



Deloitte LLP

2014 transparency report



Instilling
confidence

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Dear reader,

At Deloitte, we respect and embrace the trust and confidence placed by the public in our profession and our brand. For that reason, we have put in place guiding strategies for our firm that deliberately set the bar high in our expectations around professionalism, quality and leadership in serving our profession.

This report describes some of the principles, policies, standards and actions we have implemented to support our commitment. We are transforming our audit practice in response to the ever changing circumstances that create new challenges and opportunities to enhance audit quality. We believe the independence of the audit process and an organizational environment that stresses ethical integrity is essential to professional excellence in auditing. We recognize that quality can never be taken for granted, and continue to identify new ways to enhance the quality of our services.

I am proud of our efforts to develop and maintain robust effective standards at Deloitte, and I am proud of our people for what they have accomplished to date and for what they will continue to strive to further achieve in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank". The signature is stylized with a large, sweeping initial "F" and a cursive "rank".

Frank Vettese
Managing Partner & Chief Executive
Deloitte LLP



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Introduction

Quality, professional excellence and the Path to Distinction



One of the most important measures of performance is related to quality and how we discharge our public interest role. We know we must earn trust through deliberate and measurable actions that are valued by the regulators and the broader market.

— Frank Vettese, Managing Partner & Chief Executive



Adherence to high quality standards is a fundamental expectation at Deloitte. The Board and senior management teams lead from the front to embed quality in everything that we do as a firm. The Board monitors the ever-changing business and professional environment as a standing agenda item and receives regular updates from our quality and practice leaders.”

— Glenn Ives, Chair

At Deloitte, we believe that high quality services, delivering distinctive value to our clients and continuously striving to perform at the highest levels are our most important objectives and that these are the foundation of the professional reputation of our firm and our people.

As auditors, Deloitte is committed to consistently delivering the highest quality services. Our firm’s guiding strategy, the *Path to Distinction*, developed in 2012 by Frank Vettese, the firm’s Managing Partner and Chief Executive, focuses on quality, excellence, delivering distinctive value and continuously striving to perform at the highest levels. It is built on the understanding that Deloitte and its people look to fulfill their public interest roles in a way that is visible and transparent.

The *Path to Distinction* articulates specific aspirations and objectives upon which the firm has developed its strategic and tactical plans. These aspirations and objectives deliberately set the bar high, especially with respect to quality and client service.

This report describes the processes we have put in place and the procedures that we follow to achieve those objectives.

While many factors are essential to a high quality audit and professional service excellence, some of the most critical are:

- An audit practice that responds quickly to the changes and challenges occurring in the accounting profession and business environment, while maintaining a constant focus on audit quality to instill confidence in financial reporting.
- A quality audit engagement. This includes assembling an engagement team of highly qualified individuals to deliver the latest generation audit approach that is supported by rigorous engagement quality control processes.
- An organizational culture of integrity. This includes our core values around ethical behaviour, independence and our client acceptance process that guide our people in delivering the highest quality professional services with integrity.

- A professional environment that fosters continuous growth and development. Our professional services are based on the professional expertise and experience of our partners and professionals, and we encourage and support them to help them continually grow their skills to enhance the value they provide to our clients.
- A focus on continuous quality enhancement. Regular reviews and inspections of our audit practice and individual audit engagement files conducted by our firm and third parties helps identify areas where audit quality may be enhanced.
- Two-way communications with our clients. Audit quality is enhanced when auditors and the governance leaders of their clients engage in two-way conversations that help both parties focus on and agree on the issues of most importance.

While Deloitte strives for professional excellence in the delivery of all of its professional services, this report focuses on the activities related to our audit practice. That practice is structured as three national service lines: Reporting Issuers and Related Entities; Private Company, Public Sector and NPO Services; and Advisory Services. The discussions in this report pertain to all three audit service lines, with the exception of the sections on managing the audit engagement and monitoring and inspections, which present policies and activities related primarily to our Reporting Issuers and Related Entities service line.



The Deloitte audit practice



Our Audit leadership team is 100% aligned on our strategic objective of enhancing quality on all of our audits. This is critical to serving the public interest and continuing to improve performance of our business.

— Richard Olfert
Managing Partner, Audit

Instilling confidence in financial reporting

The audit practice is an integral part of Deloitte LLP through which the firm provides audit and other assurance and advisory services to clients. As the practice responds to changes and challenges occurring in the accounting profession and business environment, it maintains a constant focus on audit quality and instilling confidence in financial reporting.

Deloitte is registered with the Canadian Public Accountability Board (CPAB) to perform audits of Canadian public companies and with the U.S. Public Company Accounting Oversight Board (PCAOB) to perform audits of U.S. public companies. Our firm is also registered with audit regulators in countries that are part of the European Union, European Economic Area and Asia. Our audit partners and professional staff members are also subject to the requirements of their applicable Provincial Institutes of Chartered Accountants or Chartered Professional Accountants and Chartered Professional Accountants (CPA) of Canada.

The regulators' role is critical to upholding the value of the profession and the public interest. We believe that their regulations and inspections reinforce our values, and help to strengthen our ability to serve our clients and discharge our professional role with distinction.

Audit practice leadership

Our audit practice is led by a Managing Partner, Audit who is appointed by the firm's Chief Executive and approved by the Board.

The Managing Partner, Audit appoints an audit practice senior leadership team to develop a strategy for the audit practice and oversees its implementation, including all related policies, procedures and leadership appointments. In all of their activities, the team is responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements.

Audit practice senior leadership team

Richard Olfert
Managing Partner, Audit

Steve Irvine
National Service Line
Leader, Private Company,
Public Sector and Non-
Profit Organizations

David Gurnham
National Service Line
Leader, Reporting Issuers
and Related Entities

Mark Wayland
National Service Line
Leader, Advisory Services

Karen Higgins
Managing Partner, National
Office

Kate Peacock
Transformation Leader

Deloitte's Global Audit Imperatives: Driving professional excellence

At Deloitte, we believe our Global Audit Imperatives are essential to executing the highest quality audits. They describe the critical actions and considerations to be taken in order to achieve the highest standard of professional excellence. These imperatives, which are reviewed and refreshed annually, are embraced by all audit professionals and implemented on all audit engagements.

1. Audit procedures must clearly reflect acting as an independent evaluator with an attitude of professional skepticism.
2. Demonstrate expertise in understanding internal controls, including understanding process flows and testing internal controls where applicable.
3. Develop and execute a robust project plan to optimize the performance and completion of audit procedures throughout the audit cycle.
4. Own the work performed by internal experts and specialists and involve them in planning and concluding.
5. Supervise and review the work of component auditors, leveraging effective communications throughout the process.
6. Improve expertise in audit skills – yours and those of others.
7. Obtain a deep understanding of the entity and its environment and improve the application of risk assessment procedures.
8. We all own quality – individually and together.

Instilling confidence in financial reporting

Deloitte is committed to instilling confidence in financial reporting. For this reason, we founded our *Instilling Confidence* program in 2012 to support our audit practitioners in their pursuit of quality excellence. This program, which is overseen by our Chief Executive and other members of the firm's Executive, focuses on continuously enhancing the quality of our work to increase the value we provide to our clients. We believe this focus is important, not because regulators are demanding action, but because continuously strengthening quality is essential to satisfying our public interest role and winning in the marketplace.

As part of our *Instilling Confidence* program, we have adopted eight Global Audit Imperatives, which outline our guiding principles to achieving the consistent application of our audit methodology and the promotion of the highest adherence to professional standards.

Audit transformation

The accounting profession and business climate are undergoing unprecedented change and challenges, and Deloitte's audit practice is changing and developing in response to these developments. The foundation of our Deloitte Audit Transformation Vision is quality. Our objectives are to continuously strive to instill confidence in financial reporting and further enhancing the value of our services to our clients through the delivery of valuable client insights. Integral to the transformation of our audit practice is the development of a new generation of technologies and processes that will allow us to execute audit engagements more effectively and efficiently. Combining transformation with an advisory client mindset that emphasizes the provision of insights for our clients, we will create high value client relationships built on trust. Additionally, we want to inspire our people through the provision of diverse career opportunities and an emphasis on professional development.

Deloitte audit practice compared to the total Canadian firm

Personnel statistics

Personnel	Audit practice	Deloitte LLP
	2014	2014
Partners	317	868
Senior managers	293	1,064
Managers	268	1,051
Senior staff	774	1,996
Staff	764	1,326
Client service professionals	2,416	6,305
Administrative professionals	318	2,100
Total personnel	2,734	8,405

Managing the audit engagement

A quality audit engagement



Quality is the cornerstone of our profession. What's important is not only what we do but how we do it.

