

## **Transparency report**

### **Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises**

Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /  
Société civile sous forme d'une société coopérative à responsabilité limitée

**December 2016**

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# Transparency report

As an audit firm that carries out statutory audits of the annual accounts or consolidated accounts of, among others, public-interest entities, we are publishing this annual transparency report in compliance with article 15 of the 22 July 1953 Act creating the Institute of Auditors and organising the public oversight of the profession of statutory auditor, coordinated on 30 April 2007.

**All information provided in this report relates to the situation of the Audit Firm on 31 May 2016, except if indicated otherwise.**

## Legal structure and ownership

Deloitte Bedrijfsrevisoren/Reviseurs d'Entreprises (the "Audit Firm") is a civil company under the form of a limited liability co-operative company under Belgian law, with registered office at Berkenlaan 8b, 1831 Diegem and registered in the Brussels Legal Entities Register under 0429.053.863.

The majority of the capital and voting rights of the Audit Firm are held by individuals, who are members of the Institute of Auditors, and the remaining capital and voting rights are held by individuals and by Deloitte Belgium CVBA. The fixed capital of the audit firm is 18,625 EUR and its variable capital is 2,025,575 EUR<sup>1</sup>.

## Deloitte Touche Tohmatsu Limited network

Deloitte Bedrijfsrevisoren/Reviseurs d'Entreprises is part of the Deloitte network, with other firms in Belgium, as agreed with Deloitte Belgium CVBA, member firm in Belgium of the Deloitte Network. The "Deloitte Network" is comprised of firms that are members of Deloitte Touche Tohmatsu Limited (DTTL), an English company limited by guarantee. DTTL does not provide professional services to clients, or direct, manage, control or own any interest in any member firm or any member firm's affiliated entities or entities authorised by the member firm to include Deloitte in their name. Member firms in the Deloitte Network provide services to clients, either directly or through their affiliates (member firms, their affiliates and entities authorised by the member firm to include Deloitte in their name are collectively referred to herein as "Member Firms"). Member Firms operate under the Deloitte brand and related names, including "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu", "Tohmatsu" and others.

Member Firms provide 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, among others, national laws, regulations and customary practices.

Member Firms are not subsidiaries or branch offices of DTTL and do not act as agents for DTTL or other member firms. Rather, they are locally-formed entities with their own ownership structure independent of DTTL that have voluntarily become members of the Deloitte Network with a primary purpose to coordinate 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 confers significant strengths, combining 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.

Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

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<sup>1</sup> Update - 23 December 2016: The variable capital has been updated in accordance with the annual accounts for the year ended 31 May 2016 as approved in shareholders' meeting.

# List of audited public interest entities<sup>2</sup>

Ablynx
Alliance Development Capital SIIC
AB-InBev
Argenta Verzekeringen
Argenta Spaarbank
Ascencio
Banco Bilbao Vizcaya Argentaria (Belgian Branch)
Befimmo
Bekaert
Belfius Bank
Belfius Verzekeringen
Beobank
Binck Bank
Biocartis Group
BNP Paribas Fortis
Bone Therapeutics
Brussels Waarborgfonds/Fonds bruxellois de Garantie
Brouwerij Handelsmaatschappij (Co.Br.Ha)
Campine
Cardif Assurances
Cardif Assurance Vie
Codic International
Cofinimmo
Compagnie du Bois Sauvage
Compagnie d'Entreprises CFE
Connect Group
Corona
Crédit Mutuel Nord Europe Belgique
Crelan
Crelan Verzekeringen
Delhaize Le Lion
Dexia
EPBF
Electrabel CoGreen
ELINI
EMANI
Europabank
Fluxys Belgium
Galapagos
Garantiefonds Reizen
Greenyard Foods
Groupe Bruxelles Lambert (GBL)
Hamon & Cie (International)
Hospitaal-Plus MOB
Immo Moury Sicafi
Immobel

Interest Offices & Warehouses
Keytrade Bank
Mizuho Bank Nederland Brussels Branch
Natixis Bank
North Europe Life Belgium (NELB)
Nyrstar
Onderling Beroepskrediet
Option
Orange Belgium
PCB
Picanol
Private Insurer
Proximus
Realco
RealDolmen
Recticel
Roularta Media Group
Securex Caisse Commune/ Gemeenschappelijke Kas
Securex Leven
Securex Risques Divers/Allerlei Risico's
Shizuoka Bank
Sioen Industries
Sipef
Société Générale Private Banking
Solvac
Solvay
Ter Beke
TEXAF
The Bank of Tokyo - Mitsubishi Bank (Branch)
Union Bank of India
Vandemoortele
Verzekeringskas Arbeidsongevallen Securex
VGP
Warehouses De Pauw
Warehouses Estates Belgium
Worldline
Xerius Onderlinge Verzekeringsvereniging

<sup>2</sup> Erratum – 23 December 2016: Some entities names have been corrected for a better accuracy.

