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## Risk management

The overall risk landscape, both internally and externally, continues to be very volatile, uncertain, and complex with increasing demands from clients and higher scrutiny from regulators and legislators. Deloitte continues to relentlessly focus on quality and risk management (QRM) to actively monitor, strengthen, and improve its risk procedures.

There are external and internal risks that, if they materialized, could impact our ability to achieve our strategies—including the protection of our reputation and brand, and member firms' delivery of consistent, high-quality services. That's why Deloitte has implemented an enterprise risk framework (Framework) designed to identify, manage, monitor, and respond to risks. The Framework also includes processes to monitor the environment for developments and changes that could impact the network's risk profile (the aggregation of our risk exposure at a point in time), and identify (and respond to) new and/or emerging trends that could impact our resiliency to those risks.

Deloitte continuously assesses the adequacy of its QRM processes to proactively address matters that may arise from the internal and external environment, and promotes a culture where professionals can learn from each other's experiences.

### Promoting trust, confidence, and value

During FY2016, Deloitte took a number of actions to sustain our network's commitment to QRM, and enhance our ability to be "risk intelligent" and "risk resilient." They included:

- Developing and rolling out the global QRM strategy and prioritized key actions to support its successful execution;
- Refreshing our Framework to include a new risk profile and identifying the top-10 priority business risks to Deloitte;
- Developing a robust set of globally consistent,

world-class standards for confidentiality and information technology security; and

- Strengthening disciplinary policy and improving personal independence monitoring and reporting through revised independence policies.

### Globally consistent and scalable policies and processes

The DTTL Policies Manual (DPM) is the central repository for policies applicable to the Deloitte network. It provides the basis for member firms to establish and implement consistent and rigorous QRM processes, and sets forth policies for which member firm compliance is mandatory. Among the many DPM policies, there is a Framework policy whereby member firms are required to develop, implement, and document a Framework that is integrated into key member firm decision-making processes.

The DPM also includes a specific policy requirement for each member firm to appoint a senior and experienced "reputation and risk leader" (RRL) who is responsible for leading his or her member firm's QRM program and structure, with full support from senior risk leaders in each of the member firm's businesses. The RRLs are part of the member firms' executive leadership.

### Practice reviews

Practice reviews serve as an inspection and monitoring mechanism and are a critical component of the Deloitte network's system of quality control and risk management. Each member firm is responsible for conducting its own practice reviews under the guidance and oversight of Deloitte Global. Held at least once every three years, these reviews assess whether member firms comply, at a minimum, with DPM policies; if DPM policies are operating effectively in practice; and the quality of work performed and services delivered by member firms.

