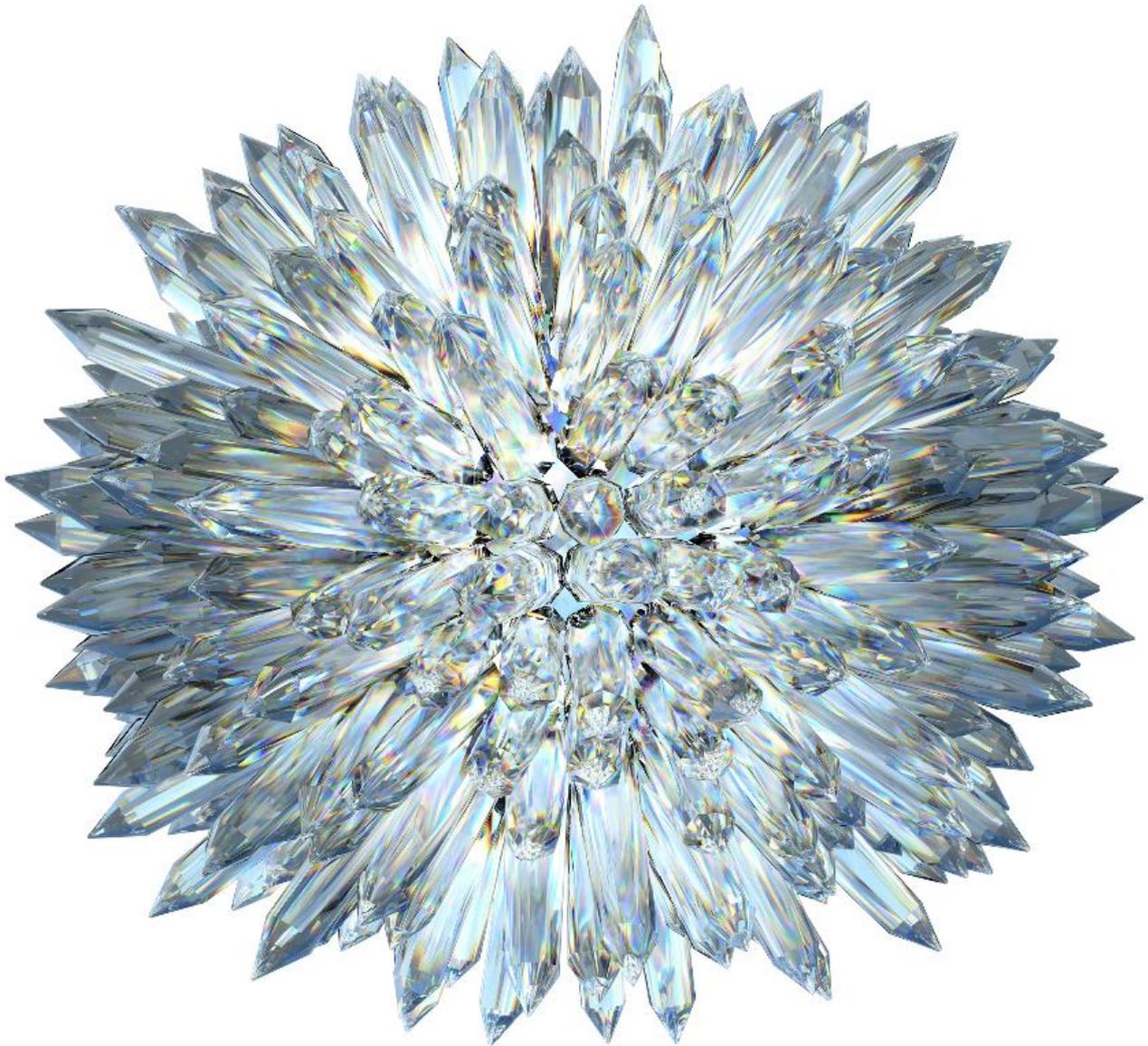


Deloitte.



Deloitte CIS
Transparency Report

For the year ended 31 May 2017

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Message from the Deloitte CIS CEO



I am pleased to present the Deloitte CIS Transparency Report for the financial year ended 31 May 2017.

As a key player on the CIS professional services market, we recognise that we serve the public interest. Our purpose is to make an impact that matters shaped by the high quality work we do in providing trust and confidence; in supporting growth and innovation; and in building skills and developing future business leaders. Our people are dedicated to serving our clients with distinction and integrity building confidence in the independent audit process. As financial reporting becomes increasingly complex, a relevant and reliable audit process is essential to upholding trust in business

transparency, maintaining investor confidence and broader confidence in capital markets.

We are vigilant in the face of changing regulatory and public expectations and remain focused on improving transparency and business ethics in the CIS. This in turn relates to the important responsibility we have as auditors and our working relationships with audit committees, regulators, government bodies and other stakeholders.

Our commitment to quality is deeply rooted in our culture of professional excellence and leading the public accounting profession. To this end, we continue to embrace technology to drive further quality improvements in our audit and have invested heavily in the form of enhanced tools and methodologies, recruitment programmes and training.