— Jane Kinney
Managing Partner, Quality & Risk

Audit quality is influenced by the individuals who conduct the audit, the methodologies they employ in executing the audit, and the control processes followed to review their work and identify opportunities for further enhancement.

The audit engagement team

Each audit engagement is the responsibility of an audit engagement partner, whose name and role is communicated to the key members of the client's management team and its governance leaders.

The audit engagement partner is responsible for determining the nature, timing and extent of the appropriate auditing procedures required to complete the audit in accordance with Deloitte policies and the applicable auditing standards; supervising the audit engagement team to ensure that all audit services are performed effectively; and issuing an audit report according to Deloitte policies.

A key responsibility of the audit engagement partner is to staff the audit engagement team so that it collectively has the appropriate capabilities, competencies and time to perform the audit given:

- The size and complexity of the entity's business
- The financial reporting framework used in preparing the financial statements
- Applicable independence considerations, including any possible conflicts of interest, and
- The qualifications and experience of individual professional staff.



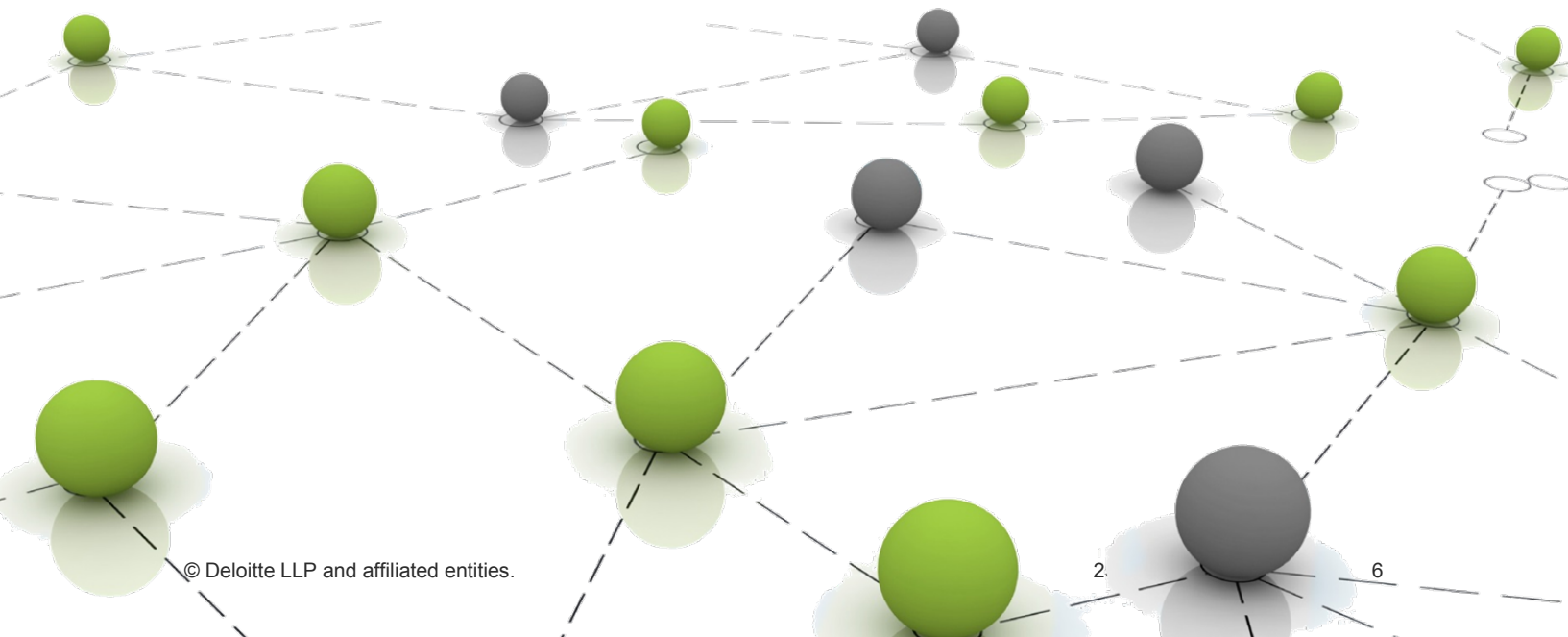
An audit engagement team typically includes the audit engagement partner and one or more audit senior managers/managers, field seniors and audit staff depending on the size, nature and complexity of the operations of the entity being audited. The audit manager is the primary supervisor of the audit professional staff and directs them as they execute the audit plan and perform the audit. The field senior is responsible for supervising other members of the audit engagement team on a day-to-day basis.

With the increasing complexity and globalization of today's business structures, an important consideration for the audit engagement partner is determining whether there is a need to involve experts in the engagement and, if so, securing these experts' services when and where they are required. All of our audit engagement teams have access to experts in areas such as technical accounting, control assurance, valuation, tax, actuarial sciences, fraud and other matters.

Consultation network

At Deloitte, we believe that collaborative consultation is the best way to determine the most appropriate answer to complex questions. Through this process, partners responsible for audit engagements are encouraged to seek advice from individuals with special expertise and experience regarding complex, sensitive or highly judgmental accounting, auditing or engagement issues.

To facilitate this process, Deloitte has established a consultation network to assist audit engagement teams in resolving issues related to technical accounting, auditing and securities questions regarding the application and interpretation of applicable standards and reporting issues, or other matters pertaining to an audit engagement that require specialized knowledge. Partners are encouraged to seek assistance from national accounting and auditing resources and/or other individuals in our Professional Practice Director Network.



Professional Practice Director Network (PPDN)

The Professional Practice Director Network (PPDN) is responsible for the initial implementation and monitoring of Deloitte policies and operating standards. Many of the quality control procedures related to client engagements discussed above involve the PPDN.

The PPDN is led by a National Professional Practice Director (NPPD). Each practice unit has a PPDN representative who is responsible for maintaining an understanding of local operations and making the resources easily accessible to the local engagement teams.

Deloitte has instituted policies and procedures that provide all partners assigned to an engagement team, including consultative partners, with the opportunity to participate in discussions on technical matters.

Technical groups

Deloitte's National Accounting, Assurance and Securities Groups provide accounting, auditing and regulatory consultation services to engagement teams to assist them in resolving auditing, accounting and other matters. This national consultation network is organized by subject matter and is staffed with professionals with deep technical expertise in their subject area:

- ✓ **National Accounting Group** – One of this group's primary roles is to participate in accounting standard-setting processes, develop accounting implementation guidance and communicate on financial reporting matters. The group is also responsible for developing and distributing the proprietary interpretive guidance on complex or emerging accounting issues.
- ✓ **National Assurance Group** – This group develops and regularly updates our audit materials, policies and guidance, including auditing tools, forms and proprietary materials. It also consults on issues internal communications related to complex issues on the application of auditing.
- ✓ **National Securities Group** – This group supports engagement teams on securities related matters. It assists in reviewing financial statements and other documents to be filed with the securities exchange to ensure those materials comply with all filing requirements.

Audit approach

The Deloitte audit approach is based on the International Standards on Auditing, issued by the International Federation of Accountants' International Auditing and Assurance Standards Board, together with additional local requirements, when applicable. Our audit approach includes policies, procedures and guidance for audit engagement teams to use when planning and performing their audits. It includes tools, such as common documentation and enabling software technology, to help ensure that the audit approach is implemented consistently and that each audit is performed as effectively and efficiently as possible.

The main elements of the Deloitte audit approach are described below.

Understanding the entity and its environment

In order to perform an effective audit, the audit engagement team must first develop an understanding of the entity and its environment, including its internal control, and assess the risks of material misstatement at the financial statement and assertion level. Audit teams develop this understanding and assess these risks in a number of ways, including:

- ✓ **analyzing** financial information to identify trends and unusual balances
- ✓ **conducting** in-depth discussions with management and those charged with governance
- ✓ **considering** the inherent nature of each financial statement component and the risks associated with that component
- ✓ **evaluating** the reliability of internal control
- ✓ **assessing** the extent to which technology is used in the financial reporting process, and
- ✓ **reviewing** internal audit findings of entities with internal audit departments, if applicable.

Depending on the nature of the entity's information systems and the extent to which technology plays a role in the transaction processing and financial reporting processes, information technology specialists may be involved in the audit.

Understanding the internal control environment

In the performance of their audits, the audit engagement team will obtain an understanding of the entity's internal control. The engagement team may also test the operating effectiveness of the entity's internal control in preventing, detecting and correcting material misstatements when it is required by local auditing standards or when such tests are included as a component of the financial statement audit procedures.

