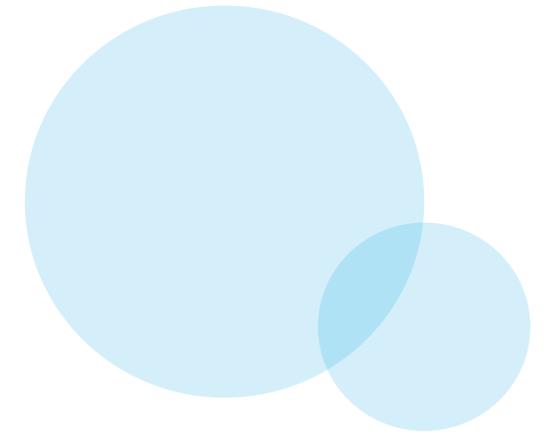




TRANSPARENCY REPORT
BDO ISRAEL

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INTRODUCTION FROM THE CHAIRMAN

I am very pleased to introduce BDO Israel's Transparency Report for 2017.

Our vision is to be the leaders for exceptional client service. Excellence in quality, empowered people and our values are the foundations on which this is built. We have a clear strategy of market leadership with a number of straightforward, but ambitious, goals to be achieved over the coming years.

Excellence in quality relies very much on tone at the top and firm culture. We listen to feedback from regulators about us and the wider profession and implement action plans to address their recommendations.

We will continue to invest in quality in our business lines, both in our people and in technology, in order to enhance quality and the consistency in the application of procedures.

In a wider context and given the critical role of audit to capital markets, the profession needs to be highly regulated and we manage our audit business on this basis. Audit quality is a standing item on the agenda of the Management Committee.

We are proud of the experience we provide to our people, but we know there is always room for improvement. Key to our success is innovation; this is ever apparent in the audit sector. In 2015, BDO Global formed the Audit Innovation Oversight Committee to enable BDO firms to meet future challenges in the changing technological and business worlds. The oversight committee looks at the long term trends impacting the audit market and has commissioned a range of initiatives and tools that help ensure our audit practice remains vibrant, innovative and able to take advantage of new opportunities. Foremost among these tools is BDO Advantage, a data analytics tool which enhances an auditors' ability to identify 'outlier activities' in a complete set of client data, resulting in more effective audits and insightful business findings. This tool is being rolled out across the BDO network. We are broadly supportive of the changes being implemented and anticipate greater opportunities to provide audit or non-audit services to public interest entities.

In this report you can read about our commitment to delivering quality and how this is supported by our structure and governance.



DANNY MARGALIT
CHAIRMAN & CEO

INTRODUCTION FROM THE MANAGING PARTNERS



EREZ SOFFER
MANAGING PARTNER



SHAHAR ZIV
MANAGING PARTNER

BDO Israel provides an important public interest role as an auditor of public interest entities. This role is central to our purpose, values, management and processes. BDO Israel's reputation is based on providing high-quality, professional audit services objectively and ethically to each and every entity we audit.

BDO Israel's 2017 Transparency Report complies with the Directive and covers the fiscal year ending December 2017. In this report, you can read more about our internal quality control system: how we instill professional values, how we perform an audit, our review and consultation process, and our process for audit quality reviews.

Enhancing audit quality can require challenging previous approaches to audit execution, and we focus on continuous improvement by evaluating all inspection findings and taking responsive actions.

BDO - NETWORK

BDO ISRAEL IS A MEMBER FIRM OF BDO INTERNATIONAL LIMITED

The BDO network is an international network of independent public accounting, tax and advisory firms which are members of BDO International Limited and perform professional services under the name and style of BDO (hereinafter: 'BDO Member Firms'). BDO is the brand name for the BDO network and all BDO Member Firms.

EXCEPTIONAL CLIENT SERVICE, DELIVERED ACROSS THE WORLD

BDO's vision is to be the leader for exceptional client service. This is not about reinventing our profession's approach to service, but about delivering our services exceptionally well - and delivering that high quality consistently in every office, every country and every territory where we have a presence. No matter where you do business, we have people who can help.

We demonstrate our objectivity and independence when dealing with our clients' business issues, and this helps us to build relationships based on trust. There are five key components that describe BDO and our consistent exceptional service delivery:

- **CLIENT NEEDS:** we anticipate our clients' needs and are forthright in our views, in order to ensure the best outcome for you
- **COMMUNICATION:** we are always clear, open & swift in our communication
- **COMMITMENT:** we agree to and meet our commitments, meaning that we deliver what we promise, every day, for every client
- **PEOPLE:** at BDO we are proud to provide the right environment for our people to grow and develop - but also the right people to deliver for our clients
- **VALUE:** Our experts focus on creating value: we give our clients up to date ideas and valuable insights and advice that they can trust



LEGAL AND STRUCTURAL ARRANGEMENTS IN THE NETWORK

Each BDO Member Firm is a member of BDO International Limited, a UK company limited by guarantee, as either a voting member (one per country) or a non-voting member. BDO International Limited is the governing entity of the BDO network and sets the membership obligations of the BDO Member Firms in the Regulations.

The BDO network is governed by the Council, the Global Board and the Global Leadership Team of BDO International Limited.

The Council comprises of one representative from each voting member and convenes the members of BDO International Limited in a general meeting. The Council approves the network's central budget, appoints the Global Board and approves any changes in the Articles and Regulations of BDO International Limited.

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

The Global Leadership Team is tasked with coordinating the activities of the BDO network. It is headed by the CEO and comprises of the COO (currently also acting as Global Head of Advisory), Global Heads of Audit & Assurance, Tax, HR & Development, Business Development & Marketing, IT, Transformation, the CEO EMEA, the CEO Americas, the CEO Asia Pacific and the International Secretary.

The Global Leadership Team is supported by the Global Office at Brussels Worldwide Services BVBA. Brussels Worldwide Services BVBA, a Belgian limited liability company, provides services to assist in the coordination of the BDO network.

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.