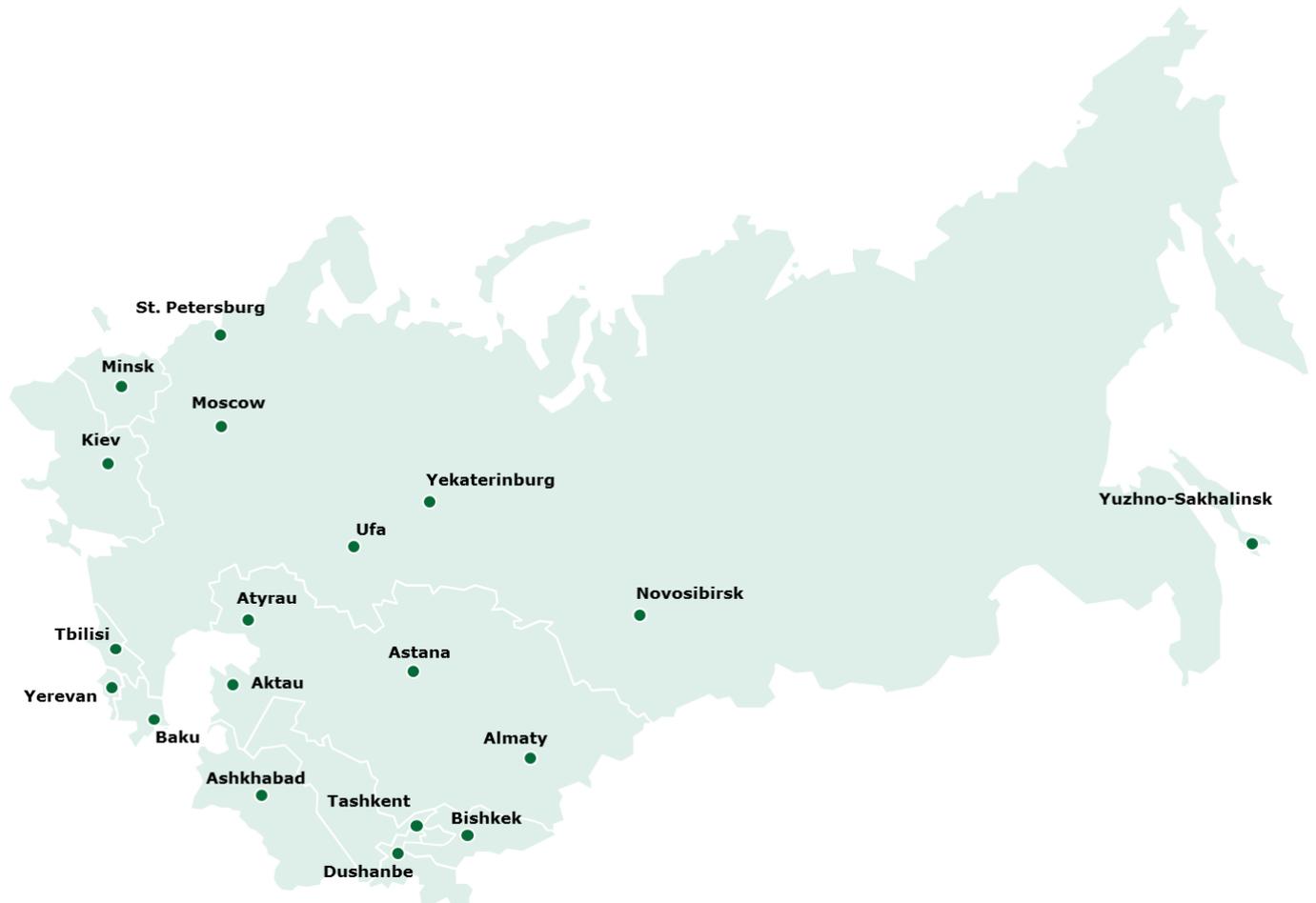
The last financial year has been defined by ongoing volatility and, while some economic stability has returned, the CIS region is likely to experience challenges ahead. By shaping our strategy to best serve the needs of the companies and organisations with which we work and the communities within which we operate, we contribute to the continual transformation of the CIS economies and make an impact that matters to our clients, our people and society. I hope that this report gives you a deeper understanding of our dedication and commitment to audit quality.

Yours sincerely,

Ian Colebourne

Chief Executive Officer, Deloitte CIS

Legal Structure, Ownership, Network and Governance



Legal Structure and Ownership

Deloitte CIS (“the firm”) includes all legal entities and their affiliates operating in the Commonwealth of Independent States, Georgia and Ukraine under the holding company Deloitte CIS Holdings Limited, a limited liability company incorporated under the laws of Guernsey, with its registered office located at: Kingsway House, Havilland Street, St Peter Port, Guernsey, GY1 2QE (“Deloitte CIS Holdings”). Deloitte CIS Holdings and ZAO Deloitte and Touche CIS are the CIS member firm of the Deloitte Network. Deloitte CIS Holdings does not render services to clients itself; rather, it renders services through its affiliated entities listed in Appendix 3. While Deloitte CIS Holdings is ultimately owned by several European entities of the Deloitte Network, Deloitte CIS partners are the beneficiaries of Deloitte CIS Holdings.