### Governance structure of the Audit Firm

Deloitte Bedrijfsrevisoren/Reviseurs d'Entreprises is governed by the Board of Directors, appointed by the Shareholders Meeting and composed of at least a majority of members of the Institute of Auditors, as well as by a Management Committee created by the Shareholders Meeting. The Managing Directors of the Audit Firm are automatically member of the Management Committee. Management Committee members must be members of the Board of Directors of the Audit Firm and a majority must be member of the Institute of Auditors.

The Board of Directors retains competence for the general strategy of the Audit Firm and for establishing its annual accounts and the Management Committee is entrusted with the overall management of the Audit Firm. The Management Committee is assisted by specialised teams that advise on specific matters and/or implement policies including periodical updates on technical matters such as accounting standards and auditing standards, the Practice Protection Group that assists with client and engagement acceptance and continuance matters, among others, and the Learning Group.

The Management Committee members<sup>3</sup> are/were Joël Brehmen, Michel Denayer, Rik Neckebroeck, Eric Nys, Laurent Vandendooren, Tom Van Cauwenberge and Dirk Van Vlaenderen, who are/were also the Managing Directors of the Audit Firm, and Rik Vanpeteghem, Piet Vandendriessche and Geert Verstraeten.

The statutory auditor of the Audit Firm is Luc Callaert BV/BVBA, represented by Luc Callaert.



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#### 3 Errata – 23 December 2016:

- J Michel Denayer has resigned as Member of the Management Committee and Managing Director with effect as from 4 February 2016; Dirk Van Vlaenderen has resigned as Member of the Management Committee and Managing Director with effect as from 31 May 2016; Rik Vanpeteghem has resigned as Member of the Management Committee with effect as from 31 May 2016.
- J Piet Vandendriessche and Geert Verstraeten have been appointed as Members of the Management Committee with effect as from 1 June 2016.

### Internal quality control system

The overall quality control system of the Audit Firm includes policies and procedures addressing ethics, human resources, client and engagement acceptance and continuance, engagement performance and monitoring.

### Leadership responsibilities for the system of quality control

The Audit Firm maintains policies and procedures to promote an internal culture based on the recognition that quality is our number one priority. The Audit Firm focuses on professional excellence as the foundation for achieving outstanding audit quality on a consistent basis. While the Audit Firm's leadership assumes ultimate responsibility for the system of quality control, the partners assigned with operational responsibility for the Audit Firm's quality control system have sufficient and appropriate experience and ability as well as the necessary authority to assume that operational responsibility.

### Ethics

The Audit Firm maintains policies and procedures that are designed to provide reasonable assurance that it and its partners, professional staff and support staff comply with relevant ethical requirements

The ethical requirements for audit and related assurance services provided by the Audit Firm include Parts A and B of the Code of Ethics for Professional Accountants (the "Code") issued by the International Ethics Standards Board for Accountants, a standard-setting body of the International Federation of Accountants (IFAC), the legal provisions applicable in Belgium (such as the 1953 Law creating the Institute of Auditors and organising public supervision of the profession and the 1994 Royal Decree on ethics of auditors) and the standards issued by the said Institute. When national requirements are more restrictive than the Code, the Audit Firm follows the applicable national requirements.

The Audit Firm has appointed an independent and experienced Chief Ethics Officer who is not a Management Committee Member and who has direct access to the Management Committee and the Board. In addition, the Audit Firm has developed and implemented its own code of conduct which incorporates Deloitte's Global Principles of Business Conduct and describes, in some detail, critical professional behaviour that reflects local customs, regulations and legal requirements.

The Audit Firm provides communication channels through which partners, professional staff and support staff can consult on and report ethical issues and situations. The Audit Firm reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes and measurement systems.

The Audit Firm requires all partners, professional staff and support staff to confirm annually that they have read and understood the code of conduct and understand that it is their responsibility to comply with it.



### Client and engagement acceptance and continuance

The Audit Firm has rigorous policies and procedures in place for accepting prospective clients and engagements and assessing engagement risk, regardless of the proposed services to be rendered.

These policies and procedures are designed to provide the Audit Firm with reasonable assurance that it will only accept engagements where it:

- J is competent to perform the engagement and has the capabilities, including time and resources, to do so
- J can comply with relevant ethical requirements, including independence and conflicts of interest assessments and considerations
- J has considered the integrity of the client and does not have information that would lead it to conclude that the client lacks integrity

Engagement risk classification associated with accepting an engagement is assessed as “normal”, “greater than normal” or “much greater than normal” and is completed prior to accepting a client and engagement. The engagement risk assessment process includes approval by the recommending partner and concurrence by at least one other Audit Firm partner that the Audit Firm may accept the client and the engagement.