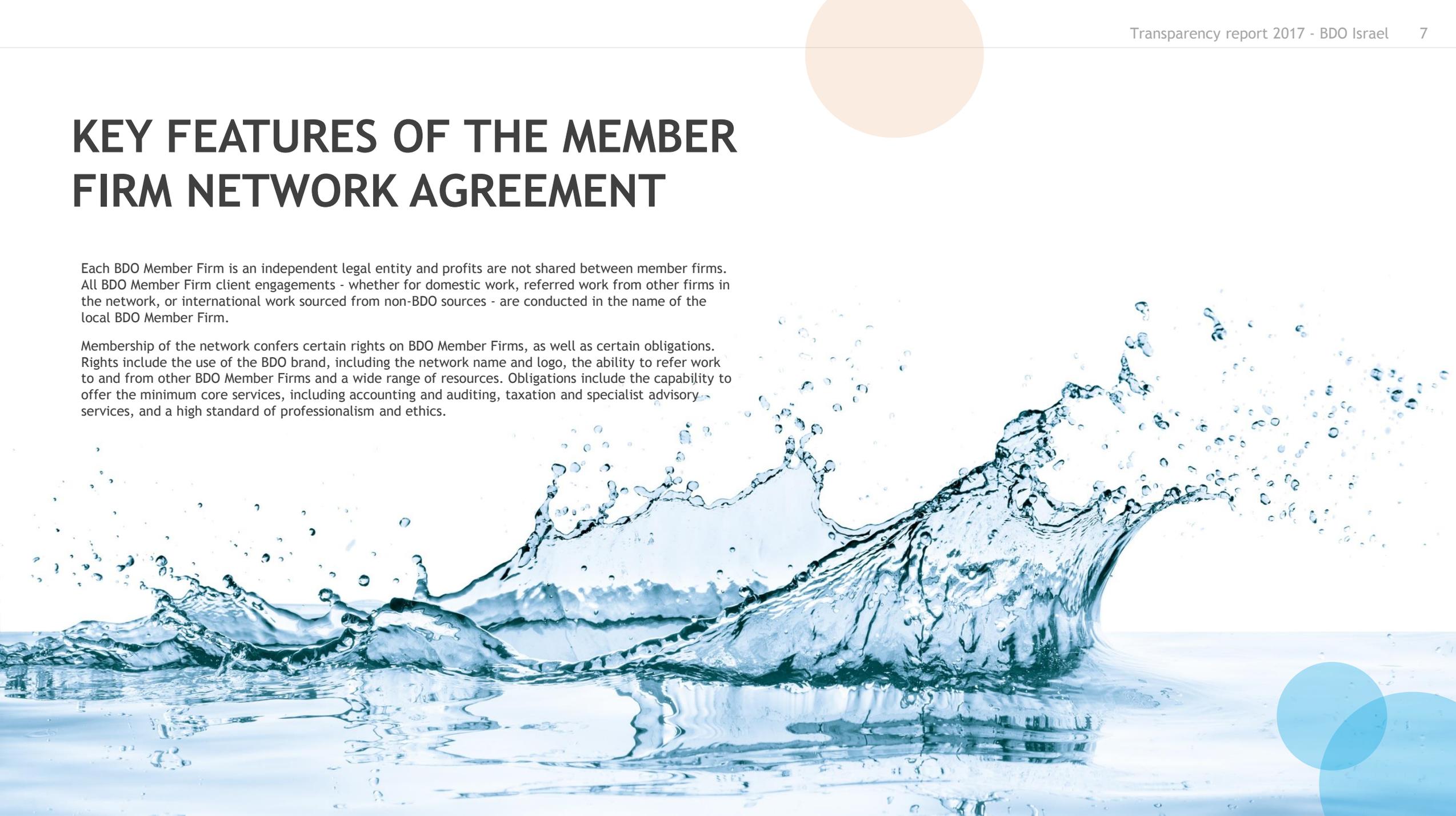
The fee income of the member firms in the BDO network, including the members of their exclusive alliances, was US\$8.1 billion as of 30 September 2017. BDO's global network extends across 162 countries and territories, with 73,854 people working out of 1,500 offices worldwide.

Combined turnover from statutory audits of the BDO EU/EEA audit firms :€557.930.819

KEY FEATURES OF THE MEMBER FIRM NETWORK AGREEMENT

Each BDO Member Firm is an independent legal entity and profits are not shared between member firms. All BDO Member Firm client engagements - whether for domestic work, referred work from other firms in the network, or international work sourced from non-BDO sources - are conducted in the name of the local BDO Member Firm.

Membership of the network confers certain rights on BDO Member Firms, as well as certain obligations. Rights include the use of the BDO brand, including the network name and logo, the ability to refer work to and from other BDO Member Firms and a wide range of resources. Obligations include the capability to offer the minimum core services, including accounting and auditing, taxation and specialist advisory services, and a high standard of professionalism and ethics.



BDO ISRAEL

THE ISRAELI FIRM

BDO Israel (Ziv Haft Certified Public Accountants, Isr.) is an accounting and consulting firm which was established in 1983.

BDO Israel is a partnership, incorporated in Israel and is owned by its members (who are often referred to as partners). As of January 2018, there were 55 partners.

The firm offers a broad range of services in three main areas: Audit, Tax and Advisory. Further details of these services, including key contacts, are available on our website: www.bdo.co.il

These business streams have dedicated teams of partners and professional employees nationwide tailoring high quality business solutions for their clients.