The largest audit practices within the firm include ZAO Deloitte & Touche CIS (Russia), TOO Deloitte (Kazakhstan) and PJSC Deloitte & Touche Ukrainian Service Company (Ukraine).

For a description of the Deloitte Network, please see Appendix 1.

Governance and Management Structure

Deloitte CIS

Deloitte CIS is led by the Chief Executive Officer (CEO). The CEO supervises the Deloitte CIS Executive Committee ("Executive Committee"), which is responsible for conducting the day-to-day management of the firm and overseeing its operations.

The Executive Committee assists the CEO in managing the firm. The Executive Committee implements the policies and strategies of the CIS Board of Directors, and is responsible for the firm's operating functions and for planning for the firm's future development.

Members of the Executive Committee are appointed by the CEO. Each partner serving on the Executive Committee has specific responsibilities, with an emphasis on the committee working as a team to lead the firm. For the year ended 31 May 2017 the Executive Committee included the CEO, the Chief Operating Officer, the Managing Partners of the Audit, Consulting, Financial Advisory and Tax & Legal functions, the Managing Partners for Talent and Quality & Risk Management, and the Managing Partners of the Caspian Region (principally Kazakhstan) and the West Region (principally Ukraine). The Executive Committee generally meets on a monthly basis.

The non-executive Chairman of Deloitte CIS heads the Deloitte CIS Board of Directors ("Board of Directors"). The Board of Directors provides oversight and guidance to the management of the firm and its subsidiaries regarding operations and long-term strategy. The Board of Directors, through its various committees, also reviews and approves actions on a variety of governance, operational, and administrative matters.

As standard practice, the firm's Board of Directors invites the general counsel to all meetings so that it can fully consider the legal implications of all matters.

For a brief biography of each member of the firm's Board of Directors and Executive Committee, please see Appendix 2.

Key Legal Entities of Deloitte CIS

The executive body of the key legal entities of the firm, comprising, among others (see Appendix 3), ZAO Deloitte & Touche CIS (Russia), TOO Deloitte (Kazakhstan) and PJSC Deloitte & Touche Ukrainian Service Company (Ukraine), is represented by their General Directors. The General Director is appointed to the position by shareholders or a board of directors, depending on the governance structure of the particular legal entity.

Significant leadership roles within the key legal entities of the firm are held by senior partners of the firm whose areas of responsibility include Ethical practices, the maintenance of appropriate Independence standards, monitoring of Risk & Reputation, and Quality Control of work performed for clients. There is no fixed term for these leadership roles.

This Transparency Report describes those roles, as well as other policies and procedures that are applicable to key legal entities of the firm. These policies may be managed through roles appointed at the level of the firm or its key legal entities.

Quality

Our commitment to outstanding audit quality is evident in the processes we employ to guide how we conduct each stage of the engagement, from client acceptance, through performing the audit, to communicating with audit committees. By delivering consistent, objective and insightful assurance and advice of the highest quality, underpinned by our strong ethical principles, we earn the trust of our stakeholders.

Overview of Quality Control Procedures

When taken as a whole, this overview provides a summary of the firm's quality control policies and procedures related to the provision of services, and is organised into the following sections:

- Leadership responsibilities for the quality control system
- Ethical requirements
- Independence
- Client and engagement acceptance and continuance
- Talent
- Engagement performance
- Monitoring

Leadership Responsibilities for the Quality Control System

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

Ethical requirements

Deloitte CIS strives to act at all times with honesty and integrity, within the letter and the spirit of applicable laws. We bring appropriate skills and capabilities to every client engagement and are objective in forming our professional opinions and the advice we give. We are committed to fair business practices, and respect the confidentiality of information.

Deloitte professionals are expected to act with integrity in accordance with high ethical standards. We strive to maintain this tradition through a range of correspondence and training courses promoting ethical behaviour.

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

The ethical requirements for audit and related assurance services provided by the firm incorporate the national ethical requirements of the countries in which the firm conducts its operations. The firm also complies with the [Deloitte Touche Tohmatsu Limited \("DTTL"\)](#) policies and procedures, which align with the requirements and guidance set out in 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). In cases where the national professional requirements are more restrictive than the DTTL policies and procedures, the firm follows the applicable national requirements.

The firm has appointed a Chief Ethics Officer, who is an experienced partner who does not hold an executive role, and who has direct access to the CEO, the Managing Partner for Quality & Risk Management (who is our Risk & Reputation Leader) and the Board of Directors. In addition, the 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 firm provides communication channels through which partners, professional staff and support staff can consult on and report ethical issues and situations. The firm reinforces its commitment to ethics and integrity through communication tools, learning programmes, compliance processes and measurement systems.

Each year, the firm requires all partners, professional staff and support staff to confirm that they have read and understood the code of conduct and understood that it is their responsibility to comply with it.