Audit procedures

The audit engagement team will develop an audit plan to address the risks associated with the entity, the audit engagement and the financial statements as a whole. As the team performs the audit, it continually assesses risk and how the audit findings bear on the audit procedures. When necessary, the team will modify its audit procedures to address issues arising during the course of the audit.

Use of experts

In certain situations, the audit engagement partner and the audit engagement team will rely on the work of an expert. In such instances, an engagement team evaluates whether the expert has the necessary competence, capabilities and objectivity, and whether or not the expert's work constitutes appropriate audit evidence in support of the financial information. To make this determination, the engagement team will consider the:

- ✓ source data used
- ✓ assumptions and methods used and, if appropriate, their consistency with those used in the prior period, and
- ✓ results of the expert's work in light of the audit engagement team's overall knowledge of the business and of the results of its audit procedures.

Engagement documentation

Deloitte's policies and procedures set out the requirements regarding the assembly and archiving of audit files, including the retention of documents in paper and electronic form, which give due consideration to the confidentiality, safe custody, integrity, accessibility and retrievability of those documents.

Under these policies, audit engagement teams are required to submit their audit files for archiving no later than 60 days from the date the audit report is issued or the period set out in applicable professional standards, regulatory or legal requirements.

DeloitteAudit

DeloitteAudit uses the latest generation of computer software developed by Deloitte to enhance the execution of audits and the delivery of client insights. This software is utilized by Deloitte audit engagement teams across Canada and globally, helping to ensure consistently high quality audit services to all Deloitte clients.

DeloitteAudit allows audit practitioners to build custom engagement files by choosing the reporting standards, client size/complexity and industry or multiple industries that meet their client's specific circumstances. Within engagement files, practitioners apply their professional judgment to select the applicable procedures and the appropriate level of detail of those procedures to be included in the engagement file. Scalability also applies to policies, tailoring questions and templates.

Advanced analytics

We are continually developing and enhancing DeloitteAudit to support expanded capabilities, offering compelling analytic potential to further examine and benchmark clients' extensive data. With the development of new analytic tools, we will be able to simplify and expand our audit tests and provide deeper insights to our clients.

Documentation reviews

All audit documentation must to be reviewed by a member of the engagement team with more experience than the preparer. In some cases, elements of audit documentation may be reviewed by several team members.

Engagement team reviews – Quality control reviews

At Deloitte, quality is our top priority and the firm has implemented policies and procedures to foster an internal culture based on quality (see the ethics, independence and client acceptance section of this report). We believe that professional excellence is the foundation for achieving consistently outstanding audit quality.

The firm has implemented a quality control system for the firm's audit and other professional engagements. The firm's senior leadership, which is ultimately responsible for the firm's system of quality control, has appointed a Managing Partner, Quality & Risk to take operational responsibility for the firm's quality control system.

Engagement Quality Control Reviews (EQCR)

With only limited exceptions, a quality control review is performed for all audit engagements and related assurance services engagements. Engagement quality control reviewers are usually partners or senior managers who are not members of the engagement team and who have no direct involvement in the engagement. Quality control reviewers have the appropriate experience and knowledge about applicable accounting and auditing standards and regulations, as well as the entity's industry, economic environment and accounting principles. For public interest entities or high risk engagements, the quality control review is performed by a partner whose experience and professional qualifications would enable him or her to act as an engagement partner on the audit being reviewed.

After being appropriately briefed by the engagement team, the quality control reviewer is responsible for:

- ✓ **performing** an objective review of significant auditing, accounting and financial reporting matters
- ✓ **documenting** the procedures the reviewer has performed, and
- ✓ **concluding**, based on the relevant facts and circumstances discovered during the review, whether there are any matters that would cause the reviewer to believe that the significant judgments made and the conclusions reached by the engagement team were not appropriate in the circumstances.

Special review partner

A special review partner may be assigned to provide an additional level of objectivity in reviewing the planning and performance of engagements that have been identified as having a much greater than normal engagement risk. Special review partners are independent of the engagement team, and normally possess specialized industry and technical skills applicable to the engagement. In certain situations, a special review partner may be independent of the practice unit in order to enhance their objectivity or to provide specialized resources.



Ethics, independence and client acceptance



A culture of integrity

Highly qualified audit practitioners, an effective and efficient audit methodology and audit quality control procedures are clearly important to professional excellence and the delivery of a high quality audit. Also important, however, are an auditor's personal ethical attributes and professional values and behaviour. At Deloitte, we have implemented policies and procedures designed to foster a culture of integrity and quality.

The importance we place on people's adherence to our Code of Ethics, independence policies and procedures and a commitment to accepting only appropriate engagements is reflected in the "tone at the top" set by our firm's senior leaders. They take leading roles in overseeing these policies and procedures, communicating to our people about their importance to our professional practice, and emphasizing each individual's responsibility to understand and comply with these requirements in order to maintain a strong culture of ethical integrity and independence.

Ethics

At Deloitte, the ethical requirements related to the firm's audit and related assurance services and the firm's partners, professional staff and support staff are set out in our Code of Ethics, and with DTTL¹ policies and procedures that are aligned with the requirements set out in Parts A and B of the Code of Ethics for Professional Accountants, which is issued by the International Ethics Standards Board for Accountants, a standard-setting body of the International Federation of Accountants. When Deloitte's Code of Ethics requirements are more stringent than DTTL's policies and procedures, we follow our Code of Ethics requirements. We have also developed and implemented a Code of Conduct that reflects local customs, regulations and legal requirements, and describes, in some detail, the essential and expected professional behaviour of our people.

¹ DTTL is Deloitte Touche Tohmatsu Limited and is described in Appendix 1 of this report.

The firm's Code of Ethics and Code of Conduct, and our people's adherence to them, is overseen by an Ethics Officer, an experienced partner appointed by the firm's Chief Executive, who has direct access to the Chief Executive and Board of Directors. Our firm's commitment to ethics and integrity is reinforced through communication tools, learning programs, compliance processes and measurement systems. In addition, in recognition of the fact that ethical issues and situations may arise at any time, we have provided our partners, professional staff and support staff with both direct and third-party communication channels through which they can consult on and report ethical matters.

Each year, we require all of our partners, professional staff and support staff to confirm that they have read and understood our Code of Conduct and that they are in compliance with this code.

Independence



Our independence policy is important to the way we operate as a professional services firm. It is imperative that compliance with our policies is top of mind."

— Melissa Langlois,
Director of Independence

A critical element of audit quality is the auditor's independence of the entity being audited since auditors must be objective and exercise an appropriate level of professional skepticism. In today's complex and fast changing global business environment, when changes in the business relationships between entities in one jurisdiction can immediately affect the independence of auditors in other jurisdictions, ensuring that our firm and its people maintain their independence is an ongoing exercise. As described below, we have put in place mechanisms that reassess each individual's independence on a daily basis, which allows any independence issue to be remediated as quickly as possible.

We have implemented policies and procedures relating to the compliance of our firm and our people with all applicable independence standards. Our policies are based on the Code of Ethics for Professional Accountants and, when appropriate, also reflect more stringent local standards or Deloitte policies.

Our independence policies and procedures are overseen by a Director of Independence, who is appointed by the firm's senior leadership and reports directly to the firm's Managing Partner, Quality & Risk. The Director of Independence has overall responsibility for independence. While we have developed a culture that fosters compliance with regulatory independence policies, we continue to focus on enhancing our independence systems and controls.

Independence policies and procedures

Deloitte's independence policies and procedures cover the firm and its partners, professional staff, support staff and, where applicable, their close relatives. They contain specific independence requirements that are applicable when the firm is to maintain independence with respect to an audit client ("restricted entity") and the client's affiliates. The effectiveness of these controls is derived, in large part, from the written independence policies and guidance that cover all aspects of independence at Deloitte.

Our policies require the firm and its partners and professional staff to determine, among other things, whether an entity is a restricted entity before they and/or their spouses, spousal equivalents and dependents, or the firm itself engages in certain transactions with that entity. To facilitate this process, we require the firm and our partners, senior managers and managers to enter their financial interests and brokerage accounts into a tracking system. This system, known as the Global Independence Monitoring System (GIMS), enables an electronic review of financial interests and brokerage accounts to help identify whether any independence restrictions may affect the ability to hold such items.

We make our independence policies and procedures available in electronic form to our partners, professional staff and support staff. We also routinely publish reminders on policy and other matters as part of our communications regarding changes to entities that are internationally restricted.

Our independence policies and procedures require audit engagement partners to consider independence issues prior to and during the course of an audit engagement and to address the completeness of communications about our independence with the entity's audit committee or those charged with governance, where required.