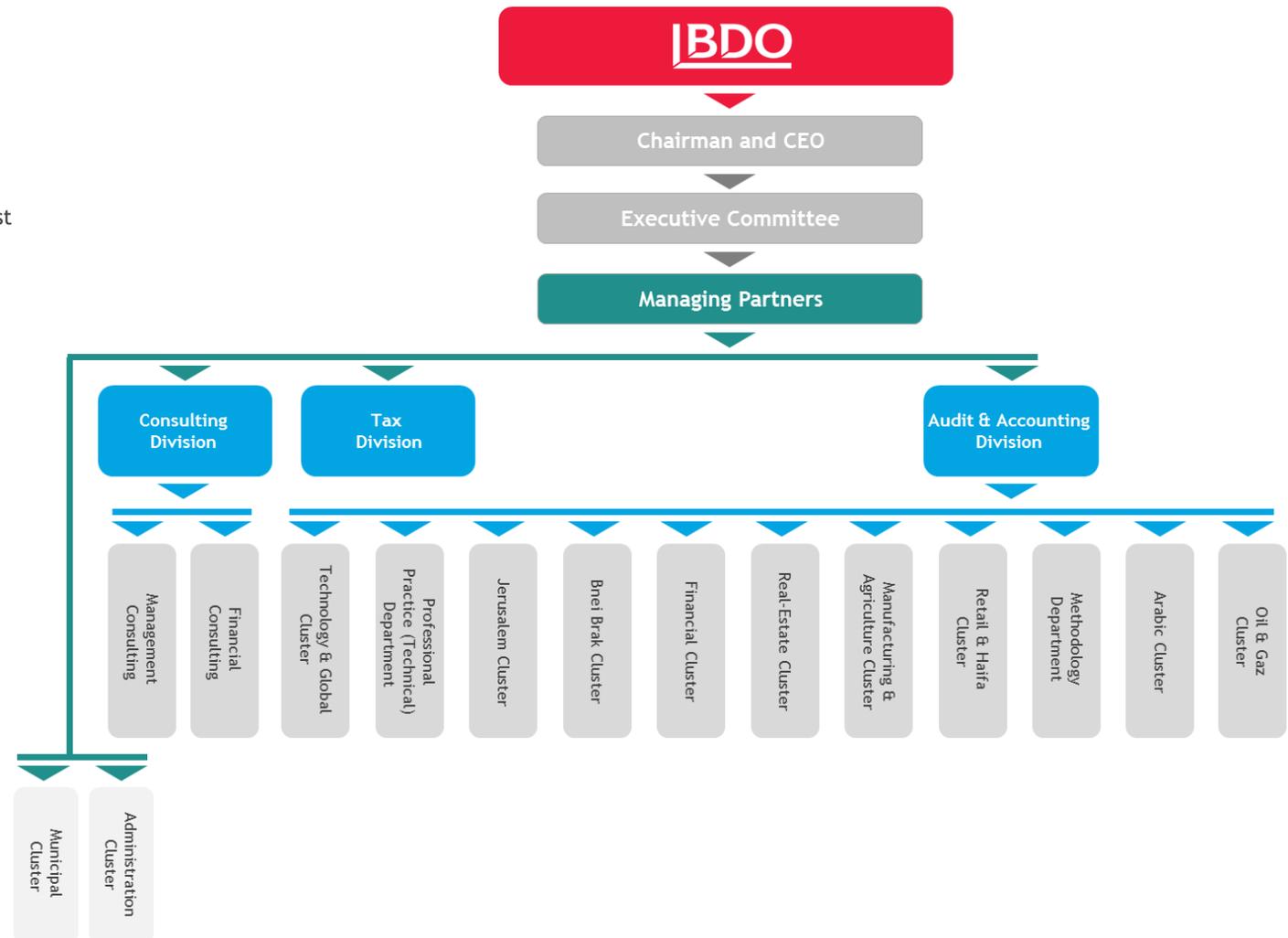
LEGAL STRUCTURE AND OWNERSHIP

BUSINESS STRUCTURE

BDO Israel has approximately 1,500 employees (including business partnerships and Joint Ventures). The firm operates in 9 offices across the country (Tel- Aviv, Jerusalem, Haifa, Beer Sheva, Petach-Tikva, Kiryat- Shmona, Bene-Brak, Modi'in Illit and Nazareth Illit).

Our main business is providing audit and review services for private and public interest entities (which are listed in leading stock exchanges worldwide).

Our organizational structure is:



GOVERNANCE STRUCTURE OF THE ISRAELI FIRM

PARTNERS' ASSEMBLY

As a partnership, certain matters are specifically reserved for decision by all partners. Arrangements for voting are laid down by the Partnership Agreement.

The Partnership Council usually meets 4 times a year, chaired by the Chairman & CEO.

EXECUTIVE COMMITTEE

The management of the firm is governed by the executive committee. This committee is responsible for the operation of the firm and the nomination of other committees' members. The executive committee includes the Chairman and the Managing Partners (permanent members) and up to an additional two members that are elected by the permanent members. It meets every 2 months, and more frequently if required.

The partners elect the Chairman and the Managing Partners of the firm to hold office for a term of four years.

The executive committee is currently comprised of the following members:

| Name | Title |
|----------------|---|
| Danny Margalit | Chairman and CEO |
| Erez Soffer | Managing Partner |
| Shahar Ziv | Managing Partner |
| Eyal Rubin | Head of the Tax cluster |
| Ofer Lotker | Head of Manufacturing & Agriculture Cluster/National Director of Risk Management & Independence |

MANAGEMENT COMMITTEE

The management committee is comprised of the Firm's Chairman & CEO and the Managing Partners.

The committee's responsibility is to supervise the day to day operations of the firm and it meets on a weekly basis.

The management committee is currently comprised of the following members:

| Name | Title |
|----------------|------------------|
| Danny Margalit | Chairman and CEO |
| Erez Soffer | Managing Partner |
| Shahar Ziv | Managing Partner |

MEMBERS OF THE FIRM'S EXECUTIVE COMMITTEE



DANNY MARGALIT
Chairman & CEO

Mr. Margalit's role is to lead the firm in Israel with overall responsibility for setting and delivering the strategy, running the business and ensuring we have the quality reputation and clients that enables us to motivate and retain the best people.

Mr. Margalit has overall responsibility for building our brand, reputation and communications. Mr. Margalit has over 30 years of experience in providing auditing, accounting and consulting services, mainly in the Hi Tech sector.

Mr. Margalit represents the firm in cooperating with BDO Global and is a member of:

- The BDO international council
- BDO EMEA's Board of Directors

Mr. Margalit has been a partner for over 20 years and Chairman and CEO since 1 January 2012.



EREZ SOFFER
Managing Partner

Mr. Soffer has many years of experience in the provision of consulting and accounting services.