Independence

Global regulators are increasingly focused on ensuring that audit firms are truly independent from their clients. At Deloitte CIS, our processes and procedures are designed to ensure the firm and our people maintain independence both in perception and in reality from our audit clients.

The firm has policies and procedures that are designed to ensure we comply with the applicable professional standards that relate to independence. These policies and procedures are based on the Code, and are enhanced, as appropriate, to reflect local standards or D TTL policies that may be more restrictive.

The firm's system of quality control in relation to Independence comprises the following:

- Independence policies and procedures
- Compliance business process tools, including the Deloitte Entity Search and Compliance ("DESC") system, the Global Independence Monitoring System ("GIMS"), Annual Confirmations and Consultation
- Business relationship assessment 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
- "Tone-at-the-top" culture relating to Independence
- Conflicts of interest

Independence Policies and Procedures

The firm's Independence policies and procedures cover the firm, all of its partners, professional staff and support staff, as well as some members of their family, where applicable. These policies and procedures are, in some instances, more restrictive than the Independence standards set forth by the Code and contain specific Independence requirements that are applicable when the firm is required to maintain Independence with respect to an audit client ("restricted entity") and its affiliates.

Policies require the firm, its partners and professional staff to determine, among other things, whether an entity is restricted before the firm, a partner or a professional staff member (including his/her spouse, spousal equivalent and dependents) engage in certain transactions with that entity. The firm, partners and managerial personnel provide data on their financial interests and brokerage accounts to our GIMS support center, who enter the information into a tracking system ("GIMS"). GIMS enables the user to conduct an electronic review of financial interests and brokerage accounts to help identify if independence restrictions may affect the ability to hold the said items. The firm obtains confirmations from its partners, professional staff and support staff

upon joining the firm, as well as ongoing confirmations on an annual basis, that such individuals are in personal compliance with firm's independence policies.

The firm's Independence policies and procedures are made available electronically to all of 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 the Independence section of the firm's 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, requiring 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.

The firm's policy covers rotation requirements on different type of engagements. For SEC restricted entities rotation period is five consecutive years with 5 years cooling-off period. For other entities, rotation period is seven consecutive years with 2 years cooling-off period.

DESC System, GIMS, Annual Independence Confirmations and Consultations

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

DESC System

Using DESC, each DTTL member firm reports the names of its audit clients and their affiliates that meet the definition of a restricted entity. Such restricted entity information is recorded in the DESC system. The entity information provided by the DTTL member firms 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 on these processes. The 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 authorisation prior to approving the service request.

GIMS for Financial Interests and Brokerage Accounts

Each DTTL member firm identifies and reports the publicly available securities and brokerage accounts at financial institutions that are associated with an international restricted entity. Such securities and financial institutions are recorded in GIMS. DTTL operates GIMS on behalf of its member firms, and each DTTL member firm administers the related monitoring processes related to its partners and professional staff. Partners and professional staff search the DESC and/or GIMS before acquiring a financial interest or establishing a brokerage account, to determine if restrictions apply that affect them. This includes investments and brokerage accounts of a spouse, spousal equivalent, and dependent. Partners and managerial personnel enter defined types of financial interests and brokerage accounts into their individual portfolios in GIMS for monitoring purposes.

In addition, GIMS assists partners and managerial personnel by identifying situations that may not comply with the firm's policies so that they may 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 that aid the individual in determining whether the item is permitted in particular circumstances. This includes generating notices, which are sent to an individual in situations where a once-permissible holding becomes restricted, so that appropriate and timely action can be taken. The firm monitors and follows up on these notices until the individual resolves the item.

Confirmations

The firm obtains confirmation from all of its partners, professional staff and support staff upon joining the 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 an annual basis from all individuals. The firm submits annual reports to DTTL, confirming that it has taken appropriate steps to obtain sufficient evidence that it and its partners, professional staff and support staff comply with the applicable independence requirements (including that the firm itself is independent of restricted entities).

Consultation Network

The 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 firm consults with DTTL's independence group and other member firms when it determines that additional input or advice is needed under certain circumstances.

Business Relationship Assessments and Monitoring

The firm has a business relationship assessment and monitoring process. The objective of this process is to ensure that prior to entering into any business relationship with a restricted entity, its management or its substantial shareholders, it can be determined that the relationship does not impair Independence with respect to that restricted entity.

Independence Learning

The firm provides Independence learning to all of its partners and professional staff. This learning material comprises mandatory e-learning modules, which are made available by DTTL.

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

Inspection of Personal Independence

On a periodic basis, the firm inspects for compliance with its independence policies and procedures. The objective of the inspection and testing programme is to determine whether the representations and information submitted by partners and managers on Independence matters and the information contained in GIMS is accurate and complete.

Inspection of the Firm's Compliance

The firm is subject to an annual practice review. Compliance with independence policies at both the firm and client levels is reviewed.

Statement on the Internal Review of Independence Compliance

Based on the results of its internal practice review, the firm is able to confirm that an internal review of independence policies and procedures has been properly conducted.

See further details on engagement and practice reviews in the "Monitoring" section below.