Independence learning

All partners and professional staff are required to complete the firm's comprehensive independence learning programs. While the content of these programs is based on our independence policies, the learning sessions are tailored to reflect current changes in the profession and the way in which our independence rules are applied to specific situations that may be encountered by our people.

Assignment of responsibility for independence systems and controls

The Director of Independence is responsible for the firm's independence systems and controls, including the implementation and maintenance of the firm's business processes concerning (1) independence consultations, (2) independence learning programs, (3) restricted entity information in the Deloitte Entity Search and Compliance System (DESC), (4) use and monitoring of the features of DESC, (5) use and monitoring of GIMS, (6) annual confirmations, (7) testing and inspection programs, and (8) disciplinary processes. The Director of Independence communicates independence matters with the firm's senior leadership and DTTL's independence group.

Reporting by personnel of employment negotiations

Our independence policies and procedures require partners and professional staff members to immediately report any offer of employment, or their pursuit of employment, with an audit client at the time they are providing professional services to that client. In these situations, the firm takes appropriate actions to mitigate a self-interest threat, which may include removing the individual from the engagement and having an engagement team member with the appropriate level of experience review the work performed by the individual.

DESC system

DESC is operated by DTTL on behalf of the DTTL member firms. Each DTTL member firm reports the names of its clients and their affiliates that meet the definition of an international restricted entity (public audit clients and other entities that may be of public interest), which is recorded in the DESC system. To ensure that this information is accurate and complete, it is updated on a daily basis with periodic validation processes performed by engagement teams or DTTL member firms. Partners and professional staff access DESC on-line.

Our client and engagement acceptance policies for non-audit services require the partner for each potential engagement to identify whether the potential client is one for which independence must be maintained. Our processes and procedures direct our people to understand the limitations on the services we may provide, and that they accept and perform only approved non-audit services. As well, at the start of an engagement, the engagement partner must verify that the services to be provided are permissible and have been pre-approved by the audit committee.

DESC has a "service request" feature that, when enabled, establishes a standard business process among DTTL member firms whereby service requests are submitted to the lead client service partner who is responsible for obtaining and documenting appropriate authorizations prior to approving the service request.

Reporting by personnel of apparent independence breaches

Partners, professional staff and support staff are required to report any apparent independence breaches involving themselves, their spouses, spousal equivalents or dependents when those breaches are identified. Individuals who report a breach are also required to identify the corrective actions they have taken or propose to take. Apparent breaches of independence are reported to National Quality & Risk Management – Independence to allow them to determine the appropriateness of the corrective actions and, if required, any disciplinary measures. The Managing Partner, Quality & Risk periodically reports to senior management on a variety of independence matters, including breaches of policy and discipline.

Compliance business process tools and confirmations

Deloitte's independence systems and controls include three related tools: the DESC System; GIMS, and the confirmation process followed by the firm and its partners, professional staff and support staff. These three elements work in tandem:

- ✓ partners and professional staff search DESC, (which includes a database of internationally restricted entities) and/or GIMS (a database of financial interests and brokerage accounts) to identify whether an entity or its financial interests or brokerage accounts are restricted
- ✓ partners, senior managers and managers record their financial interests and brokerage accounts in their portfolios in GIMS, and
- ✓ the firm periodically confirms to DTTL that it and its partners, professional staff and support staff are in compliance with the firm's independence policies.

Confirmations

The firm annually confirms to DTTL that it has taken appropriate steps to obtain sufficient evidence that the firm and its partners, professional staff and support staff comply with all applicable independence requirements (including the firm's own independence of restricted entities).

Independence Consultation Network

The firm communicates to its partners and employees the policies to be followed for consulting on independence matters, including identifying the individuals who are to be contacted regarding independence matters. The firm may also consult with DTTL's independence group and other member firms when situations arise in which require additional input or advice would be beneficial.

GIMS for financial interests and brokerage accounts

GIMS is operated by DTTL on behalf of the DTTL member firms. Each DTTL member firm identifies and reports the publicly-available securities and brokerage accounts associated with an international restricted entity, which are recorded in GIMS. Each DTTL member firm also administers the related monitoring processes related to its partners and professional staff. Before acquiring a financial interest or establishing a brokerage account, partners and professional staff search DESC for an entity, and/or GIMS for a security or brokerage account, to determine if there are any restrictions affecting them or their spouses, spousal equivalents or dependents. When partners, professional staff and their spouses, spousal equivalents or dependents enter into defined types of financial interests or accounts, they enter that information into their individual GIMS portfolios.

GIMS assists partners and professional staff in identifying situations that may not comply with the firm's policies so that they may be either reviewed or corrected. When GIMS detects such a situation, the system advises the individual that an independence-impairing situation may exist, and poses questions to enable the individual to determine whether or not the item is permitted in the particular circumstances. This process includes generating notices to individuals in situations where a once-permissible holding becomes newly restricted, so that appropriate and timely action can be taken. The firm monitors and follows-up on such notices until they are resolved.

Business relationship assessments and monitoring

Deloitte has a business relationship assessment and monitoring process through which, prior to entering into any business relationship with a restricted entity or its management or substantial stockholders, a determination is made that such a relationship would not impair the firm's independence with respect to that entity.

Business relationships and alliances with other entities and non-standard fee arrangements often present independence complexities. Independence professionals provide consultation and guidance prior to entering into contractual obligations. As appropriate, they ensure that such arrangements are reviewed and approved by the partner responsible for audit services to the client.

All marketplace business relationships ("MBRs") (except sponsorships, co-publishing and speaking engagements) must be cleared centrally with respect to independence before any formal contract with relationship entities is initiated. Sponsorships, co-publishing and speaking engagements are evaluated to determine if a restricted entity is involved and restricted relationships are cleared with the respective lead client service partner for that client. A resource management team, in coordination with National Office Independence, assists in the acceptance of alliance, teaming, subcontracting, prime, reseller and independent contractor MBRs.

Monitoring of independence systems and controls

Inspection of personal independence

The firm periodically inspects for compliance with its independence policies and procedures to determine whether the information submitted by partners and professional staff relating to independence matters and the information contained in GIMS are accurate and complete.

Inspection of the firm's compliance

The firm is subject to a practice review at least once every three years, which includes a review of the compliance with independence policies at both a firm level and a client level. (A description of the firm's practice review program is provided in the monitoring and inspections section of this report.)

Disciplinary measures and actions

The firm has put in place disciplinary procedures to address non-compliance with its independence policies and procedures. These procedures are designed to provide an appropriate response to any breaches of the firm's independence policies and procedures by partners, professional staff and support staff.

The disciplinary process includes inquiring about the situation with the affected individual and assessing that situation. Individuals facing disciplinary action have the right to put forward their position. Sanctions applied to individuals for breaching the firm's independence policies may include written reprimands, reduction of performance ratings, monetary penalties and termination from Deloitte.

Client and engagement acceptance and continuance

Regardless of the services we have been asked to render, we follow rigorous policies and procedures to assess the risk related to the assignment before agreeing to accept a prospective client and engagement. Our objective is to accept only engagements with an appropriate engagement risk level.

In assessing acceptability of an engagement, we consider client and professional service risks, which generally include the following factors:

- ✓ management characteristics and integrity
- ✓ organizational and management structure
- ✓ nature of the business
- ✓ business environment
- ✓ financial results
- ✓ business relationships and related parties, and
- ✓ prior knowledge and experience.

Our engagement risk assessment procedures are designed to identify risks related to the engagement and provide a basis for tailoring our audit approach to address engagement-specific risks.

Before accepting an engagement, we complete a risk assessment to determine whether the risk associated with the client and engagement is “normal,” “greater than normal,” or “much greater than normal.” Based on the findings of this review, the decision to accept the client and engagement requires the approval of a recommending partner and the concurrence of at least one other partner. The decision to accept a client and engagement where the risk has been assessed as “greater than normal” or “much greater than normal” must be approved by the NPPD, or designate.

Our engagement risk assessments are an ongoing process. They begin with the engagement acceptance/continuation process and continue throughout the engagement. We also incorporate risk assessment tools and programs in our audit approach and documentation to facilitate a comprehensive risk assessment when planning our audit after agreeing to accept the engagement.

Annually, or at any time a client undergoes a significant change (e.g., change in ownership or management, financial condition, or nature of entity’s business), we re-evaluate whether or not we should continue to have a relationship with a client. Decisions to continue the engagement must be agreed to by at least one other partner in addition to the recommending partner.