Mr. Soffer's role is to manage the firm. Mr. Soffer is the head of the audit practice in the firm (National Director of Assurance) and has the overall responsibility for the accounting and audit services. Mr. Soffer has more than 25 years of experience in providing accounting, audit and consulting services, mainly to the banking, finance and healthcare sectors. Mr. Soffer is a member of:

- The Committee to oversight the relationship between the Israeli Institute of Certified Public Accountants and the supervisor of banks in Israel
- The Institute of Certified Public Accountants in Israel's Board of Directors
- The Peer Reviews Institution's Board of Directors
- BDO Europe's supreme banking and finance committee

Mr. Soffer has been a partner for over 20 years and Managing Partner since 1 January 2012.



SHAHAR ZIV
Managing Partner

Mr. Ziv has many years of experience in providing consultation and accounting services, particularly in the field of corporate finance, mergers and acquisitions and project finance. Mr. Ziv's role is to manage the firm. As part of his previous position as head of BDO Israel's Consulting Division, Mr. Ziv consulted leading firms in Israel and was in charge of management and supervision for a variety of projects in both the private and the public sector. Mr. Ziv has extensive experience in guiding and consulting organizations in the fields of venture capital and capital structure, and has led some of the most complex acquisitions and financial transactions in Israel.

Mr. Ziv is a member of:

- BDO International Corporate Finance - Member of the steering committee
- BDO International Corporate Finance - Head of the Valuation group
- BDO Eurasia's Board of Directors

Mr. Ziv has been a partner for over 15 years and Managing Partner since 1 January 2012.

MEMBERS OF THE FIRM'S EXECUTIVE COMMITTEE



EYAL RUBIN, PARTNER

Head of the Tax Cluster

Mr. Rubin has many years of experience providing professional consulting in the fields of tax and commercial law. Over the years, Mr. Rubin has provided tax services to a wide range of clients, including Israeli market leaders. Mr. Rubin has consulted in many of the most prominent transactions in the Israeli market and has acquired substantial experience in representing his clients with the Israeli tax authorities. Mr. Rubin has published numerous articles on tax issues and is a highly experienced lecturer in both professional and academic forums. Mr. Rubin is a member of the Tax Committee of the Institute of Certified Public Accountants in Israel and of the Tax Legislation Committee of the Israel Bar as well as additional tax committees.



OFER LOTKER, PARTNER

Head of the Manufacturing &
Agriculture Cluster \ National Director
of Risk Management & Independence

Mr. Lotker has many years of experience in the provision of accounting services, including, inter-alia financial statements' audit, financial consulting and management consulting as well as consulting concerning IT systems and pricing. Mr. Lotker is highly experienced in the provision of audit services and financial pricing consulting to the manufacturing and agricultural sector, including kibbutzim, food centers and other agricultural operations.

Mr. Lotker has a vast experiences as a risk manager and in risk management methods.



MEMBERS OF THE FIRM'S GOVERNANCE STRUCTURE

EXTENDED MANAGEMENT COMMITTEE

The committee's responsibility is to support the Executive Committee in its responsibilities, supervise the collectability process of the firm and any other business. The committee meets approximately twelve times over the year.

The committee is comprised of the following members:

| Name | Title |
|-----------------------|---|
| Danny Margalit | Chairman and CEO |
| Erez Soffer | Managing Partner |
| Shahar Ziv | Managing partner |
| Eyal Rubin | Head of the Tax Cluster |
| Ofer Lotker | Head of Manufacturing & Agriculture Cluster |
| Yoel Toledano | Head of the Bnei Brak Cluster |
| Yigal Toledano | Head of BDO Consulting |
| Dan Attias | Head of the Real Estate & Jerusalem Clusters |
| Yaron Peled | Head of BDO Consulting |
| Zvi Shif | Head of the Banking & Financial Cluster |
| Yaniv Cohen | Head of the Technology & Global Cluster |
| Avi Oz | Head of Retail & Manufacturing and Haifa Clusters |
| Nirit Mor | VP Business Development & Marketing |
| Michal Inbal Jacobson | VP HR, Head of HR Department |

RISKS MANAGEMENT COMMITTEE

The committee is responsible for discussing the risks in the firm and advising the Executive Committee on procedures to minimize the potential risks that the firm might encounter during its operations.

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

The Risk Management Committee meets 4 times a year and is chaired by the National Director of Risk Management & Independence. The committee has particular responsibility to ensure that the quality, objectivity and independence of client service is maintained through well managed client acceptance and engagement procedures, that guidance is updated regularly and published on the conduct of all professional services, and that rigorous processes are in place to identify and resolve conflicts of interest.

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

The committee is comprised of the following members:

| Name | Title |
|------------------------|---|
| Ofer Lotker (Chairman) | Head of Manufacturing & Agriculture Cluster/National Director of Risk Management & Independence |
| Lavi Giat | National Director of Accounting and Audit Partner |
| Yaron Peled | Head of BDO Consulting Group |
| Sharon Witkowski Tabib | Head of Risk Advisory Services Group |
| Ehud Greenberg | Professional Practice Department Partner |
| Ran Sharman | Professional Practice Department Partner |
| Dana Gotesman | Risk Advisory Services Partner |
| Ayelet Yitzhaki | Tax Partner |

MEMBERS OF THE FIRM'S GOVERNANCE STRUCTURE

THE COMMITTEE TO OVERSIGHT THE AUDIT PRACTICE

The responsibility of the committee is to govern and supervise the audit practice. The committee's focus includes the following:

- An ongoing assessment of the firm's audit practice
- Implementing changes and improvements to our audit methodology and policies in order to meet the regulatory requirements, BDO network's guidance and the development of the practice
- Discuss and provide solutions to firm-wide issues
- Responsibility over the internal quality control program
- Nomination of Engagement Quality Control Reviewers

The committee to oversight the audit practice is comprised of the following members:

| Name | Title |
|------------------------|---|
| Erez Soffer (Chairman) | Managing Partner, National Director of Assurance |
| Avi Oz | Head of Retail & Manufacturing and Haifa clusters |
| Lavi Giat | National Director of Accounting and Audit Partner |
| Ofer Lotker | Head of Manufacturing & Agriculture Cluster/National Director of Risk Management & Independence |
| Ran Sherman | Professional Practice Department Partner |
| Avi Amit | Audit Methodology Department Director |

CLIENT ACCEPTATION AND RETENTION COMMITTEE

The committee is responsible for the acceptance and retention process of audit and non-audit clients.