Disciplinary Measures and Actions

The firm has disciplinary policies and procedures in place to address noncompliance with its independence policies and procedures. These disciplinary policies and procedures are designed to provide an appropriate response to breaches of said policies and procedures by partners, professional staff and support staff.

Assignment of Responsibility for Independence Systems and Controls

The firm has assigned a Director of Independence, who is responsible for implementing and maintaining quality controls over independence. More specifically, the CIS Director of Independence is responsible for taking the lead on all significant independence issues within the firm, including the implementation and maintenance of the 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 the 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 firm's Director of Independence, the firm's management and the DTTL independence group. Further, the Director of Independence provides an update to the firm's Board of Directors at least annually about the significant independence matters that are relevant to the 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 firm level.

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

The firm’s 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 independence requirements.

Conflicts of Interest

Potential conflicts of interest are considered on all prospective engagements and prior to the firm entering into a financial or business relationship with a third party. The firm has policies and procedures in place to identify potential conflicts of interest arising when the firm either (i) accepts a prospective client/engagement or (ii) enters into certain business or financial relationships with another entity.

The Deloitte Conflict Checking System (‘DCCS’) is designed to support the firm’s conflict-checking business process for identifying and managing 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, the engagement team, and specific questions that are driven by the proposed service offering. As a part of each conflict check recorded in DCCS, there is an automated search of the DESC system to identify any potential audit/attest relationships. Conflict check process includes also research in a number of databases. The results are analyzed by the analysts and the final summary with conditions set is provided to the engagement teams, who must comply with the conditions in order to proceed with client/engagement acceptance process.

Client and Engagement Acceptance and Continuance

The 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 firm with reasonable assurance that it will only accept engagements if it:

- is competent to perform the engagement and has the capabilities, time and resources to do so
- can comply with the relevant ethical requirements, including independence and conflict of interest assessments and considerations
- has considered the integrity of the client, and has found no information that would lead it to conclude that the client lacks integrity.

The engagement risk classification associated with accepting an appointment to serve a client 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 the concurrence of the firm’s Audit Risk Leader or his/her appointed proxy in all cases. If the engagement risk is considered to be “much greater than normal” the firm’s Risk & Reputation Leader must also provide his/her approval before accepting the engagement.

For international engagements, engagement acceptance and continuance procedures are performed at the level of the firm. The firm does not automatically assume that a client and/or engagement are acceptable on the basis that it has been referred by another member firm.

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

- Management characteristics and integrity
- Organisational and management structure
- Nature of the business
- Business environment
- Financial results
- Business relationships and related parties
- Prior knowledge and experience
- Professional competence and availability of the firm’s practitioners

The 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 continues throughout the engagement. Risk assessment tools and programmes are encompassed in the audit approach and in common documentation to facilitate a comprehensive risk assessment for planning an audit once an engagement has been accepted.

On an annual basis, engagements in process for more than one year are evaluated to determine if the engagement should be continued. The factors discussed above are revisited to ascertain whether the relationship should continue or not.

In addition, any time an entity undergoes a significant change (e.g. a change in ownership or management, the financial condition or the nature of its business), the decision to continue the relationship is reevaluated.

Engagement continuance decisions are approved by the firm's Audit Risk Leader or his/her proxy.

Engagement Performance

Audit Approach

The 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 the IFAC. The firm has further supplemented these requirements and guidance to reflect local requirements as applicable. Common documentation and enabling software technology are tools that enhance the consistency with which the firm's audit approach is implemented and promote both effectiveness and efficiency.

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

Understanding of the entity and its environment

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

The firm's engagement teams develop this understanding and assess risks of material misstatements in a number of ways, including analysing financial information to identify trends and unusual balances, holding in-depth discussions with the management and those in charge with governance, considering the inherent nature of each component of the financial statements and the associated risks, evaluating the design of relevant internal controls and determining if they have been implemented, assessing the extent to which technology is used in the financial reporting process, and, if applicable, reviewing the findings of internal audit inspections.

Where 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, IT specialists may be involved in the audit engagement.

Audit procedures

The engagement team develops an audit plan to address the risks associated with the entity, the audit engagement, and financial reporting as a whole.

Throughout an audit, the engagement team continually assesses risk and the effects of their findings on audit procedures. The firm's audit approach allows partners and professional staff to modify audit procedures to address issues that arise during the course of an 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.

Continuous improvement in performance

To improve an audit and monitor progress toward meeting the objectives established during the initial stage of an audit, the engagement team applies both formal and informal means to seek feedback from those in charge with governance and from management. This process enables them to identify issues that must be addressed and areas where improvements can be made.

Use of experts

While the audit engagement partner retains responsibility for all aspects of an engagement, there are instances when an engagement team utilises an expert. In these instances, the engagement team must first evaluate whether or not the expert has the necessary competencies, capabilities and objectivity.

In evaluating whether or not an expert's work constitutes appropriate audit evidence in support of 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 the results of its audit procedures.

Engagement documentation

The 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 the following timeframes:

1. 60 days from the date of the report
2. the period set out in applicable professional standards, regulatory and legal requirements.

