

## TRANSPARENCY REPORT

### *Deloitte Audit s.r.o.*

#### Introduction

As an audit firm that carries out statutory audits of the financial statements of public interest entities, Deloitte Audit s.r.o., with its registered office at Karolinská 654/2, 186 00 Prague 8, Karlín, Corporate ID 49620592, registered in the Register of Companies held by the Municipal Court in Prague, Section C, insert 24349 (hereinafter also the “Firm”) is publishing this annual transparency report in compliance with Section 43 of Act No. 93/2009 Coll., on Auditors.

All information provided in this report relates to the situation of the Firm as of 31 December 2014, unless indicated otherwise.

#### 1. Description of the Legal and Ownership Structure

Deloitte Audit s.r.o. is a limited liability company. 88% of its equity interest is held by Deloitte Central Europe Holdings Limited with its registered office at 1, Lampousas, 1095 Nicosia, Republic of Cyprus. Other owners (each holding a 2% interest) are: Stanislav Staněk, Václav Loubek, Martin Tesař, Petr Michalík, Frederic Maziere and Diana Rádl Rogerová.

Stanislav Staněk, Václav Loubek, Martin Tesař, Petr Michalík and Diana Rádl Rogerová are statutory auditors.

The above-specified owners – statutory auditors hold the overall majority of votes of all owners at the General Meeting.

#### 2. Description of the Network and the Legal and Structural Arrangements in the Network

##### Deloitte

Deloitte Audit s.r.o. is the Czech Republic member firm of the Deloitte Network. The “**Deloitte Network**” is comprised of firms that are members of Deloitte Touche Tohmatsu Limited, a British private company limited by guarantee (“**DTTL**”).

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. Member firms in the Deloitte Network provide services to clients, either directly or through their affiliates (member firms and their affiliates 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,” 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, 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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/cz/about](http://www.deloitte.com/cz/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

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.

### Deloitte Central Europe

Deloitte Central Europe is a regional organisation of entities organised under the umbrella of Deloitte Central Europe Holdings Limited, a member firm in Central Europe of Deloitte Touche Tohmatsu. Services are provided by the subsidiaries and affiliates of Deloitte Central Europe Holdings Limited, which are separate and independent legal entities.

### Deloitte Czech Republic

The following companies that are part of the network in addition to Deloitte Audit s.r.o. are registered and operate in the Czech Republic:

<b>Company:</b>	Deloitte BPO a.s.
<b>Corporate ID:</b>	27160831
<b>Registered office:</b>	Prague 8, Karlín, Karolinská 654/2, 18600
<b>Company:</b>	Deloitte Central Europe Service Centre s.r.o.
<b>Corporate ID:</b>	27453634
<b>Registered office:</b>	Prague 8, Karlín, Karolinská 654/2, 18600
<b>Company:</b>	Deloitte Advisory s.r.o.
<b>Corporate ID:</b>	27582167
<b>Registered office:</b>	Prague 8, Karolinská 654/2, 18600
<b>Company:</b>	Deloitte Security s.r.o.
<b>Corporate ID:</b>	27899152
<b>Registered office:</b>	Prague 8, Karlín, Karolinská 654/2, 18600
<b>Company:</b>	ELBONA AUDIT s.r.o
<b>Corporate ID:</b>	27197824
<b>Registered office:</b>	Prague 8, Karlín, Karolinská 654/2, 18600
<b>Company:</b>	Ambruz & Dark Deloitte Legal s.r.o., advokátní kancelář
<b>Corporate ID:</b>	29055130
<b>Registered office:</b>	Prague 8, Karlín, Karolinská 654/2, 18600

The Firm holds a 50% share of Deloitte Audit s.r.o. with its registered office at Digital Park II, Einsteinova 23, 85101 Bratislava, Slovak Republic, corporate ID: 31 343 414, and a 0.1% share of ELBONA AUDIT s.r.o., with its registered office at Karolinská 654/2, Praha 8 – Karlín, Czech Republic, corporate ID: 271 97 824.

