/2014 and Directive 2013/34/EU, BDOSG provides the following breakdown of total turnover for the most recent financial year:

1. Revenues from the statutory audit of annual and consolidated financial statements of public-interest entities (PIEs) and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity: 4.07 million USD.
2. Revenues from the statutory audit of annual and consolidated financial statements of other entities: 3.89 million USD.
3. Revenues from permitted non-audit services to entities audited by BDO SG & Co.: 0.26 million USD.
4. Revenues from non-audit services provided to other entities: 0.26 million USD.

This breakdown ensures full transparency in line with regulatory requirements, providing insight into the composition of our revenue streams across audit and non-audit services.

## 11- Basis for Partners' Remuneration

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

*Done in Beirut, on September 19, 2024  
For BDO, Semaan, Gholam & Co.*

Antoine Gholam  
Managing Partner