On engagements involving international clients and work outside Canada, we perform our own engagement acceptance and continuance procedures. Deloitte Canada does not assume the acceptability of a client and/or the engagement solely because it has been referred to us from another member firm.

Engagement letters

Under the terms of our engagement policies, the terms of each audit engagement must be documented annually in a formal engagement letter signed by the Deloitte partner responsible for the engagement and by the appropriate officer of the client. For public companies, the engagement letter must also be signed by a representative of the audit committee, or the audit committee must approve the terms of the engagement by an alternative method.

Conflicts of interest

We have put in place policies and procedures to identify and consider potential conflicts of interest prior to accepting a prospective engagement and prior to the firm entering into a financial or business relationship with a third party.

Our Central Conflict Check group maintains a conflicts database, which contains various internal data to assist in identifying potential conflicts. This database is integrated with a global conflicts database, which enables the Canadian Conflict Check team to work with their counterparts in other countries when appropriate. When potential conflicts are identified, the Conflict Check group advises the engagement team on ways to address them.



Human resources and development

A professional environment that fosters continuous growth and development

Our culture of quality starts with recruiting well-qualified talented people; providing them with extensive training and education on technical and regulatory matters, professional ethics, and independence; offering them attractive career opportunities; and developing them as leaders to cultivate quality across the firm.

Recruiting well-qualified talented people



“Attracting, developing and retaining top talent, at all levels, is the core focus of our talent management processes. Over the past year, we have sharpened our focus on leadership development even further with a view to ensuring our professionals have the capabilities to be effective in today’s increasingly complex environment and are prepared to serve clients with distinction well into the future.”

— Jason Winkler,
Managing Partner, Talent

We have established policies and procedures designed to recruit, develop and retain the partners and professional staff with the competencies, capabilities and commitment to ethical principles necessary to perform engagements in accordance with professional standards and applicable legal and regulatory requirements and issue the appropriate reports to clients and other parties.

When recruiting new client service staff members, we select candidates that are highly qualified graduates who possess the intellectual and personal qualities necessary to achieve and maintain high standards of professional competence. When hiring individuals at advanced levels, we seek candidates who possess the personal and professional characteristics, academic background and relevant work experience, or its equivalent, that are expected of our current employees in similar positions. All of our offers of employment are contingent upon satisfactory background and reference checks, and documentation is maintained related to the employment process and hiring decisions.

Deloitte also actively seeks diversity among new employees because we believe that a variety of backgrounds and perspectives enhances audit quality and leads to better outcomes for our clients, as described below.

All of our new employees participate in a mandatory comprehensive onboarding process, which includes training in areas such as independence, ethics, privacy and quality and risk management practices. Additional information about our independence and ethics policies and procedures is included in the ethics, independence and client acceptance section of this report.

A culture of inclusion

Deloitte recognizes that inclusion makes good business sense since a broad range of perspectives and thinking drives better outcomes and solutions for our clients. We strive to see inclusion not as a stand-alone program, but as a value that is woven into our culture and ingrained in our business goals and strategies. Every individual brings a unique contribution to our firm and inclusion gives every individual the ability to fully engage with our firm, bringing their “whole self” to the workplace.

The Deloitte Inclusion Council

Deloitte’s Inclusion Council is the standing advisory body responsible for guiding and supporting the firm’s activities to foster an inclusive culture and work environment to create a truly distinctive talent experience.

The Inclusion Council provides transparent, open and direct input that enables the firm’s Chief Executive and its Chief Inclusion Officer to lead the cultural change required to achieve both an inclusive leadership team and work environment – two important drivers of outstanding performance.

Leaders shape culture by the way they make decisions, solve business issues and manage problems. In other words, people watch their leaders to learn how “things really work.” Our Chief Executive chairs our Inclusion Council, taking a hands-on approach that ensures that all of the firm’s leaders understand the importance of inclusion to the firm’s overall business strategy.

Policies for advancement

We have established policies and procedures for advancement which provide that the professional staff members we select for advancement have the qualifications and capabilities necessary to fulfill the responsibilities they will be asked to assume. As part of our policies and procedures for advancement we:

- ✓ set out descriptions of the firm’s professional staff levels, including the related competencies required to perform effectively at each level
- ✓ communicate to professional staff the experience and performance qualifications required for advancement to each level
- ✓ conduct periodic evaluations of each individual’s performance, and
- ✓ offer a counseling program to help professional staff identify realistic career paths and develop action plans to help them realize their professional goals.

Deloitte audit practice compared to the total Canadian firm

Statistics	Audit practice	Deloitte LLP
	2014	2014
	% / #	% / #
Percent women	60%	53%
Percent minorities	19%	24%
Women partners	25%	23%
Minority partners	6%	7%
Interns (students and co-ops)	4%	3%
Global deployment inbound	58	87
Global deployment outbound	15	31
Number of cities	53	53

Professional development

Our professional development program is designed to help partners and professional staff enhance and maintain their professional competence. To supplement on-the-job development, Deloitte provides its partners and professional staff with formal continuing professional development programs in relevant subject areas.

Ongoing professional development is one of our highest priorities. We invest in an extensive professional education program, set rigorous continuing professional education requirements for all client service professionals, and monitor compliance with those requirements through an online learning portal. The overall purpose of the professional development program is to help professionals maintain and enhance their professional competence so they have the skills and background needed to perform high-quality audits. In addition, our programs also focus on leadership development to ensure that, as people progress in their careers, they not only have the necessary technical and professional skills but also possess the “softer” interpersonal and leadership skills required to lead teams, engage stakeholders and work effectively with a range of clients.

We have established minimum levels of continuing professional development to be undertaken by partners and professional staff within a specific period of time. These levels include a minimum of 20 hours of structured learning per year and 120 hours of structured learning in every three-year period (i.e., an average of 40 hours per year). To achieve these levels of development, the firm offers structured, formal learning programs such as internal and external courses, seminars, e-learning covering all areas of the competency model (e.g., shared competencies, functionally-specific technical competencies and competencies in areas of specialization).

Our partners and professional staff members take personal responsibility for ensuring that their continuing professional development and education is appropriate to their roles, responsibilities and professional requirements. We monitor each professional's individual auditing activities and learning hours completed for each reporting period through the firm's online system, and any identified deficiencies are monitored for follow-up.

The table below shows our professional development investment for our fiscal year ended May 31, 2014.

2014		
Deloitte investment in professional development	Audit Practice	Deloitte LLP
Total investment ¹ (in CAD)	\$6.3 million	\$15.4 million
Average investment per person ² (in CAD)	\$2,608	\$2,443

¹ Investment refers to out-of pocket costs for presenting course offerings. It excludes cost of developing programs, and payroll cost of facilitators preparing and delivering the courses and participants attending training.

² Person refers to client service professional.

Deloitte's learning curriculum

Deloitte's extensive professional development curriculum covers ethics, independence, core and advanced technical accounting and auditing matters, specialized industry matters, and a variety of business advisory and management programs.

Deloitte partners and senior managers attend intensive learning programs designed to build technical excellence and audit quality. The programs address current accounting, auditing, regulatory and professional ethics and independence issues, including key sources for guidance and consultation resources. They also include practical application exercises on timely and current accounting and auditing issues, such as the exercise of professional judgment and the importance of professional skepticism.

Managers and professional staff attend learning programs designed for their level of experience. Practitioners in particular industries and specialized areas also attend additional internal seminars and, when appropriate, outside courses. The format of our learning programs include national and regional in class seminars, web conferences, virtual classes and online self-study programs. Various forms of communication, such as conference calls, webcasts and newsletters, also provide information and education to all client service professionals on the latest developments in the profession.

Upon promotion to manager or senior manager, our practitioners participate in a comprehensive leadership development "Milestone Program," delivered through Deloitte University, our global leadership program, which has dedicated campuses in Westlake, Texas and La Hulpe, Belgium. Most participants in these programs join their colleagues from around the world to share best practices and support a common and consistent approach to serving clients in Canada and globally. Those participants who attend programs in Canada receive the same content and material as their peers.

Our learning programs incorporate a number of pervasive themes across levels that provide the foundation for achieving audit quality. These themes include audit documentation, the use of specialists, consultation, the detection of potential fraud, the importance of professional skepticism and professional judgment and other topics. Individuals have the ability to customize their learning plan to include courses that address both their personal development goals to broaden skill sets and the firm's professional goals to address performance feedback.

At Deloitte, we have created a culture of continuous learning and development to provide our people with the support and supervision needed to achieve audit quality and to advance in their careers. Our formal learning programs are reinforced with personalized, one-on-one guidance designed to give our professional staff an understanding of the reasons for performing specific audit procedures, as well as effective and efficient approaches and methodologies for carrying out those procedures. In addition, all of our professionals, and especially partners and senior managers, are encouraged to "live in the field" so they can interact with, train and coach our professional staff. We also encourage our people to take ownership of their career path throughout their professional careers and to develop mentoring, counseling and coaching relationships.