### 3. Description of the Management Structure of the Firm

Statutory executives, Martin Tesař, Diana Rádl Rogerová and Gerard Patrick Murray, form the Firm's statutory body. Martin Tesař and Diana Rádl Rogerová are the statutory auditors.

The Firm is run by the statutory executives, partners and the Firm's directors who are the direct superiors of the Firm's employees. The organisational structure varies because work teams are created for individual engagements.

## 4. Description of the Internal Quality Control System of the Firm and a Statement by the Statutory Body on the Effectiveness of its Internal Quality Control System

The Firm applies the internal quality control system established by DTTL and set out in the Deloitte Policies Manual (Audit). This system includes policies and procedures addressing leadership responsibilities for the system of quality control within the Firm, ethical requirements, client and engagement acceptance and continuance, human resources, engagement performance and monitoring.

This internal quality control system has two monitoring systems:

- The engagement quality assurance review; and
- The member firm practice review.

### Engagement Quality Assurance Review

An engagement quality control review is performed for all audit and related assurance services, with limited exceptions. The review is performed by a partner 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 and all high risk engagements, the review is performed by a partner with sufficient and appropriate experience and professional qualifications to act as an engagement partner 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, 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.

For engagements that have been identified as having much 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, in certain situations, is independent of the practice unit to enhance objectivity or to provide specialised resources.

### Member Firm Practice Review

In accordance with DTTL policies, the audit practice of the Firm is subject to a quality assurance review, or "practice review" as it is commonly referred to, at intervals not to exceed three years. Normally, the performance of every partner and director is assessed during the three-year cycle, and at least one engagement for each member firm partner is selected to achieve this goal. Consideration is also given to assessing the performance of managers.

Deloitte Central Europe 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 programme is the responsibility of the regional practice review director.

The practice review plan, process, and results are reviewed and concurred by a partner from another member firm (the "concurring partner") every year. The concurring partner who is assigned this responsibility works closely with the practice review director and the regional practice review director in overseeing 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 (audits of financial statements that are or may be used across national borders), including public interest entities, as well as a number of high risk audit engagements. Some sensitive and complex engagements (eg first-year engagements, situations where there is a change in control, or deteriorating

financial condition) are also selected. All major industries served by the Firm or practice office are considered.

#### Scope of Practice Reviews

Reviewers are chosen from regional or international pools or from other practice offices within our Firm. 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 and/or manager responsible for the engagement and a review of related reports, working papers, and, where appropriate, correspondence files.

Engagements are reviewed to:

- Determine whether quality control procedures have been properly applied to such engagements;
- Assess the adequacy of implementation of the audit approach, including compliance with the policies and procedures contained in the Firm's policy manuals;
- Monitor compliance with applicable local laws; and
- Assess the overall quality of service provided to clients.

The overall risk management and quality control policies and procedures of practice offices within our Firm are also reviewed, including the following:

- Risk management programme, including engagement acceptance and continuance;
- Independence;
- Recruitment and advancement;
- Professional development;
- Public filings in other countries;
- Information technology specialist reviews;
- Assignment of professional staff to audit engagements;
- Consultation with Firm experts;
- Consultation with outside experts; and
- Engagement quality control reviews.

#### Results of Practice Reviews

The findings and recommendations resulting from the practice reviews are presented in a practice review report. The Firm addresses findings in the practice review by drawing up a detailed action plan setting out the action to be taken, the person(s) responsible, and the timing to implement the recommendations contained in the practice review report, where applicable.

In addition, the Firm communicates to the relevant partner and other appropriate personnel deficiencies (if any) noted as a result of the practice review and recommendations for appropriate remedial action. The 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 Firm.

#### **Statement of the Statutory Executive**

The statutory executives of the Firm are convinced that the internal control system as described above is effective in providing reasonable assurance that the Firm and its personnel comply with applicable professional standards and regulatory and legal requirements and that issued audit reports are appropriate in the circumstances.

### **5. Indication of the Date when the Last Independent Quality Assurance Review Took Place**

The last quality assurance review was conducted by the Chamber of Auditors in the period from 27 January to 5 February 2014. The quality assurance review was attended by representatives of the Audit Public Oversight Council.