The Client Acceptation and Retention Committee is comprised of the following members:

| Name | Title |
|------------------------|---|
| Ofer Lotker (Chairman) | Head of Manufacturing & Agriculture Cluster/National Director of Risk Management & Independence |
| Yaniv Cohen | Head of the Technology & Global Cluster |
| Yosef Arnon | Audit Partner |
| Alon Gonen | Audit Partner |
| Ran Sherman | Professional Practice Department Partner |

PARTNER REMUNERATION

The firm's profit is shared amongst all partners under a framework set out in the firm's agreement. The Executive Committee is responsible for allocations and these are considered on an annual basis. They are based on a fixed tranche in the form of monthly salaries followed by the closing tranche that is based on the points held by each individual partner. There is also a provision to remunerate for exceptional performance.

Salaried partners receive an annual salary.

A number of criteria are used in assessing the performance of each partner. These include quality and risk management, delivering exceptional client service, technical excellence, growing and developing our people, contributing to the firm's financial success and growing our brand and reputation. Partners are subject to annual performance reviews which include feedback on the quality of the relevant partner's work. The performance development review includes a risk and quality grading by the relevant department. If a partner receives a low grading in the risk and quality section it will have a direct impact on his remuneration. In forming these grading for audit partners, the Executive Committee draw upon factors such as: the results of external and internal audit file reviews and other ad-hoc reviews, attendance or involvement in training courses, additional responsibilities such as Engagement Quality Control Reviewer roles, and other individual initiatives contributing towards firm-wide quality.





INTERNAL QUALITY CONTROL SYSTEM

The firm's system of internal quality control is designed to provide a reasonable assurance that the firm, its partners and staff comply with professional standards and regulatory and legal requirements, work is performed to a consistently high standard and that reports issued by the firm are appropriate.

The firm's system of internal quality control can be split into the following elements:

- Leadership responsibilities for quality within the firm;
- Ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Human resources and development;
- Engagement performance;
- Monitoring and documentation of the system of quality control.

A. LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN THE FIRM

Quality control is dependent upon an organizational structure which is inherently sound and which clearly defines the responsibilities of the various levels of management.

The firm has clearly established responsibilities for the Chairman, Managing Partners and other senior personnel. The Chairman and the Managing Partners are members of the firm's Management Committee, which devises and implements the firm's business strategy and manages operational issues.

The Executive Committee and the entire firm are committed to quality work, the public interest and professional judgment and our values of:

- Honesty and integrity
- Taking personal responsibility
- Mutual support and
- Exceptional client service

The Audit Practice's 'tone at the top' is set by the National Director of Assurance (Managing Partner and a member of the executive committee) and the Committee to Oversight the Audit Practice (COAP).

The National Director of Assurance is the chairman of the COAP. This committee has a leadership role within the audit practice in executing best practice, consistency in approach and in communicating priorities and agreed projects, initiatives and targets for the practice. Members of the committee are those responsible for the various quality control and risk management areas of the audit practice.

The COAP is responsible for the following:

- Promoting a culture and environment which supports audit quality
- Upholding our values and recognizing and rewarding high quality work
- An ongoing assessment of the firm's audit practice
- Implementing changes and improvements to current practices in order to meet the regulatory requirements, BDO network's requirements and the development of the practice
- Provide solutions to practical issues
- Discuss new audit standards and guidance and incorporating them into the audit tools and practices
- Encouraging knowledge sharing
- Encouraging consultation
- Promoting professional skepticism
- Responsibility over internal quality control inspections. By choosing on an annual basis the engagements to be reviewed, monitoring the process, assessing the results and providing conclusions and recommendations to the firm's management
- Nomination of engagement quality control reviewers (EQCRs)

Whilst overall responsibility for audit quality on an engagement will always reside with the Engagement Partner or Director, the COAP is responsible for managing and monitoring audit quality in the firm.

The COAP's instructions, decisions and conclusions are distributed and implemented by the Audit Methodology Department.

The Audit Methodology Department is responsible, inter-alia, for the following:

- Migration of BDO International's Audit Manual and policies
- Development of practical tools to comply with BDO Audit Manual (based on BDO forms and tools) and other regulatory or best practice requirements
- Circulation of professional guidance and policies by flash reports
- Training the audit practice and supervising the firm's Training Champions.
- Supervising the internal and external quality control inspections
- Development of intranet based local resources
- Supporting engagement teams with audit judgments, client and technical issues

The Audit practice is also supported by the Professional Practice Department (PPD).

The PPD provides technical guidance to audit professionals on specific engagements' technical-related matters, on emerging technical and professional issues and provides guidance on International Financial Reporting Standards (IFRS), Local Israeli GAAP and General accepted Accounting Principles in the U.S.A. (U.S. GAAP).

The professional practice department is responsible for the following:

- Examining the quality of the financial statements by reviewing and analyzing the work done by the audit professionals
- Providing solutions for technical issues that arise in the course of the professional work and the audit process
- Providing trainings to the audit professionals on changes in international, local and U.S. accounting standards and interpretations and on changes to local and international laws, regulations and standards
- Publishing professional updates and flash reports to employees and clients
- Publishing professional articles in accounting journals, daily newspapers and booklets

- Participation in Professional Committees (Israeli Accounting Standard Board, Institute of CPA in Israel, the supervisor of banks liaison committee, etc.)
- Participation in BDO international technical and professional groups
- Evaluating the firm's quality controls policies and procedures

B. ETHICAL REQUIREMENTS

The firm's Conduct of Professional Standards procedures contains the principles and rules relating to ethical conduct, including integrity, independence and objectivity, professional competence and due care, confidentiality and professional behavior. The ethical conduct guidance is available to all staff on the firm's intranet. Annual declarations are made by all partners and staff to ensure compliance with relevant ethical requirements and policies have been implemented for resolution of issues.