The firm's policies and procedures address the retention of documents (in hard copy and electronically), including those that address the confidentiality, safe custody, integrity, accessibility of, and the ability to retrieve archived documentation.

Audit Approach Evolution

Evolution and innovation in audit are important to the firm and its clients. The firm has launched a new Deloitte Audit Platform ("Deloitte Audit") in 2016. Deloitte Audit enables the audit engagement teams to:

- build bespoke audits based on the client's unique business characteristics
- focus its work on key risks and judgement areas through robust mapping tools
- enhance its control over large, complex audits
- receive real-time information on the progress of the audit
- apply the latest regulatory content and industry intelligence
- easily capture and report key findings and insights.

Deloitte Audit focuses on partner leadership, early planning and response to significant risks to deliver a robust audit, which evolves alongside the audited entity's business and delivers the assurance and value the clients require. Its objective is to ensure an intelligent audit, delivered by insightful professionals who focus their efforts on the right areas, leveraging the latest audit software and analytical capabilities to bring a valuable independent perspective to the table.

Engagement Team Reviews

A review of audit documentation must be performed by a member of the engagement team with more experience than the person who prepared the documentation originally. In some cases, certain elements of the audit documentation may be reviewed by multiple team members.

Engagement Quality Control Reviews

An engagement quality control review is performed for all audit and related assurance services. The review is performed by a partner or director who is not directly involved in the engagement and who has the appropriate experience and knowledge about the 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 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 the particular type of audit.

The reviewer receives appropriate briefing from the engagement team and conducts the review in such a manner so as to obtain sufficient knowledge and understanding in order to reach a valid and well-founded conclusion. The reviewer's responsibilities are to perform an objective review of significant auditing, accounting, and financial reporting matters, to document the procedures he/she performs, and to conclude, based on all the relevant facts and circumstances of which he/she is aware, that no matters that have come to his/her attention would cause him/her to suspect that the significant judgments made and conclusions reached were inappropriate, given the circumstances.

Special Reviews

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 provide specialised resources.

Consultation Network and Differences of Opinion

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

To facilitate the technical consultation process for audit, the firm has a regional accounting and audit consultation structure. Practitioners submit topics on which they require consultation to the Consultation Network, which consists of industry partners across the region with specialized skills and experience. In addition, a firm's Professional Practice Director with specialized technical skills and experience is supported by experts in areas such as regulatory filing requirements, technical audit requirements and complex accounting matters, including off-balance-sheet transactions, derivatives and consolidations. Certain specialised consultations must be directed to the Professional Practice Director and his/her group of experts.

There are also policies and procedures in place to resolve differences of opinion among partners and other members of an engagement team, including those who are involved in a consultative capacity.

Talent

The Talent department at Deloitte CIS works to ensure that all human resources procedures are conducted fairly and independently. Under our guidance, new employees are hired, people's achievements recognised and rewarded and remuneration made with the maximum level of transparency.

Investing in Talent equips us to provide exceptional service. Our professional development programme serves as evidence that we recognise that continuous improvement requires continuous learning. We provide training on technical and regulatory matters, professional ethics and Independence and other topics. Our hiring and advancement practices ensure that we have the number and calibre of people we need to live up to our commitment to quality and professional leadership.

Hiring

The 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 firm to issue reports that are appropriate in the circumstances.

The firm has well-established recruitment programs in place for both graduates and experienced professionals. Optimal HR solutions are applied to identify top candidates at all levels, including the global Recruitment Management System (RMS), university relations, referral programmes, job boards, social networking, agency relations, and more. Both graduate and experienced professional candidates go through competency-based interviews and testing stages in order to find those candidates that are the most appropriate fit for the firm.

Advancement

The 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 levels of professional staff within the firm and descriptions of the related competencies required to perform effectively at each level
- Advancement policies and procedures that identify the experience and performance qualifications for advancement to each level
- Procedures for periodic performance evaluation
- A counselling programme to assist professional staff in identifying realistic career paths and developing action plans to help realise professional goals

As such, the Performance Management Approach (“PMA”) forms the basis for structuring the continuing professional development program.

All audit partners and professional staff take personal responsibility for ensuring 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 audit partners and audit professional staff over a set period. These levels include a minimum of 20 hours of structured learning per year and 120 hours of structured learning per 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 or external courses, seminars, or e-learning covering all areas of the competency model (i.e. shared competencies, function-specific technical competencies, and competencies in areas of specialisation).

The firm has established a process for monitoring the level of structured learning undertaken each year by audit partners and professional staff. Policies and procedures are in place for recording and reporting what structured learning has been undertaken, together with procedures for monitoring and assessing compliance.

Assignment of Partners and Professional Staff to Audit Engagements

The firm assigns responsibility for each audit engagement to an audit engagement partner or director. Directors may assume responsibility for audit engagements assessed at “normal” risk if so assigned and approved by the firm’s Audit Risk Leader. The firm’s policies define the responsibilities of the audit engagement partner/director, and those responsibilities are communicated to that partner/director. The identity and role of the audit engagement partner/director is communicated to key individuals of the client's management team and those charged with governance at the client.