## 6. List of Public Interest Entities Audited by the Firm During the Past Year

Set out below is a list of public interest entities where the Firm started, performed or completed a statutory audit during 2014.

- AGEL a.s.
- Arca Capital CEE, uzavřený investiční fond, a.s.
- ArcelorMittal Ostrava a.s.
- Atradius Credit Insurance N.V., organizační složka
- ČD Cargo, a.s.
- Česká exportní banka, a.s.
- Česká národní banka
- České dráhy, a.s.
- Diamond Point, a.s.
- DIRECT Pojišťovna, a.s.
- Dopravní podnik hl.m. Prahy, akciová společnost
- Družstevní záložna PSD
- ENERGO - PRO a.s.
- Evropsko-ruská banka, a.s.
- Fio banka, a.s.
- Komerční pojišťovna, a.s.
- MetLife pojišťovna a.s.
- MORAVIA STEEL a.s.
- Pioneer investiční společnost, a.s.
- Pioneer Asset Management, a.s.
- Raiffeisenbank a.s.
- RM-SYSTÉM, česká burza cenných papírů a.s.
- Slavia pojišťovna a.s.
- The Royal Bank of Scotland N.V. (organizační složka)
- TRINECKÉ ŽELEZÁRNY, a.s.
- UniCredit Bank Czech Republic and Slovakia, a.s.
- WOOD & Company Financial Services, a.s.
- WOOD & Company investiční společnost, a. s.

## 7. Statement Concerning the Firm's Independence Practices

The Firm has policies and procedures that are designed to provide reasonable assurance that it complies with applicable independence standards. These policies and procedures are based on the Code of Ethics for Professional Accountants ("Code"), and are enhanced, as appropriate, to reflect local standards or DTTL policies that may be more restrictive.

The Firm's system of quality controls related to independence includes the following:

- Independence policies and procedures;
- Compliance business process tools, including the Deloitte Entity Search and Compliance system, the Global Independence Monitoring System and Confirmations;
- Business relationship assessments and monitoring;
- Independence learning;
- Monitoring of independence systems and controls relating to personal independence, and engagement and practice reviews;
- Disciplinary measures and actions;
- Assignment of responsibility for independence systems and controls; and
- "Tone-at-the-top" culture relating to independence.

### 1: Independence Policies and Procedures

The Firm's independence policies and procedures cover the Firm, and the Firm's partners, professional, and support staff, and certain relatives thereof, where applicable. 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 Firm is to maintain independence with respect to an audit client ("restricted entity") and the client's affiliates.

Policies require that the Firm, and its partners, directors and professional staff, determine, among other things, whether an entity is a restricted entity before the Firm, a partner, a director or professional staff member (including, their spouse and dependents) engage in certain transactions with the entity. The Firm, partners, directors and managerial personnel enter their financial interests into the GIMS tracking system (the "Global Independence Monitoring System"). GIMS enables an electronic review of financial interests to help identify if independence restrictions may affect the ability to hold such items. The Firm annually obtains confirmations from its partners, professional staff and support staff that such individuals are in personal compliance with the Firm's independence policies.

The Firm's independence policies and procedures are made available electronically to the Firm's partners, professional staff and support staff. Updates to these policies and procedures are also made and communicated electronically to the 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. Every year, the Firm's partners, directors and professional personnel must complete compulsory e-learning on independence policies and procedures, including a final on-line test.

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 address the completeness of communications with the audit committee or those charged with governance, where required.

## **2: Deloitte Entity Search and Compliance System (DESC) system, the Global Independence Monitoring System (GIMS), and Confirmations**

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

### **Deloitte Entity Search and Compliance (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. The policy definition of an international restricted entity includes public audit clients, as well as other entities that may be of public interest. Such restricted entity information is recorded in the DESC system. The entity information provided by the Firm to DTTL is continuously updated to help ensure its accuracy and completeness, including periodic validation processes performed by engagement teams or the DTTL member firms. Updates to DESC's entity information are made daily based upon these processes. The Firm's partners and professional staff access DESC on-line.

DESC 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 pre-approve services that will be delivered within the restricted-entity group. Where such features are enabled, DESC'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.