On international engagements, engagement acceptance and continuance procedures are performed at the member-firm level. The Audit Firm does not assume the acceptability of a client and/or the engagement merely because it has been referred from another member firm.

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

- J management characteristics and integrity
- J organisation and management structure
- J nature of the business
- J business environment
- J financial results
- J business relationships and related parties
- J prior knowledge and experience

The Audit Firm’s engagement risk assessment procedures identify related risks and provide a basis for tailoring the audit approach in order to address engagement-specific risks. The engagement risk assessment begins during the engagement acceptance/continuation process and is an ongoing process that continues throughout the engagement. Risk assessment tools and programs are encompassed in the audit approach and common documentation to facilitate the comprehensive risk assessment for planning the audit once the engagement is accepted.

On an annual basis, engagements in process for more than one year are evaluated to determine if the Audit Firm should continue the engagement. Factors discussed above are revisited to ascertain whether the relationship should continue.

In addition, if an entity undergoes a significant change (e.g., change in ownership or management, financial condition or nature of entity’s business), continuation of the relationship is reevaluated. Decisions of engagement continuance are concurred by one other partner.



## Engagement performance

### Audit Approach

The Audit Firm's audit approach includes requirements and guidance to assist in the planning and performance of audit engagements and is based on the International Standards on Auditing issued by the International Auditing and Assurance Standards Board of IFAC. The Audit Firm has further supplemented these requirements and guidance to reflect local requirements, as applicable. Common documentation and the enabling software technology are tools that enhance the consistent implementation of the Audit Firm's audit approach and promote effectiveness and efficiency.

The following are the main elements of the Audit Firm's audit approach:

#### 1. *Understanding of the entity and its environment*

An understanding of the entity and its environment, including its internal controls, to assess the risks of material misstatement at the financial statement and assertion level is vital to performing an effective audit.

The Audit Firm's engagement teams develop this understanding and assess risks of material misstatement in a number of ways, including analysing financial information to identify trends and unusual balances, holding 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 design of internal controls and determine if they have been implemented, assessing the extent to which technology is used in the financial reporting process and, if applicable, reviewing internal audit findings.

As necessary, based 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 engagement.

#### 2. *Audit procedures*

Engagement teams develop the audit plan to address the risks associated with the entity, the audit engagement and the financial statements as a whole.

Throughout the audit, engagement teams continually assess risk and how audit findings bear on the audit procedures. The Audit Firm's audit approach allows partners and professional staff to modify the audit procedures to address issues that arise in the course of the audit.

Audit procedures to address risks of material misstatement include substantive procedures, which comprises tests of details and substantive analytical procedures, and tests of the operating effectiveness of controls.

#### 3. *Use of experts*

While the engagement partner retains responsibility for all aspects of the engagement, there are instances when the engagement team utilises an expert. In such instances, an engagement team evaluates whether the expert has the necessary competence, capabilities and objectivity.

In evaluating whether or not the expert's work constitutes appropriate audit evidence in support of the financial information, the engagement team considers:

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

#### 4. *Engagement documentation*

The Audit Firm maintains policies and procedures to support the assembly and archiving of audit files whereby the audit engagement team submits the audit files for archiving within the shorter of (1) 60 days from the date of the report or (2) the period set out in applicable professional standards and regulatory and legal requirements. The Audit Firm's policies and procedures address the retention of documents (in paper and electronic form), including those that address the confidentiality, safe custody, integrity, accessibility and retrievability of archived documentation.



### Engagement Team Reviews

A review of the audit documentation is required to be performed by a member of the engagement team who has more experience than the preparer. In some cases, elements of audit documentation may be reviewed by several team members.

### Engagement Quality Control Reviews

An engagement quality control review is performed for all audit and related assurance services, in a manner that is appropriate for the size and complexity of the engagement and its risk level, with certain pre-approved exceptions. The review is performed by a partner, a director or a manager who is not directly involved in the engagement and who has the appropriate experience and knowledge about applicable accounting and auditing standards and regulations. The engagement quality control reviewer is not part of the engagement team and is not portrayed in fact or appearance as a member of the engagement team. Appropriate experience and knowledge includes experience and knowledge of the entity's industry, economic environment and accounting principles. For all public interest entities ("PIEs") and all high-risk engagements, the review is performed by a partner or a director with sufficient and appropriate experience and professional qualifications on these types of audits.

The reviewer is appropriately briefed by the engagement team and conducts the review in such a manner that sufficient knowledge and understanding is obtained in order to reach conclusions. The reviewer's responsibility is to perform an objective review of significant auditing, accounting and financial reporting matters, to document the procedures the reviewer performed and to conclude, based on all the relevant facts and circumstances of which the reviewer has knowledge, that no matters that have come to his or her attention would cause the reviewer to believe that the significant judgments made and the conclusions reached were not appropriate in the circumstances.