The firm also has policies and procedures in place to ensure that partners and professional staff assigned to all audit engagements have the degree of proficiency that is appropriate for their roles and responsibilities on the engagement.

An engagement team ordinarily includes one or more of each of the following: an audit engagement partner and/or an audit engagement director, a senior manager and/or manager, a 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 or director, to whom responsibility for the conduct of all audit services on the engagement is assigned. The audit managers assigned to an engagement are responsible for providing primary supervision of and direction to the professional staff in the execution of the audit plan and in the performance of the audit engagement. A 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/director considers many factors to determine if the engagement team collectively has the appropriate capabilities, competencies, and time to perform an audit engagement. Factors considered when determining this include (but are not limited to):

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

Monitoring

Annual Quality Assurance Review

In accordance with DTTL policies, the firm's audit practice is subject to an annual quality assurance review, commonly referred to as a "practice review". Compliance with this policy is ensured via 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 offices each year. Every practice office is subject to a practice review at intervals not exceeding three years. The audit partners with engagement responsibilities ordinarily have a sample of their engagements reviewed at intervals not to exceed three years. Consideration is also given to the performance of directors and managers. Candidates for partner nomination would ordinarily be expected to have been covered in the most recent practice review prior to their expected admission.

The firm is responsible for the practice review. DTTL provides guidance and oversight regarding practice review plans and procedures. The general coordination and administration of the practice review programme is the responsibility of the firm's Practice Review Director, in conjunction with the Regional Practice Review Director.

The practice review plan, process and results are reviewed and concurred with by a partner from another member firm (the "external partner") within the Deloitte Network every year. The external partner who is assigned this responsibility works closely with the firm's Practice Review Director in overseeing and challenging the planning and performance of the practice review.

Types of engagements reviewed

The engagements selected for review include both national and inbound/outbound transnational engagements (audits of financial statements that are or may be used across national borders), with the greatest level of focus on public interest entities and high risk, sensitive or complex audit engagements. Additionally, certain attest engagements are selected, including reviews, agreed-upon procedure engagements and engagements where the result is the issuance of a comfort letter on a debt/securities transaction. All major industries served by the firm are considered.

Scope of practice reviews

Reviewers are chosen from regional or international pools and from other offices within the 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/director and manager(s) responsible for the engagement, as well as a review of related reports, working papers and, where appropriate, correspondence files.

Engagements are reviewed with a view to:

- Determine whether quality control procedures have been properly performed for such engagements
- Assess the adequacy of the 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
- Assess the overall quality of services provided to clients.

The overall risk management and quality control policies and procedures applied by offices within the firm are also reviewed, including the following:

- The risk management programme, including engagement acceptance and continuance
- Independence
- Recruitment and advancement
- Professional development
- Public filings in other countries
- Information technology specialist reviews
- Consultation with in-house experts
- Consultation with outside experts
- Engagement quality control reviews.

Results of practice reviews

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

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

The most recent internal practice review of Deloitte CIS was completed in September 2016. The practice review for the recent financial year ended 31 May 2017 is currently in progress and is expected to be completed in October 2017.

Quality assurance reviews by professional audit organisations

The firm's largest audit practices also undergo quality reviews conducted by professional audit organisations. The most recent such reviews were carried out as follows:

1. ZAO Deloitte & Touche CIS (Moscow, Russia) is a member of the Russian Union of Auditors, a professional audit organisation. Russian Union of Auditors is a self-regulating body that performs quality assurance reviews of its members in accordance with Russian legislation.

2. ZAO Deloitte & Touche CIS (Moscow, Russia) was reviewed by the state body, Federal Treasury in July - August 2016.
3. Deloitte LLP (Almaty, Kazakhstan) is a member of the Chamber of Auditors of the Republic of Kazakhstan, a professional audit organisation that performs quality assurance reviews of its members in accordance with Kazakhstani legislation. The most recent review of Deloitte LLP took place in May 2017.
4. PJSC Deloitte & Touche USC (Kyiv, Ukraine) is a member of the Audit Chamber of Ukraine, a professional audit organisation that performs quality assurance reviews of its members in accordance with Ukrainian legislation. The most recent review of CJSC Deloitte & Touche USC took place in November 2016.
5. Deloitte LLP (Dushanbe, Tajikistan) was reviewed by the state regulatory body, the Ministry of Finance in September 2016.
6. "Deloitte & Touche" Audit organization LLC (Tashkent, Uzbekistan) was reviewed by the state regulatory body, the Ministry of Finance in November 2016.

Quality assurance reviews by international regulators

Certain legal entities of the firm are registered with regulators in the U.S., the European Union and Jersey:

- ZAO Deloitte & Touche CIS (Russia) is registered with Public Company Accounting Oversight Board ("PCAOB") (USA), the Professional Oversight Board of the Financial Reporting Council (UK) and the Jersey Financial Services Commission (Jersey).
- Deloitte LLP (Kazakhstan) is registered with PCAOB (USA), the Professional Oversight Board of the Financial Reporting Council (UK) and La Commission de Surveillance du Secteur Financier (Luxembourg).
- PJSC Deloitte & Touche USC (Ukraine) is registered with PCAOB (USA).