A partner serves as Director of Learning & Growth and oversees the development and implementation of the Deloitte curriculum for audit professionals. In addition, a Learning & Growth Advisory Council of senior partners and other professional staff members provides guidance and strategic direction for the learning programs and approves the learning curriculum at each level, from new hire through partner. Regional learning partners are responsible for ensuring the local delivery of our learning curriculum.

The learning programs are developed by a group of professionals under a professional development program. Course materials are revised throughout the year when new accounting pronouncements, professional standards and regulations require changes or enhancements to existing programs.

Licensing

All professionals required to be licensed to practice public accounting in their relevant province must be members in good standing of their applicable provincial institute and meet the mandatory professional development and experience requirements.

Monitoring and inspections

Striving for continuous quality enhancement

Deloitte's *Instilling Confidence* program supports our practitioners in their pursuit of quality excellence. We recognize, however, that superior audit quality is a journey, not a destination. Advances in technology, regulatory developments, a changing business environment and many other factors continually present new opportunities to enhance the quality of our services. Our audit practice, including individual audit engagement files, are regularly monitored and inspected by us and by third parties, such as regulators and the provincial institutes of chartered accountants or chartered professional accountants. The objective of these reviews is to identify areas where audit quality may be enhanced, and when such opportunities are identified, we move quickly to implement them.

Annual quality assurance review

In accordance with DTTL policies, our audit practice is subject to an annual quality assurance review, or "practice review" that, over the course of a three-year cycle, covers every audit partner who signs audit reports.

Practice reviews cover several practice offices (and/or audit groups) each year, and every practice office (and/or audit group) is subject to review at least once every three years. Normally, every audit partner's performance is assessed during the three-year cycle based on a review of at least one engagement for each partner. Consideration is also given to assessing the performance of senior managers, particularly those who are candidates for partner nomination.

The firm is responsible for performing and executing practice reviews according to DTTL guidance and oversight regarding practice review plans and procedures. Practice reviews are coordinated and administered by the firm's practice review director, in conjunction with the DTTL regional practice review director.

Each year's practice review plan, process and results are reviewed and concurred by a partner from another member firm (the "concurring partner"). The concurring partner works closely with the firm's practice review director and the DTTL regional practice review director to oversee the planning and performance of the practice review.

Types of engagements reviewed

The engagements selected for review include national engagements and inbound/outbound transnational engagements (i.e., audits of financial statements that are or may be used across national borders) of public interest entities. When selecting engagements for review, we consider all major industries served by the firm or practice office.

Scope of practice reviews

Reviewers are chosen from regional or international pools or other practice offices within the firm, based on their skill level, industry knowledge and experience on transnational engagements.

Reviews of individual engagements consist of discussions with the partner and/or manager responsible for the engagement and a review of the issued reports and working papers.

Internal inspections	2014	2013	2012
Number of files inspected ¹	132	115	118
Number of partners inspected	113	90	92
Percentage of partners inspected	36%	28%	28%

¹ 2014 includes 111 audit engagements and 21 review and other assurance engagements
2013 includes 89 audit engagements and 26 review and other assurance engagements
2012 includes 88 audit engagements and 30 review and other assurance engagements

External inspection processes

External inspection processes are conducted to assess and evaluate whether professional services are being performed in accordance with professional standards and result in high-quality audits. Our audit practice is subject to three primary types of external inspections:

- ✓ quality programs and the performance of public company audits are inspected by CPAB
- ✓ quality programs and the performance of SEC registrant audits or interoffice referral work performed for SEC registrants are inspected by the PCAOB, and
- ✓ audit, compilation, review and tax engagements are inspected by each provincial Institute of Chartered Accountants or Chartered Professional Accountants.



CPAB inspections

As the designated regulator of the public company auditing profession in Canada, CPAB has a central role in promoting audit quality. Deloitte supports and is committed to working with CPAB to strengthen the public trust and confidence in the integrity of independent audits. CPAB inspections focus on our compliance with auditing standards and independence requirements, and we believe this inspection process is essential to achieving our shared objective to enhance audit quality and serve the public interest.

Under CPAB's mandate, registered public accounting firms that conduct over 100 audits of Canadian reporting issuers are inspected annually. Consequently, Deloitte is inspected on an annual basis.

CPAB's annual inspection comprises a review of our quality control system, which includes our policies relating to human resources, learning, independence and ethics. CPAB inspections also include a review of a sample of engagement files to assess whether engagement teams execute audits in accordance with both Deloitte policies and Canadian Auditing Standards.

CPAB does not inspect entire audit files but instead focuses on what the inspectors perceive to be higher-risk areas in the audit files of more complex public companies or companies with greater risks. CPAB does not report on audit matters where auditors performed at, or above, required standards. As a result, CPAB's findings do not represent a balanced scorecard and cannot be extrapolated across the public company audit population as a whole.

At the conclusion of an engagement file inspection, CPAB may have comments, verbal findings, findings or significant inspection findings. CPAB defines a significant inspection finding as a significant deficiency in the application of generally accepted auditing standards related to a material financial balance or transaction stream which results in the audit firm having to perform additional audit work in the current year to support the audit opinion and/or needing to make significant changes to its audit approach. CPAB requires the audit firm to respond in writing to all significant inspection findings.

Deloitte receives an annual report from CPAB summarizing its inspection findings. Our agreement with CPAB requires us to respond to this report and take appropriate action to address its recommendations within 180 days. Both the report and the findings arising from engagement inspections cannot be shared with anyone outside the firm under the terms of our agreement with CPAB, other than as provided under the CPAB Transparency Protocol that came into effect for inspections completed after March 1, 2014.

CPAB issues a public annual report that provides information to investors about the audit risks and challenges in the inspection process. CPAB's public reports highlight systemic issues across inspections of audit firms and provide examples of mandatory recommendations that audit firms must implement to enhance audit quality. CPAB posts its public annual report on its website at www.cpab-ccrc.ca.

CPAB Transparency Protocol

In March 2014, CPAB issued a *Protocol for Audit Firm Communication of CPAB Inspection Findings with Audit Committees*, which recommends that auditors provide a copy of CPAB's public report to the audit committees of each client.

Objectives of the Protocol

The Protocol's objective is to provide audit committees with relevant information to support them in their role of overseeing and evaluating the external auditor.

Sharing information under the Protocol is intended to enhance audit quality by enhancing the nature and depth of discussions between the auditor and the audit committee on the audit process and audit quality. This information is expected to allow audit committees to more effectively oversee the work of management and the auditor. We believe these discussions will also provide audit committees with greater insights into the increasing rigor of audit regulators and the developments in professional standards that are changing the way audit firms design and perform audit engagements.

Participation in the Protocol

While adoption and adherence to the Protocol is voluntary, Deloitte has taken a position that we will participate fully and comply with all aspects of the Protocol. The practices and procedures we develop to comply with the Protocol will include the flexibility to tailor our approach to accommodate the needs and expectations of each reporting issuer's audit committee.

In the event that CPAB inspects a client's audit file, in accordance with the Protocol we will provide that client's audit committee with:

- a description of the areas inspected by CPAB
- an indication of whether or not there were any significant inspection findings, and
- a description of any significant finding(s), if applicable, and the actions the firm has taken in response to them.



Responses to CPAB 2013 Inspection Report

Deloitte is committed to enhancing audit quality and instilling confidence in financial reporting. To this end, and as required under professional standards, we thoroughly considered the comments and concerns that were raised in CPAB's 2013 Inspection Report and assessed the extent to which we had already initiated actions to address those concerns and whether additional action may be necessary.

We monitor the results of any programs that we initiate and will continue to implement quality processes that we believe will enhance audit quality.

PCAOB inspections

The PCAOB is required to perform a review of the foreign audit firms registered with it once every three years. Only registered firms may have their audit reports filed with the SEC, subject to certain limited exceptions. Because of the number and significance of SEC registrants audited in Canada, the PCAOB has performed annual inspections of the four largest accounting firms in Canada since 2010. The scope of the PCAOB inspections are similar to CPAB inspections and include evaluating specific audit engagements and quality control procedures.

At the conclusion of its inspections, the PCAOB issues a report, which includes a public and a non-public portion. The public portion of the inspection report provides an overview of the inspection procedures and relevant observations on certain engagements subject to inspection in that year. The PCAOB posts its report on its website at pcaobus.org.