### Special Reviews

For some engagements relating to PIEs and/or that have been identified as having greater than normal engagement risk, a special review partner is assigned to provide an additional level of competence and objectivity in planning and performing the engagement. The special

review partner is independent of the engagement. Normally this partner possesses specialised industry and technical skills applicable to the engagement and, wherever possible, is independent of the practice unit to enhance objectivity.

### Consultation Network and Differences of Opinions

The Audit Firm has established a consultation network to assist in resolving issues identified by the engagement team. Consultations include technical accounting and auditing questions regarding the application and interpretation of applicable standards and reporting issues or on any other matter pertaining to an audit engagement that requires specialised knowledge.

To facilitate the technical consultation process, the Audit Firm has a national accounting and auditing consultation structure. A Member Firm Professional Practice Director with specialised technical skills and experience is supported by subject-matter resources in various areas such as regulatory filing requirements, technical auditing requirements and complex accounting matters.

The Audit Firm maintains policies and procedures for the resolution of differences of opinion among partners and others who are assigned to the engagement team, including those who are in a consultative capacity.



## Human Resources

### Hiring

The Audit Firm has established policies and procedures designed to provide reasonable assurance that it has sufficient 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
- ) enable the Audit Firm to issue reports that are appropriate in the circumstances

### Advancement

The Audit Firm's policies and procedures for advancement have been established to provide reasonable assurance that professional staff selected for advancement have the qualifications necessary to fulfil the responsibilities they will be called on to assume. A few of the policies and procedures are identified below.

Various professional staff levels within the Audit Firm and descriptions of the related competencies required to perform effectively at each level have been established.

Advancement policies and procedures that identify the experience and performance qualifications for advancement to each level have been established and communicated to the Audit Firm's professional staff.

Procedures for periodic performance evaluation have been established.

A counselling program to assist professional staff in identifying realistic career paths and developing action plans to help realise professional goals has been established.

### Professional Development

The purpose of the Audit Firm's professional development program is to help partners and professional staff maintain and enhance their professional competence. To supplement on-the-job development, the Audit Firm provides formal continuing professional development programs in relevant subject areas.

The Audit Firm has developed a competency model, specific to each function, used to express the areas of personal capability for

partners and professional staff. The competency model has two main components: technical competencies which are functionally specific and for audit cover technical competencies and shared competencies which are common across the functions. The competency model is a combination of knowledge, skills and attitudes that are necessary to perform the various roles within the Audit Firm. As such, this competency model forms the basis for structuring the continuing professional development program.

All partners and professional staff take personal responsibility to ensure that their own continuing professional development and education is appropriate to their roles, responsibilities and professional requirements. However, the Audit Firm establishes 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 Audit Firm offers structured, formal learning programs such as internal or external courses, seminars or e-learning covering all areas of the competency model (e.g., shared competencies, function-specific technical competencies and competencies in areas of specialisation).

### Assignment of Partners and Professional Staff to Audit Engagements

The Audit Firm assigns responsibility for each audit engagement to an audit engagement partner. The Audit Firm's policies define the responsibilities of an audit engagement partner and those responsibilities are communicated to partners. The identity and role of the audit engagement partner is communicated to key individuals of the client's management team and those charged with governance at the client.

The Audit Firm also has policies and procedures in place so that partners and professional staff assigned to all audit engagements have the appropriate degree of proficiency for their role and the responsibilities to be performed.

An engagement team ordinarily includes one or more of each of the following: audit engagement partner, audit manager, field senior and staff. However, the engagement team will be developed based on the size, nature and complexity of the entity's operations. Every audit engagement team is under the control and supervision of the audit engagement partner to whom responsibility for the conduct of all audit services on the engagement is assigned. The audit manager assigned to the engagement is responsible for providing primary supervision and direction to the professional staff in the execution of the audit plan and in the performance of the audit engagement. The field senior is responsible for the day-to-day supervision of the other members of the engagement team. Specialists and other experts are also involved as needed.

The audit engagement partner considers many factors to determine that the engagement team collectively has the appropriate capabilities, competencies and time to perform the audit engagement. Factors considered in this determination include, among others:

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

## Monitoring

### Annual Quality Assurance Review

In accordance with DTTL policies, the audit practice of the Audit Firm is subject to an annual quality assurance review, commonly referred to as a "practice review". Compliance with this policy is achieved by an annual practice review covering the audit practice over a three-year cycle.

The annual practice review program is designed to cover a number of partners each year. Every partner is subject to a practice review at intervals not to exceed three years.

Consideration is also given to assessing the performance of managers and directors.

Candidates for partner nomination would ordinarily be expected to have been covered in

the most recent practice review prior to their expected admission.