### **Global Independence Monitoring System (GIMS) for financial interests and brokerage accounts**

Each DTTL member firm also identifies and reports the publicly-available securities and brokerage accounts that are associated with a restricted entity. Such securities and brokerage accounts 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 for an entity, and/or GIMS for a security or brokerage account, before acquiring a financial interest or establishing a brokerage account, to determine if restrictions apply that affect them. This includes investments for or on behalf of a close relative. Partners and managerial personnel enter defined types of such financial interests and accounts into their individual portfolios in GIMS for monitoring purposes.

GIMS assists partners and managerial personnel by identifying situations which may not comply with the 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 Firm monitors and follows-up on such notices until the individual resolves the item.

#### **Confirmations**

The Firm annually obtains confirmations from its partners, directors, professional staff and support staff. Annually, the Firm reports to DTTL that the 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 Firm itself is independent of restricted entities).

#### **3: Business relationship assessments and monitoring**

The Firm has a business relationships assessment 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.

#### **4: Independence Learning**

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

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

##### **Inspection of Personal Independence**

On a periodic basis, the Firm inspects for compliance with the Firm's independence policies and procedures. The objective of the inspection and testing programme is to determine whether the representations and 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 intervals not to exceed three years. Compliance with independence policies at both a firm level and at a client level is reviewed. Detailed information on these reviews is included above under section 4.

#### **6: Disciplinary Measures and Actions**

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

#### **7: "Tone-at-the-Top" Culture Relating to Independence**

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 Firm. Strategies and procedures to communicate the importance of independence to partners, professional staff and support staff have been adopted, emphasizing each individual's responsibility to understand the independence requirements.

### **8. Statement on the Policy Followed by the Firm Concerning the Continuing Education of Statutory Auditors**

All registered auditors in the Firm continuously improve their professional qualification through a combination of internal courses as well as external educational courses.

#### **Continuing Education**

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

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 Firm establishes minimum levels of continuing professional development to be undertaken by partners and professional staff within a specific period of time.

Continuing education is a key policy of the Firm, as this is an important means of developing knowledge and maintaining and improving the quality of our services. The Deloitte Learning intranet provides a starting point, including technical training (GAAP, GAAS, professional rules, tax, IT), management and interpersonal skills, business economics and industry-specific courses.

The continuing education programme is comprised of both Deloitte-organised training sessions as well as external training, among others by the Chamber of Auditors of the Czech Republic. Certain courses are mandatory and others are optional, such that each auditor or trainee auditor can personalise their learning programme.

More experienced auditors are expected to update and deepen their professional knowledge. Developing management and interpersonal skills is also very important for this group. There is also a system of accreditation for SEC registrants whereby a training course needs to be completed before an auditor may perform certain tasks.

Through an automated monitoring system it is possible to check the status of internal and external courses followed by an individual auditor. 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 Firm.

The Firm also monitors whether the continuing education programme meets the requirements of the Act on Auditors and the relevant guideline of the Chamber of Auditors of the Czech Republic.

## 9. Financial Information on Total Revenues

Given that the Firm's financial statements for the year ended 31 December 2014 have not yet been finalised and audited, the below stated information may differ from that stated in the final version of the financial statements.

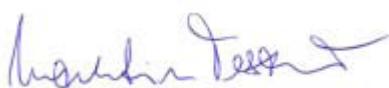
	CZK million
Mandatory audit and other assurance services	401
Tax advisory	0
Non-audit services	50

## 10. Information Concerning the Basis for Partners' Remuneration

The remuneration of each partner in the audit firm comprises two elements – role compensation and performance compensation – both of which are related to the contributions to the Firm made in their respective roles. Their role compensation is dependent on the scope and impact of their responsibilities. Their performance compensation is related to the achievement of goals set for each year.

Partners are evaluated once annually and their role and performance compensation is adjusted upwards or downwards on the basis of their past and planned contributions to the Firm.

In Prague on 20 March 2015



Martin Tesař  
Statutory Executive of Deloitte Audit s.r.o.

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Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's approximately 170,000 professionals are committed to becoming the standard of excellence.