Our independence and objectivity on assurance clients is achieved through policies and procedures designed to ensure compliance with the relevant independence standards, which is accessible by all partners and professionals.

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

We also maintain a database of all our firm's restricted entities, including listed companies and other public interest entities. This is available on our intranet and its objective is to prevent the performance of prohibited non-assurance services or investment in these entities. The database is continuously updated.

Prior to accepting any new client or assurance engagement, our engagement teams must perform specific procedures to identify potential conflicts of interest and threats to our independence. Procedures include a custom-made web-based tool to facilitate international conflict of interest and independence checks throughout the BDO network, when needed.

There is also an independence declaration per audit engagement signed by all partners and staff members that have been involved in the performance of the audit engagement.

C. ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

Robust client and engagement acceptance procedures play a pivotal role in the firm's ability to deliver a professional and quality service.

Prior to the acceptance of any new client and consideration of continuance with that client, certain procedures to assess the risks associated with that client must be carried out. These will include:

- Consideration of the client's business including its geographical spread and the industry it operates in;
- Evaluation of information concerning the client, its management and its owners;
- Considering information regarding the character and reputation of the prospective client and key personnel;
- Assessment of potential independence risks and potential conflicts of interest;
- if relevant, inquiry of the previous auditor regarding the reasons for the change in auditor and if there is any reason why we should not accept the appointment;
- Assessment of our ability to serve the prospective client;
- Money laundering regulation; and
- Reviewing filings of the company, including prior year financial statements.

The acceptance and continuation of all clients requires an approval process that is appropriate to the perceived risk.

D. HUMAN RESOURCES

Our people are a critical factor in our ability to provide professional services. To ensure that the firm has sufficient staff with the capabilities, competence, and ethical standards necessary to provide quality audits in accordance with professional and legal requirements, we have established clear policies and procedures. These procedures and policies provide clarity and coherence on goals, structures, vision and accepted behaviors of the BDO Member Firm employees. In short, they cover the rules of play within our organization.

Human resources' policies and procedures address the following areas:

- Recruitment procedure
- Job description for each level: tasks, responsibilities and expectations
- Performance appraisal and engagement surveys
- Development plan and training policy

RECRUITMENT PROCEDURE

Policies and procedures for recruitment are designed to provide reasonable assurance that those employed possess the appropriate characteristics to enable them to deliver a high quality service and perform their duties with professional competence.

We work actively to promote diversity within the firm's culture, not just in principle but in practice. Inclusivity within the organisation, whether it is based on age, gender, ethnicity or physical capabilities, strengthens the firm's values, makes the firm more representative and more capable of providing a quality professional service.

We seek smart people with maturity, integrity, motivation, aptitude and leadership qualities appropriate to the role for which they are being hired.

JOB DESCRIPTION: TASKS, RESPONSIBILITIES AND EXPECTATIONS

A good job description is the basis for most personnel matters in our firm: recruitment, selection, coaching & mentoring, career development & mobility and performance evaluation.

A job description is a structured, written record of all facets of a position; it provides clarity on the tasks, scope of the function responsibilities and authorities, what we expect of the person and the standard of performance required.

WHAT DOES SUCCESSION MANAGEMENT MEAN TO THE BDO MEMBER FIRM?

- To protect the firm's present strengths and build for its future, ensuring sustainability and continuous strong leadership
- To reduce the risk of having leadership gaps for critical positions (either because of lack of talent or unprepared key successors)
- To engage the leadership in supporting the development of high-potential leaders and, in return, motivate, retain and engage key talents
- To anticipate and align resources with future needs and strategies and create a flexible business by responding faster to new leadership needs
- To counter the increasing difficulty and costs of recruiting employees externally

WHAT DOES THIS MEAN TO THE EMPLOYEE?

- To get opportunities to grow and develop skills necessary for future roles and meet career development expectations
- To remain committed, motivated and engaged
- To stay with the firm

PERFORMANCE APPRAISAL AND ENGAGEMENT SURVEYS

Formal reviews provide the opportunity for discussion of an individual's contribution to the quality of service provided. The factors evaluated (which may vary by level) include work performance and general contribution, professional and technical competence, and other core competencies required for the execution of their duties.

All our staff members are subject to a formal performance appraisal, review and counseling on a regular basis, in order to evaluate the level of competence, monitor development and to help them reach their full potential. A performance appraisal includes a review of each individual's contribution to the quality of service(s) provided by our firm.

The factors appraised (which may vary by level) include professional and technical competence (including analytical and judgement skills), personal and management skills, and client servicing skills.

Our firm provides regular engagement surveys to monitor employee engagement to ensure the motivation to maximise the success of the firm.

DEVELOPMENT PLAN AND TRAINING POLICY

Career development plan is to ensure promotion to the next level only takes place when people are prepared for the increased responsibilities that promotion entails. We provide our individuals a clear career path and complementary development plan.

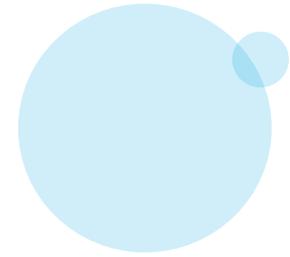
Our learning and development strategy ensures the firm's ability to remain competitive and to motivate our staff. It includes both the technical expertise and skills to meet the needs of the higher demands of the market; that is business advisers, financial analysts, communicators, negotiators and managers. At the same time integrity, objectivity, professional skepticism, and willingness to take a firm stand are essential attributes of professionals.

THE CONTINUING EDUCATION OF AUDITORS

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 partners and staff members to participate in appropriate continuing professional development programs and monitors the fulfilment of program obligations.

The continuing education program is comprised of internal training sessions organised by the firm specifically designed to meet its needs, as well as external training by relevant professional bodies or other training organisations.



Continuing professional education is a factor taken into account for the yearly evaluation of audit staff and the assessment of their career potential within the firm. We are committed to developing and maintaining the highest possible standards of technical competence through our own development programs. As part of an individual's performance appraisal, professional development needs are assessed and courses or other training opportunities are identified.