The Audit Firm is responsible for the practice review. DTTL provides guidance and oversight regarding the practice review plans and procedures. The general coordination and administration of the practice review program is the responsibility of the Audit Firm's practice review director, in conjunction with the regional practice review director.

The practice review plan, process and results are reviewed and concurred by a partner from another member firm (the "external partner") every year, subject to due respect of client confidentiality and other legal requirements. The external partner who is assigned this responsibility works closely with the Audit Firm's practice review director and the regional practice review director in overseeing and challenging the planning and performance of the practice review.

### 1. Types of Engagements Reviewed

The engagements selected for review include national engagements and inbound/outbound transnational engagements (audits of financial statements that are or may be used across national borders), including PIEs, as well as a number of high risk audit engagements. Some sensitive and complex engagements (e.g., first-year engagements, situations where there is a change in control, or deteriorating financial condition) are also selected. All major industries served by the Audit Firm are considered.

### 2. Scope of Practice Reviews

Reviewers are chosen from regional or international pools. The assignment of reviewers is based on skill level, industry knowledge and experience on transnational engagements.

The reviews of individual engagements consist of discussions with the partner, director and/or manager responsible for the engagement and a review of related reports, working papers and, where appropriate, correspondence files.

Engagements are reviewed to:

- J determine whether quality control procedures have been properly applied to such engagements
- J assess the adequacy of implementation of the audit approach, including compliance with the policies and procedures contained in the Audit Firm's policy manuals
- J monitor compliance with applicable local laws
- J assess the overall quality of service provided to clients

The overall risk management and quality control policies and procedures within the Audit Firm are also reviewed, including the following:

- J risk management program, including client and engagement acceptance and continuance
- J independence
- J recruitment and advancement
- J professional development
- J public filings in other countries
- J information technology specialist reviews
- J consultation with Audit Firm experts
- J consultation with outside experts
- J engagement quality control reviews

### 3. Results of Practice Reviews

The findings and recommendations resulting from the practice reviews are included in the Audit Firm's audit quality plan and presented to the Audit Firm's Management Committee, the CEO and other appropriate Audit Firm leaders as well as members of D TTL regional and global leadership. The purpose of the audit quality plan is to provide suggestions for improvement in response to findings noted and to drive audit quality within the Audit Firm overall. The Audit Firm addresses findings by conducting a root cause analysis and drawing up a detailed action plan setting out the action to be taken, the person(s) responsible and the timing to implement the recommendations.

In addition, the Audit Firm communicates deficiencies noted as a result of the practice review (if any) and recommendations for appropriate remedial action to the relevant partner and other appropriate personnel. The Audit Firm also communicates on an annual basis the results of the practice review and ongoing consideration and evaluation of its

system of quality control to its partners and other appropriate individuals within the Audit Firm.

#### Regulatory requirements

The Audit Firm has assigned a partner to follow and address legislative initiatives and public policy issues that may affect audit.

#### Complaints and Allegations

The Audit Firm's policies and procedures are designed to provide it with reasonable assurance that it deals appropriately with complaints and allegations that the work performed by the Audit Firm failed to comply with professional standards and regulatory and legal requirements and allegations of noncompliance with the Audit Firm's system of quality control.

#### Management Committee Statement

The Management Committee of Deloitte Bedrijfsrevisoren/Reviseurs d'Entreprises is satisfied that the internal control system as described above is effective in providing reasonable assurance that the Audit Firm and its personnel comply with applicable professional standards and regulatory and legal requirements.



### Date of last quality assurance review

A quality assurance review of the Audit Firm and a selection of partners has been carried out in 2013 by the Institute of Auditors under the supervision of the public oversight authority, the Referral Chamber ("De Kamer van Verwijzingen en instaatstelling" / "La Chambre de renvoi et de mise en état").

### Statement on independence practices

The Audit Firm has policies and procedures that are designed to provide reasonable assurance that it complies with applicable professional standards that relate to independence. These policies and procedures are based on the Code and DTTL policies and are enhanced to reflect the legal provisions applicable in Belgium and the independence standards set by the Institute of Auditors, where more restrictive.

The Audit Firm's system of quality control related to independence includes the following areas:

- J independence policies and procedures
- J compliance business process tools including the Deloitte Entity Search and Compliance (DESC) system, the Global Independence Monitoring System (GIMS), Confirmations and Consultation
- J business relationship assessments and monitoring
- J independence learning
- J monitoring of independence systems and controls relating to personal independence and engagement and practice reviews
- J disciplinary measures and actions
- J assignment of responsibility for independence systems and controls
- J "Tone-at-the-top" culture relating to independence

### Independence Policies and Procedures

The Audit Firm's independence policies and procedures cover the Audit Firm and the Audit Firm's partners, professional staff and support staff, and certain relatives thereof, where applicable, as well as the affiliated entities of the Audit Firm and other Belgian entities that are authorised to include "Deloitte" in their name. These policies and procedures are, in some instances, more restrictive than the independence standards in the Code and contain specific independence requirements that are applicable when the Audit Firm is to

maintain independence with respect to an audit client ("restricted entity") and its affiliates.