The PCAOB considers the inspection findings included in the public portion of its report to represent audit deficiencies that may affect a firm's ability to support its previously expressed audit opinion. An inspected firm must assess whether these deficiencies and any less significant deficiencies identified in the inspection affect its previously expressed audit opinions. The firm must also determine what, if any, corrective actions need to be taken, which may involve additional audit documentation, performance of additional audit procedures or even reissuing an audit report.

Quality objectives and response to practice reviews

Our *Instilling Confidence* program includes the development of a national Quality Plan, based on the findings and recommendations of our quality monitoring programs, including our practice reviews, and the findings of external inspections. Each practice unit is required to develop its own Quality Plan consistent with the national plan, which also addresses specific local issues.

Action plans may include developing and implementing new tools, processes and learning for our practitioners. The development and implementation of these plans is headed by a governance and project team that includes the firm's Chief Executive; Managing Partner, Audit; NPPD, and Managing Partner, Quality & Risk. An internal Project Management Office works with the project leaders and their teams to develop and manage the overall integrated work plan, including managing key interdependencies and changes, managing quality management processes and developing communication protocols.

The firm also communicates to its partners and other appropriate individuals in the firm information about the results of inspection reviews and the ongoing consideration and evaluation of its system of quality control.



Communications with clients

Two-way dialogues to enhance audit quality

We strongly believe audit quality is enhanced through a two-way communication between auditors and those charged with an entity's governance, which is typically the audit committee in a public company.

We usually meet with each of our clients' audit committees several times each year. During the planning and the execution of an audit engagement, we meet with the audit committee to discuss matters related to the scope and results of our audit that are, in our professional judgment, relevant to the committee's oversight responsibilities. We communicate information to enhance the audit committee's understanding of our audit process and identify areas requiring the committee's attention. Issues addressed through these communications include control deficiencies, significant accounting policies and our judgments regarding the quality and acceptability of the company's application of its financial accounting policies. Our communications typically include a combination of reports and presentations, attending audit committee or board meetings and ongoing discussions with members of the audit committee.

We also communicate with the audit committee to obtain its preapproval for audit services, non-audit services and other fees and to discuss our conclusions on permissibility of such services from an independence perspective.

In addition, we communicate more broadly with audit committee members and other stakeholders through the following initiatives.

The Directors' Series

Deloitte's Directors' Series events are held as live satellite broadcasts in locations across the country. They provide Canadian corporate directors with an opportunity to keep up with their learning requirements in a time of frequent change and new demands.

A Deloitte Vice Chair acts as the moderator and begins each session with a brief overview of the current corporate governance environment. He or she is supported by a panel of seasoned corporate directors, company executives and professional advisors who provide their knowledge, experience and opinions on the topics at hand. Directors attending the sessions are provided with ready-to-use information and tools to help them discharge their responsibilities.

Deloitte's Next Generation CFO Academy

Deloitte's Next Generation CFO Academy is offered to highly talented finance executives, and provides these future CFOs with a pragmatic curriculum and networking opportunities.

CFO Program

One of our CFO Program's key offerings is the CFO Transition Lab™, which provides a forum and a methodology for newly appointed CFOs, including those with CFO experience at previous organizations, to focus on their agenda, establish priorities and develop 180-day action plans. The Lab emphasizes the three most important resources that a CFO must manage: time, talent and relationships.

National Audit Committee Group

The Deloitte National Audit Committee Group provides sessions for Deloitte practitioners to help them enhance their ability to bring value added insights and observations to the audit committees of their clients. In these sessions, industry experts share best practices, top of mind issues and hot topics of interest to audit committees. Among the topics discussed include experiences with the external auditor evaluation process; the use of audit analytics with clients, and what's new for audit committees (including a brief update of new publications, recent initiatives, upcoming events and a summary of other tools and resources). We strongly encourage our advisory partners, LCSPs, lead assurance partners and senior managers serving our public interest assurance and non-attest clients to attend these sessions to keep up to date with issues of importance to audit committees. We also encourage other assurance partners and services partners with interest in a topic on the agenda to attend.



Appendix 1

Deloitte LLP and the Global Deloitte Network

Deloitte LLP is Canada's leading professional services firm, which provides audit, tax, consulting and financial advisory services through over 8,400 people in 55 offices. The firm is structured as a limited liability partnership that is fully owned by its Canadian partners.

Each partner actively participates in the firm's practice and activities, while a Board of Directors and a senior management team provides governance and leadership across the organization.

Governance and leadership

Deloitte is led by an elected Chair and an elected Chief Executive.

The Chair, who is independent of the Chief Executive, heads the firm's Board of Directors, which includes the Chair, the Chief Executive and 16 elected partners. In addition, there are two ex-officio members of the Board (the President of our Quebec operations and a partner of our U.S. member firm). The firm's general counsel also attends meetings of the Board of Directors.

The Board is responsible for overseeing the strategy and performance of senior management, as well as reviewing and approving action on a variety of governance, operational and administrative matters through various committees.



The Deloitte Board is committed to corporate governance practices at the highest standards. As well as properly fulfilling its responsibilities, including governance, leadership and stewardship, the Board oversees the performance of senior management.

– Luc Villeneuve, President
of Quebec Region and
Member of the Board of
Directors

Members of the Deloitte LLP Board of Directors

Chair of the Board, Glenn Ives

Jane Allen	Jean Lamy	Frank Vettese
Brian Brophy	Eddie Leschiutta	Luc Villeneuve
Shelley Brown	Michael McFaul	André Vincent
Adam Burke	Trevor Nakka	Cathy Warner
Bill Currie	Don Newell	Ian Whitcomb
Deborah DeHaas	Heather Stockton	
Charles Knight	Brigitte Vachon	

The Chief Executive is responsible for managing the firm's operations. The Chief Executive has the authority to appoint a senior management team (the "Executive") for approval by the Board.

The Chair, Chief Executive and board members are recommended for election by a succession committee composed of partners of the firm. Before recommending a candidate, the succession committee interviews a broad representation of partners to obtain their insights on desired attributes for the firm's elected leaders and the attributes of specific candidates. Candidates recommended by the succession committee must be approved by two-thirds of the firm's voting partners. Board members (other than the Chair and Chief Executive) are elected for four-year staggered terms, with a limit of two consecutive terms. The Chair and Chief Executive may be elected to two consecutive four-year terms in their respective positions. Both the Chair and Chief Executive serve on the Board for the duration of their terms.

Deloitte LLP Executive Leadership Team

Frank Vettese Managing Partner & Chief Executive (CE)	Chris Lee Managing Partner, Alberta and Prairies Region
Paul Robinson Deputy Managing Partner & CE and Chief Strategy Officer	Janet Lewell Managing Partner, Enterprise Risk Services
Pierre Baraby Managing Partner, Integrated Market Offerings	Luc Martin Managing Partner, Finance & Operations
Peter Barr Managing Partner, Industry & Marketplace Services	Richard Olfert Managing Partner, Audit
Alain Côté Managing Partner, Quebec Region	Iseo Pasquali Managing Partner, Financial Advisory
Heather Evans Managing Partner, Tax	Mike Runia Managing Partner, Ontario
Mathew Harris Managing Partner, Atlantic	Duncan Sinclair Managing Partner, British Columbia
Tim Christmann Managing Partner, Consulting	Mark Whitmore Managing Partner, Toronto
David Keddy Managing Partner, International	Jason Winkler Managing Partner, Talent
Jane Kinney Managing Partner, Quality & Risk	

The Deloitte Network

Deloitte is the Canada member firm of the Deloitte Network, which is comprised of all the member firms of Deloitte Touche Tohmatsu Limited, a UK company limited by guarantee (“DTTL”).

DTTL does not provide professional services to clients, nor does it direct, manage, control or own any interest in any member firm or in any member firm’s affiliated entities. Member firms of the Deloitte Network provide services to clients, either directly or through their affiliates. The firms operate under the Deloitte brand and related names, including “Deloitte,” “Deloitte & Touche,” “Deloitte Touche Tohmatsu” and “Tohmatsu.”

Member firms provide professional services in particular geographic areas and are subject to the laws, regulations and professional requirements of the jurisdictions in which they operate. Each member firm is structured differently in accordance with national laws, regulations, customary practices and other factors.

Member firms are not subsidiaries or branch offices of DTTL, and they do not act as agents for DTTL or other member firms. Member firms are locally-formed entities with their own ownership structure independent of DTTL that have voluntarily joined the Deloitte Network with a primary purpose of coordinating their approach to client service, professional standards, shared values, methodologies and systems of quality control and risk management. DTTL has adopted certain policies and protocols in each of these areas in an effort to establish a consistently high level of quality, professional conduct and service in all member firms. This structure’s significant strength is its combination of high quality standards and methodologies with a deep understanding of local markets and a sense of responsibility and initiative among professionals who have a direct stake in the integrity and growth of their respective practices.