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

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

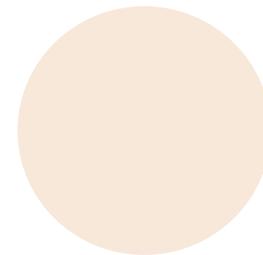
More experienced personnel and partners are encouraged to update and deepen their technical knowledge. Developing management and interpersonal skills are also very important for this group.

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

All audit staff 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.

CAPABILITIES AND COMPETENCE

Policies and procedures for assigning our people to engagements are designed such that only those persons having adequate technical proficiency and competence will perform the work, taking into account the size, nature and complexity of each engagement. A current profile of technical proficiency is obtained by personal knowledge and reviewing evaluation forms. Our training catalogue of learning and development opportunities is designed to ensure that our people are fully competent and constantly developing.



CAREER DEVELOPMENT

We address the career development of our employees. Our people are promoted to the next level only when they are prepared for the increased responsibilities that promotion entails.

An employee can view, via the firm's intranet, the specific procedures regarding the requirements and capabilities that the firm demands in order to advance to the next level in each business stream. This provides an employee a framework of what is expected from him/her and also provides the partners and managers tools for the development and assessment of the employees.

Non-compliance with the firm's policies and professional standards is also recognized. Lack of compliance is reflected through additional training, delays in promotion or through dismissal for serious instances of non-compliance.

RESOURCE MANAGEMENT

We recognize that ultimately it is the ability and commitment of our people that really makes a difference and enables us to deliver a quality audit. We look at our people as the most important and valuable resource that we have. Given this, our ability to attract the right number of high quality people is of utmost importance. We predict our requirements so as to continue to service the firm's clients and provide sufficient capacity to enable our people to develop the business.

E. ENGAGEMENT PERFORMANCE IN THE AUDIT STREAM

COMMON METHODOLOGY

Our policies and procedures are designed to ensure that audits meet all applicable professional standards, regulatory requirements and that the firm issues reports that are appropriate in the circumstances. To achieve this and to promote consistency in the approach to auditing and related fundamental application of professional skepticism throughout the BDO network, BDO International has developed the common BDO Audit Methodology, related software tools and other standard forms of documentation. This methodology is fully compliant with International Auditing Standards.



APT, BDO International's in-house state of the art audit software, remains the single largest global project of its kind and its evolution continues. With further substantial audit methodology and IT investment, the next generation of APT is already under development. By designing APT to take advantage of recent technological advances, we will be able to:

- safeguard the structural integrity of the tool for the future;
- provide us with a fully-integrated tool that reflects the latest interpretations of the auditing standards; and
- enable teams to work efficiently on both large and small engagements.

BDO Advantage is our new data analytics audit tool. It works by combining smart technology with our knowledge and understanding of our clients' business to deliver information for in-depth interpretation. These include graphics that aid the exploration and understanding of data and make it easier to spot patterns and trends and crucially to identify anomalies. BDO Advantage will improve our awareness, provide valuable insights and deliver improvements to audit quality. Journal Analyser is the first step in the BDO Advantage journey. Audit journal adjustments are a key part of the audit and are often difficult to cover. Advantage makes it easier for the audit team to identify the journals that are large or unusual and support the process of auditing them.

SUPERVISION AND REVIEW

We require all professional work to be supervised by staff members who have appropriate knowledge and experience. It is the responsibility of the relevant partner, principal or director to ensure that related risks are identified and that decisions are taken by those with an appropriate level of authority. The relevant partner, principal or director must also ensure that professional work is carried out with appropriate professional skepticism, and that it meets the firm's standards in all respects.

Our review procedures are designed to ensure effective control of the audit as it progresses. These policies are designed to ensure that:

- The work is performed in accordance with applicable standards and regulations;
- Significant matters have been raised for further consideration and appropriately addressed;

- Appropriate consultations have taken place;
- The planned work has, where necessary, been reviewed and that the objective of all planned work has been achieved;
- The work performed and evidence obtained supports the conclusions reached; and
- The documentation present on the audit file enables an experienced auditor to understand the significant matters arising on the audit as well as the nature, timing and extent of the procedures undertaken, the results of those procedures and the evidence obtained.

An engagement quality control review is performed for audits of public interest entities and other high risk engagements. The engagement quality control reviewer ("EQCR") is an experienced audit partner or director and is not likely to be unduly influenced by the views of a particular engagement partner or director. The EQCR is familiar with the auditing and reporting practices used during the engagement, and is knowledgeable and familiar with the client's industry. The EQCR is not actively involved in making ongoing decisions relating to the engagement and is not involved in performing the audit. Engagement quality control reviewers are nominated by the COAP.

CONSULTATION

Our culture encourages consultation with experienced partners and other specialists where appropriate. The firm has a process in place for audit partners and teams to follow when consulting and seeking a 'firm' opinion, support on a client issue, judgement or risk.

F. MONITORING OF THE AUDIT STREAM

Our policies and procedures concerning monitoring activities are designed to give the firm reasonable assurance that its internal quality control system is operating effectively and is being complied with in practice.

Our quality control system includes an annual review process of audit files to monitor compliance with the firm's policies, procedures and standards and to ensure that the audit work carried out in order to arrive at a proper opinion is properly documented and of high quality.

The review consists of reviewing, on a sample basis, the working papers and reports of selected assurance engagements and documentation of compliance with our quality control policies and procedures in other areas. The sample is selected to ensure that at least one audit carried out by each audit partner or director is reviewed on a cyclical basis every 3 years.

The COAP is responsible for monitoring and documenting the implementation of, and compliance with, any corrective actions. The process is managed by the audit methodology department and each review is headed by an experienced auditor. The independence of the reviewers is ensured by the COAP.

Instructions are issued to the reviewers in advance of the review setting out the objectives of the process, a checklist, appropriate guidance and reporting templates.

A conclusion is drawn on each audit reviewed as to whether the audit work was acceptable or required significant improvement.

At the conclusion of the annual programme the results are discussed with the COAP and the Management Committee.