Policies require that the Audit Firm and its partners and professional staff determine, among other things, whether an entity is a restricted entity before the Audit Firm, a partner or a professional staff member (including their spouse, spousal equivalent and dependents) engage in certain transactions with the entity. The Audit Firm, partners and managerial personnel enter their financial interests and securities accounts into a tracking system (GIMS). GIMS enables an electronic review of financial interests and securities accounts to help identify if independence restrictions may affect the ability to hold such items.

The Audit Firm obtains confirmations from its partners, professional staff and support staff upon joining the Audit Firm, as well as ongoing confirmations on an annual basis, that such individuals are in personal compliance with the Audit Firm's independence policies.

The Audit Firm's independence policies and procedures are made available electronically to the Audit Firm's partners, professional staff and support staff. Updates to these policies and procedures are also made and communicated electronically to the Audit Firm's partners, professional staff and support staff. Moreover, other independence-related materials are available on an independence website. Reminders on policy and other matters are routinely published as part of communications to strengthen awareness and understanding of the independence policies and to highlight changes to entities that are internationally restricted, as relevant.

Policies and procedures are in place at the engagement level to require the audit engagement partner to consider independence matters during the course of an audit engagement and to conduct communications with the audit committee or those charged with governance, where required.

### DESC System, GIMS, Confirmations and Consultations

There are three related aspects of the Audit Firm's systems and controls related to the Audit Firm's independence and the personal independence of its partners, professional staff and support staff: DESC system, GIMS and the confirmation process. These three aspects support each other in that (1) partners and professional staff search DESC system (which includes a database of internationally restricted entities) and/or GIMS (which has a database of financial interests and securities accounts) to identify if an entity or its financial interests or securities accounts are restricted, (2) partners and managerial personnel record their financial interests and securities accounts in their portfolios in GIMS and (3) the Audit Firm periodically obtains confirmations from its personnel as to their compliance with the Audit Firm's independence policies, and also confirms to DTTL its compliance and the compliance of its personnel with the Audit Firm's independence policies.

#### 1. DESC system

DESC is operated by DTTL on behalf of the DTTL member firms. At a minimum, each DTTL member firm reports the names of its audit clients and their affiliates that meet the definition of an international restricted entity. The policy definition of an international restricted entity includes public audit clients, as well as other audit clients that may be of public interest. Such restricted entity information is recorded in the DESC system. The entity information provided by the Audit Firm to DTTL is continuously updated to help ensure its accuracy and completeness, including periodic validation processes performed by engagement teams and/or the DTTL member firms. Updates to DESC system's entity information are made daily based upon these processes. The Audit Firm's partners and professional staff access DESC system online.

DESC system also has features that are used to request and document approvals related to providing services to an entity. In many jurisdictions, a restricted entity's audit committee or others charged with governance must preapprove services that will be delivered within the restricted entity group. Where such features are enabled, DESC system's features establish a standard business process among the DTTL member firms, whereby service requests are submitted to the lead client

service partner who is responsible for obtaining and documenting appropriate authorisations prior to approving the service request. In addition, the Audit Firm has local risk management tools that are systematically used in relation to the Belgian market.

#### 2. GIMS for financial interests and securities accounts

Each DTTL member firm also identifies and reports the publicly available securities accounts at financial institutions that are associated with an international restricted entity. Such securities and financial institutions are recorded in GIMS. GIMS is operated by DTTL on behalf of the DTTL member firms and each DTTL member firm administers the related monitoring processes related to its partners and professional staff.

Partners and professional staff search DESC and/or GIMS before acquiring a financial interest or establish a securities account to determine if restrictions apply that affect them. This includes investments and securities accounts of a spouse, spousal equivalent and dependent. Partners and managerial personnel enter defined types of such financial interests and accounts into their individual portfolios in GIMS for monitoring purposes.

In addition, GIMS assists partners and managerial personnel by identifying situations which may not comply with the Audit Firm's policies so that the item may either be reviewed or corrected. When such a situation is detected, the system advises the individual that an independence-impairing situation may exist and poses questions which aid the individual to determine whether or not the item is permitted in the particular circumstances. This includes generating notices to the individual in situations where a once-permissible holding becomes newly restricted, so that appropriate and timely action can be taken. The Audit Firm monitors and follows-up on such notices until the individual resolves the item.