Key statistics relating to the Deloitte Network

	2013
Revenues (USD in billions)	\$32.4
People	202,885
Countries	174

Note: The accounting records of Deloitte are prepared on the accrual basis and in a manner that management uses to operate the businesses. The financial information shown above is not prepared in accordance with generally accepted accounting principles in Canada.

Statistics are as of May 31, 2013



We have used our influence to positively shape the future of Deloitte globally and we continue to align our aspirations and strategies with those of the broader network

– Frank Vettese, Managing Partner
& Chief Executive

Appendix 2

Financial snapshot

Partner earnings

All equity partners are compensated out of the firm's distributable profits. The profits available for distribution are based on the results of the firm as a whole and are not dependent directly on the results of a particular service line or function. Deloitte's compensation practices are designed to:

- focus on compliance with applicable independence requirements
- emphasize the shared values of quality, integrity and technical excellence, and
- assess the characteristics and skills outlined in our human resources competency model.

For partners, the compensation system is an earnings allocation process. Typically, each partner is allocated interests in the partnership, known as units, under recommended guidelines related to their level, role in the firm, responsibilities and an overall performance appraisal that is tied to a goal-setting process.

Goal setting

At the start of the fiscal year, partners set goals based on the expectations for their level, role and the firm's strategic objectives. Goals are in areas such as quality, practice management and client service, leadership, community involvement and eminence, personal development and talent management and development. Each partner's goals are subject to review and input by the firm's senior leadership.

At the end of the fiscal year, partners undergo a process that reviews their success in achieving their goals.

The overall year-end review processes are subject to the oversight, review and concurrence by business, cross-functional, regional, industry, quality and risk management and human resource leadership teams, as well as a subcommittee of the Board of Directors and the firm's Chief Executive.

Equity groups and partner remuneration

At the start of the fiscal year, partners are allocated into five equity groups based on specific criteria, which include guidelines around quality, client service, practice management, eminence, teamwork and people management. Generally speaking, the more responsibility a partner has, the higher the equity group placement. This process establishes a structure for the unit/earnings allocation process by equating levels of role, responsibility and performance on goals with levels of earnings. Unit allocations are subject to oversight and review at various levels with the final review for all audit partners conducted by the Chief Executive and senior leadership team and then by the Board.

To ensure that audit partners focus on their primary responsibility of providing audit services of the highest quality, Deloitte policies, consistent with Canadian regulations, forbid audit partners from receiving compensation, bonuses or other direct financial incentives for selling products or services other than audit, review or assurance-related services to their audit clients.

At the end of the fiscal year, partners' performance ratings within the assigned equity group are established. Units are valued based on the performance of the firm. Partners' earnings are determined by their number of units held and the applicable unit value.

Revenue

The following provides revenues for Deloitte LLP as of May 31, the end of our fiscal year.

(CAD in millions)	2014
Total revenues	\$1,920

Note: The accounting records of Deloitte are prepared on the accrual basis and in a manner that management uses to operate the businesses. The financial information shown above is not prepared in accordance with generally accepted accounting principles in Canada.

Capital structure

The majority of our capital structure consists of capital contributed by our partners or their designates.

Appendix 3
















Deloitte resources and publications

At Deloitte we are devoted to excellence in the provision of professional services and advice and to focusing on client service. To this end, we have developed numerous resources, which contain relevant and timely information accessible by our clients. Provided below is an overview of these resources, which are available through the Deloitte Portal.

Audit resources	Targeted audience	Description
Websites		
<input type="checkbox"/> Centre for Corporate Governance (www.corpgov.deloitte.ca)	<ul style="list-style-type: none"> • Audit committee members • Board members • CEO/CFO • Internal auditor • Legal counsel 	Web site specifically designed to help board members with their responsibilities. It provides the latest information on regulatory and legislative developments, accounting and financial reporting, board roles and responsibilities, and best practices.
<input type="checkbox"/> Deloitte Learning Academy (www.deloittelearningacademy.ca/welcomecanada)	<ul style="list-style-type: none"> • CFO • VP Finance • Internal auditor • Controller • Financial reporting team 	The Deloitte Learning Academy offers a range of courses targeted to accounting professionals which can be selected a la carte, bundled into a specific learning program, or delivered as a full start-to-finish suite. Our current offerings include International Financial Reporting Standards (IFRS); Accounting Standards for Private Enterprises (ASPE); and Public Sector Standards (PSAS).
<input type="checkbox"/> IASPlus web site (www.iasplus.com)	<ul style="list-style-type: none"> • Board members • Audit committee members • CEO/CFO • Controller • Financial reporting team • Other accounting professionals 	Web site designed by Deloitte to provide the most comprehensive information on the web about international financial reporting.
<input type="checkbox"/> Technical Library (DART) <i>Note: Audit committee must pre-approve DART subscriptions</i>	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	A comprehensive online library of accounting and financial disclosure literature. Subscription-based service.
<input type="checkbox"/> U.S. GAAP Plus web site (www.iasplus.com)	<ul style="list-style-type: none"> • Board members • Audit committee members • CEO/CFO • Controller • Financial reporting team • Other accounting professionals 	U.S. GAAP Plus is a comprehensive source for news, publications, and project updates about U.S. accounting standard setting. It covers the activities of the FASB, the PCAOB, the AICPA, the SEC, and other U.S. accounting and auditing standard setters.

Audit resources	Targeted audience	Description
Stay on top of		
<input type="checkbox"/> Financial Reporting	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	<p>Bi-monthly electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.</p> <p>For a copy, contact FinancialReporting@deloitte.ca.</p>
<input type="checkbox"/> Corporate governance	<ul style="list-style-type: none"> • Audit committee members • Board Members • CEO/CFO 	<p>Monthly electronic communications featuring Deloitte's latest point of view on timely industry and business topics of interest to board directors.</p> <p>For a copy, contact Governance@deloitte.ca.</p>
Webcasts and other events		
<input type="checkbox"/> Deloitte Financial Reporting Update (www.deloitte.com/ca/update)	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.
<input type="checkbox"/> Directors' Series (www.deloitte.com/ca/Directors Series)	<ul style="list-style-type: none"> • Audit committee members • CEO/CFO • Internal auditor • Legal counsel 	Live broadcasts offered throughout the year.

Deloitte publications available include:

Financial Reporting		Corporate Governance			
	Deloitte iGAAP: A guide to IFRS, Global edition		The changing world of corporate governance A best practices guide for boards to address M&A, corporate crisis and financial distress.		The Effective Not-for-Profit Board
	IFRSs in your pocket		Tune in to the Topic: Global debates on Responsible Tax, Anti-avoidance, and BEPS		"Power of the Best" unleashed: Strategies for Canadian business leaders
	IFRS Selected Publications and guidance		Governance Services: Beyond compliance		The Future of Productivity: Clear choices for a competitive Canada
	Annual Financial Reporting Document Review		Succeeding amid change and uncertainty: Action plans for audit committees		The lost decade, unsustainable prosperity or the northern tiger? CanadaWorks 2025
			Greater oversight, deeper insight: Boardroom strategies in an era of disruptive change – Directors' Alert 2014		Health Care Governance in Volatile Economic Times: Don't Waste a Crisis (Ontario Hospital Association, Deloitte)
			Lead or be led: Time to take advantage of the new business reality – Selected issues for boards of directors of not-for-profit organizations		

Appendix 4

Publicly listed clients

Public audit clients reported in European Union (EU) member states

Our public audit clients as reported in EU member states² as of July 31, 2014 are:

- ✓ Royal Bank of Canada
- ✓ Brookfield Asset Management Inc.
- ✓ BioAmber Inc.
- ✓ Finning International Inc.
- ✓ National Bank of Canada
- ✓ Canadian Overseas Petroleum Limited
- ✓ Canadian Pacific Railway Company
- ✓ St. Lawrence and Ottawa Railway Company
- ✓ Calgary and Edmonton Railway Company



² Relevant audit clients generally include companies incorporated outside the EU/Europe Economic Area (EEA) whose transferable securities are admitted to trading on a regulated market of any Member State of the EU/EEA, with certain exceptions, as described in the Frequently Asked Questions (FAQ) Annexes to the Forms A & B (EU) Common Application Forms. Each of the EU Member States in which Deloitte LLP is registered defines relevant audit client in a similar manner.



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