MANAGEMENT STATEMENT ON EFFECTIVENESS OF FUNCTIONING

These policies, procedures and monitoring activities have provided the firm's Management Committee with reasonable assurance that the firm, its partners and staff have materially complied with applicable professional, regulatory and legal requirements, that work has been performed to a consistently high standard and that appropriate reports have been issued. The firm's Management Committee have inter alia considered the results of the annual regulatory inspections by the peer review and other regulators in reaching this opinion.

REGULATORY AND OTHER REVIEWS

- PCAOB Review is performed every 3 years. The last review was performed in May 2016 with respect to 2015's engagements and quality control procedures.
- Peer review is performed by the institute for peer review (under the supervision of the Israeli Institute of Certified Public Accountants) every year. The last review was performed in July-August 2017 with respect to 2016's engagements and quality control procedures.
- ISO 9001:2000 internal and external reviews are performed every year. The last review was performed in August and October 2017 in respect to 2016's engagements and quality control procedures. In this audit the standard was upgraded to ISO 9001:2015.

None of the reviews have raised significant deficiencies with respect to the reviewed engagement and the firm's quality controls' procedures.



APPENDIX A

EU/EEA MEMBER FIRMS

| COUNTRY | TERRITORY | NAME OF THE AUDIT FIRMS IN YOUR TERRITORY |
|----------------|-------------------------------------|---|
| AUSTRIA | Austria | BDO Agitas GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft |
| | Austria | BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft |
| | Austria | BDO Audit Styria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft |
| | Austria | BDO Salzburg GmbH Wirtschaftsprüfungsgesellschaft |
| | Austria | BDO Oberösterreich GmbH Wirtschaftsprüfungs - und Steuerberatungsgesellschaft |
| BELGIUM | Belgium | BDO Bedrijfsrevisoren Burg. Ven. CVBA |
| BULGARIA | Bulgaria | BDO Bulgaria Ltd. |
| CROATIA | Croatia | BDO Croatia D.O.O. |
| CYPRUS | Cyprus | BDO Limited |
| CZECH REPUBLIC | Czech Republic | BDO Audit s.r.o |
| | Czech Republic | BDO CA s.r.o. |
| | Czech Republic | BDO CB s.r.o. |
| | Czech Republic | BDO Plzen s.r.o. |
| DENMARK | Denmark / Greenland / Feroe Islands | BDO Statsautoriseret Revisionsaktieselskab |
| | Denmark | BDO Holding IV, Statsautoriseret Revisionsaktieselskab |
| ESTONIA | Estonia | BDO Eesti AS |
| FINLAND | Finland | BDO Oy |
| | Finland | BDO Audiator Oy |
| | Finland | BDO Yhtiötarkastus Oy |

| COUNTRY | TERRITORY | NAME OF THE AUDIT FIRMS IN YOUR TERRITORY |
|-----------|-----------|---|
| FRANCE | France | BDO France Léger & Associés SARL |
| | France | BDO IDF SARL |
| | France | BDO PACA SAS |
| | France | BDO Atlantique SA |
| | France | BDO Rhone - Alpes SAS |
| | France | BDO AXE SASU |
| | France | BDO 2AS SAS |
| | France | BDO Les HERBIERS SA |
| | France | BDO FONTENAY LE COMTE SAS |
| | France | BDO SAINT GILLES CROIX DE VIE SARL |
| | France | BDO NANTES SAS |
| | France | Vincent Rusé Conseil SAS |
| | France | BDO Les Ulis |
| GERMANY | Germany | BDO AG Wirtschaftsprüfungsgesellschaft |
| | Germany | BDO Arbicon GmbH & Co. KG Wirtschaftsprüfungsgesellschaft |
| GIBRALTAR | Gibraltar | BDO Limited |
| GREECE | Greece | BDO CERTIFIED PUBLIC ACCOUNTANTS S.A. |
| HUNGARY | Hungary | BDO Hungary Audit Ltd |
| IRELAND | Ireland | BDO |

| COUNTRY | TERRITORY | NAME OF THE AUDIT FIRMS IN YOUR TERRITORY |
|---------------|----------------------|---|
| ITALY | San Marino | BDO Srl (San Marino) |
| LATVIA | Latvia | SIA BDO Audit |
| LIECHTENSTEIN | Liechtenstein | BDO (Liechtenstein) AG |
| LITHUANIA | Lithuania | BDO Auditas ir Apskaita, UAB |
| LUXEMBOURG | Luxembourg | BDO Audit |
| MALTA | Malta | BDO Malta CPAs |
| NETHERLANDS | Netherlands | BDO Audit & Assurance B.V. |
| NORWAY | Norway/Iceland | BDO AS |
| POLAND | Poland | BDO Sp. z o.o. |
| PORTUGAL | Portugal /Cape Verde | BDO & Associados, SROC, Lda |
| ROMANIA | Romania/Moldova | BDO Audit SRL |
| | Romania | BDO Auditors & Accountants SRL |
| | Romania | BDO Auditors and Business Advisors SRL |
| | Slovak Republic | BDO Audit, spol. s r.o. |
| SLOVENIA | Slovenia | BDO Revizija d.o.o. |
| SPAIN | Spain | BDO Auditores, S.L.P. |
| | Spain | BDO Quota, S.L.P. |

| COUNTRY | TERRITORY | NAME OF THE AUDIT FIRMS IN YOUR TERRITORY |
|----------------|---|---|
| SWEDEN | Sweden | BDO AB |
| | Sweden | BDO Syd AB |
| | Sweden | BDO Syd KB |
| | Sweden | BDO Göteborg KB |
| | Sweden | BDO Göteborg AB |
| | Sweden | BDO Sweden AB |
| | Sweden | BDO Mälardalen AB |
| | Sweden | BDO Stockholm AB |
| | Sweden | BDO Mälardalen Intressenter AB |
| | Sweden | BDO Syd Intressenter AB |
| | Sweden | BDO Göteborg Intressenter AB |
| | Sweden | BDO Norr AB |
| | Sweden | BDO Norr Intressenter AB |
| UNITED KINGDOM | United Kingdom of Great Britain and Northern Ireland/Isle of Man/Guernsey | BDO LLP |
| | Northern Ireland | BDO Northern Ireland |
| | Guernsey | BDO Limited |

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