### 3. *Confirmations*

The Audit Firm obtains confirmations from its professional staff and support staff upon joining the Audit Firm, partners before being admitted to the partnership and existing partners when a change in location or role may change their independence requirements. Ongoing confirmations are also obtained on annual basis from all individuals. Annually, the Audit Firm reports to DTTL that the Audit Firm has taken appropriate steps to obtain sufficient evidence that it and its partners, professional staff and support staff comply with applicable independence requirements (including that the Audit Firm itself is independent of restricted entities).

### 4. *Consultation Network*

The Audit Firm communicates with its partners and employees regarding the consultation policies for independence matters and identifies the individuals who are to be contacted. Additionally, the Audit Firm consults with DTTL's independence group and other member firms when the Audit Firm determines that additional input or advice is needed under the circumstances.

#### **Business Relationship Assessments and Monitoring**

The Audit Firm has a business relationships assessments and monitoring process. The objective of such process is to ensure that, prior to entering into any business relationship with a restricted entity or its management or substantial stockholders, a determination is made to ensure such a relationship does not impair independence with respect to that restricted entity. Ongoing business relationships are also monitored annually.

#### **Independence Learning**

The Audit Firm provides independence learning to its partners and professional staff.

#### **Monitoring of Independence Systems and Controls Relating to Personal Independence and Engagement and Practice Reviews**

##### **1. *Inspection of Personal Independence***

On a periodic basis, the Audit Firm inspects for compliance with the Audit Firm's independence policies and procedures. The objective of the inspection and testing program is to determine whether the representations and information submitted by partners and managers (directors are included in one of these two categories, depending upon the relevant circumstances)

relating to independence matters and the information contained in GIMS are accurate and complete.

##### **2. *Inspection of Audit Firm's Compliance***

The Audit Firm is subject to a practice review at intervals not to exceed three years. Compliance with independence policies at both a firm level and at a client level is reviewed.

See further details of engagement and practice reviews in the "Monitoring" section above.

#### **Disciplinary Measures and Actions**

The Audit Firm has disciplinary policies and procedures in place to address noncompliance with the Audit Firm's independence policies and procedures. These disciplinary policies and procedures are designed to provide an appropriate response to breaches of such policies and procedures by partners, professional staff and support staff.

#### **Assignment of Responsibility for Independence Systems and Controls**

The Audit Firm has assigned a Director of Independence who has the responsibility to implement and maintain quality controls over independence. More specifically, the Director of Independence is responsible for taking the lead on all significant independence issues within the Audit Firm, including the implementation and maintenance of the Audit Firm's business processes related to: (1) independence consultations, (2) independence learning programs, (3) restricted entity information in DESC system, (4) use and monitoring of the features of DESC system, (5) use and monitoring of GIMS, (6) annual confirmations, (7) testing and inspection programs, and (8) disciplinary processes. Communication channels exist between the Audit Firm's Director of Independence, Audit Firm management and DTTL's independence group. Further, the Director of Independence provides regularly an update to the Audit Firm's management about the significant independence matters that are relevant to the Audit Firm.

DTTL has assigned a senior leader and DTTL independence team members who provide access to timely and accurate information designed to facilitate the independence function at the Audit Firm level.

### “Tone-at-the-Top” Culture Relating to Independence

Audit Firm leadership reinforces the importance of compliance with independence and related quality control standards, thereby setting the appropriate "tone-at-the-top" and instilling its importance into the professional values and culture of the Audit Firm. Strategies and procedures to communicate the importance of independence to partners, professional staff and support staff have been adopted, emphasising each individual's responsibility to understand the independence requirements. A review of independence compliance is conducted as part of the practice review.

### Conflicts of Interest

Potential conflicts of interest are considered on all prospective engagements and prior to the Audit Firm entering into a financial or business relationship with a third party. The Audit Firm has policies and procedures in place to identify potential conflicts of interest in connection with the Audit Firm either (i) accepting a prospective engagement or (ii) entering into certain business or financial relationships with another entity.

The Deloitte Conflict Checking System (DCCS) is designed to support the Audit Firm's conflict checking business process to identify and manage potential conflicts relating to prospective engagements, business or financial relationships. For each new engagement or relationship opportunity, DCCS captures the principal parties to the engagement, the scope of work, engagement team and specific questions which are driven by the proposed service offering. As part of each conflict check recorded in DCCS, there is an automated search of DESC system to identify any potential audit/attest relationships. DCCS also provides an automated means of cross-border conflict checking. Overall DCCS provides a record of existing engagement, business and financial relationships which is automatically searched when proposing for new engagements or relationships.

### Continuing education

Continuing education is a key priority of the Audit Firm, as it is an important means of developing knowledge, maintaining and improving the quality of our services. The learning plan offers a variety of topics, including technical matters (GAAP, GAAS, professional

rules, taxation, company law, labour law, IT systems, internal controls), management and interpersonal skills, business economics and industry specific courses. The continuing education program is comprised of both Deloitte organised learning sessions as well as external learning, organised by the Institute of Auditors among others. Next to this, a variety of e-learning sessions are available to deepen certain skills. Certain courses are mandatory and others are optional, such that each auditor or trainee auditor can personalise his or her learning programme to the specific needs.

During the first years with the Audit Firm, training is predominantly comprised of mandatory courses on technical topics, including Deloitte methodologies and processes. For more experienced people, the optional part of the learning plan increases given that individual needs become more diverse. More experienced auditors are expected to update and deepen their technical and industry knowledge. Developing management and interpersonal skills also gain importance for this group. Selected high potential individuals are also given the opportunity to follow long term courses, such as management courses organised by reputable schools. In addition, auditors working on certain U.S. Securities and Exchange Commission (SEC) registrant engagements are required to be US accredited under firm policies. A minimum number of specified training sessions on US GAAP/Public Company Accounting Oversight Board standards and SEC regulation need to be followed every year to be accredited.

The learning curriculum for each professional is monitored using an automated monitoring system. This allows the Audit Firm to monitor compliance with DTTL policies on learning as well as with rules imposed by the Institute of Auditors. It also allows us to monitor the learning needs and track record of each individual. Continuing education is also a factor taken into account for the yearly evaluation of audit staff and the assessment of their growth potential within the Audit Firm.

The Audit Firm's internal learning programme has been accredited by the Institute of Auditors.



**Financial information<sup>4</sup>**

The total turnover of Deloitte Bedrijfsrevisoren/Reviseurs d'Entreprises for the financial year ending on 31 May 2016 amounted to 127,806,726 EUR which can be broken down into:

- J Fees for statutory audit work and other legal missions for statutory audit clients 49,945,102 EUR
- J Fees for non statutory audit clients and other professional work: 77,861,624 EUR

The net turnover of the network to which Deloitte Bedrijfsrevisoren/Reviseurs d'Entreprises belongs in Belgium, per sector of activity, and including that of Deloitte Bedrijfsrevisoren/Reviseurs d'Entreprises, is the following (in millions of EUR):

Audit and Enterprise Risk Services (AERS) <sup>5</sup>	105
Accountancy	82
Tax	125
Financial Advisory (FA)	15
Consulting	105

**Basis for partner remuneration**

The remuneration of each equity partner is comprised of a share in the net profits to be distributed, in proportion to his or her respective shareholding in the Audit Firm.

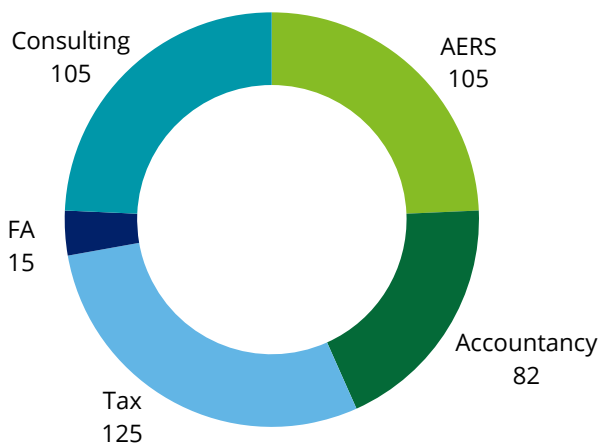
Partners are evaluated on a yearly basis and depending on the outcome of the evaluation, the respective shares in the audit firm of equity partners and the remuneration of other partners may increase or decrease. Partner evaluations take the following factors into account: quality, expertise, integrity, professionalism, entrepreneurship, independence and compliance.

**Report's cut-off date**

All information provided in this report relates to the situation of the Audit Firm on 31 May 2016, except if indicated otherwise.

**Revenue 2016**

(in mio of EUR)



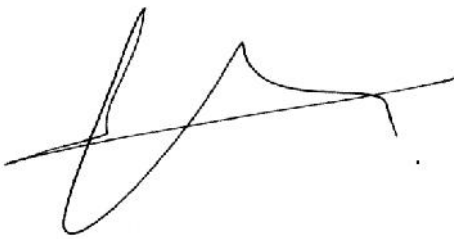
1.Source: Deloitte Belgium annual report 2016

<sup>4</sup> Update - 23 December 2016: The numbers have been updated in accordance with the annual accounts for the year ended 31 May 2016 as approved in shareholders' meeting.

<sup>5</sup> Update - 23 December 2016: Audit and Enterprise Risk Services has changed its name as from 14 October 2016 and is now named Audit & Risk Advisory (ARA)

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**Joël Brehmen**  
Managing Director

A handwritten signature in black ink, consisting of a large, stylized initial 'J' followed by a series of connected loops and a horizontal line extending to the right.

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**Rik Neckebroeck**  
Managing Director

A handwritten signature in black ink, featuring a large, stylized initial 'R' followed by several loops and a horizontal line extending to the right.





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