The most recent reviews by international regulators were as follows:

1. PCAOB conducted an inspection of ZAO Deloitte & Touche CIS in August 2016, and issued an inspection report dated 25 May 2017.
2. The Institute of Chartered Accountants in England and Wales ("ICAEW") conducted an inspection of ZAO Deloitte & Touche CIS in November 2016, and issued an inspection report dated 24 March 2017.
3. The Financial Reporting Council (UK) conducted an inspection of Deloitte LLP in September 2013, and issued an inspection report dated 4 December 2013.

Commitment to continuous improvement

The firm takes regulators' observations very seriously, and acts promptly in response to all opportunities to enhance the quality of its audits. The firm has used the constructive feedback from past inspections to make changes that are yielding the desired improvements in audit quality, and continually performs analysis to identify the factors contributing to inspection findings and to develop action plans to improve audit quality.

The firm has instituted a single definition of professional excellence, and holds its professionals accountable for meeting this high standard. It has introduced an enhanced risk-based audit methodology, which requires customised audit plans and the increased exercise of professional judgement, and has committed all audit professionals to carrying out a series of "Audit Imperatives", directed at areas that

have experienced a high rate of inspection findings, both globally and at the firm's level.

Complaints and Allegations

The firm's policies and procedures are designed to provide reasonable assurance that all complaints and allegations that the work performed by the firm failed to comply with professional standards, regulatory and/or legal requirements, or the firm's quality control system, are dealt with appropriately. All complaints and allegations are dealt with confidentially, taken seriously and directly handled by the firm's partners responsible for Ethics, Talent, Independence, Reputation and Risk or Audit Risk, where appropriate.

Statement on the Efficiency of the Functioning of the Internal Quality Control System

The firm is satisfied that its internal quality control system, whether centralised or decentralised, operates effectively and allows for the prompt identification of any areas for potential improvement or refinement.

Public Interest Entities Audited by the Firm Throughout the Year

A list of public interest entities audited by the firm can be found in Appendix 4.

Appendix 1. Description of the Deloitte Network

The “Deloitte Network” is comprised of firms that are members of Deloitte Touche Tohmatsu Limited, an English 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 services, 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 across 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.

Appendix 2. CIS Board of Directors and Executive Committee

CIS Board of Directors



David Owen

Chairman of the CIS Board

David joined Deloitte in South Africa, becoming a partner in 1990. After moving to the UK in 1994, he took on a number of leadership roles in the Consulting function before heading up the UK Consulting division in 2000, where he worked with some of the firm's most prestigious clients. During 2011-2015, he was CEO of the CIS firm.



Ian Colebourne

CEO, Deloitte CIS

Ian was appointed CEO of the CIS firm in 2015. Prior to his appointment, he led the firm's Financial Advisory function as a solicitor by qualification and a forensic practitioner by trade. He established the first forensic practice in the CIS and has over 20 years of experience leading corporate investigations and fraud risk management assignments.



Thierry Benoit

Deloitte France

Thierry is an audit partner for Deloitte for over 25 years. He has a wide range of experience in directing and managing audit of multinational corporations. Thierry was a member of Deloitte France Board of Directors and lead the Audit Department in France.



Olga Tabakova

Partner, Audit & Assurance

Olga leads the Deloitte CIS Technology, Media & Telecommunications (TMT) Group of Deloitte CIS. She has over 20 years' experience of providing audit and financial consulting services in Russia and the US. Over the last ten years, she has specialised in providing professional services primarily to companies in the TMT industries.



Nuran Kerimov

Partner, Tax and Legal

Nuran is the Managing Partner of Deloitte Azerbaijan, and heads the Tax & Legal practice. He has significant experience in advising international and Azerbaijani companies on a variety of tax and associated business issues. He has participated in numerous projects related to development of corporate structures, international, corporate and individual taxation, currency and customs regulations.



Alexander Dorofeyev

Partner, Audit & Assurance

Leader of the CIS Audit Committee
Alexander joined Deloitte in 1994 and, as well as Moscow, has worked at the offices in Detroit and London. He holds an MSc and an MBA, is a Russian Certified Auditor and an ACCA member. He focuses on the consumer products, retail and services sectors and is an IFRS audit and corporate governance expert, with particular experience in IPO listings and Eurobond placements.

CIS Executive Committee



Ian Colebourne

CEO, Deloitte CIS

Ian was appointed CEO of the CIS firm in 2015. Prior to his appointment, he led the firm's Financial Advisory function as a solicitor by qualification and a forensic practitioner by trade. He established the first forensic practice in the CIS and has over 20 years of experience leading corporate investigations and fraud risk management assignments.



Svetlana Meyer

Partner, Tax & Legal,
Talent leader

Svetlana leads Talent and Global Employee and Private Client Practice in CIS. Over the course of her career, she has specialised in employee remuneration structuring, long-term incentive plans, payroll, pension and social tax implications, country-specific tax compliance, and labor law issues.



Thomas Dix

COO

Thomas has 23 years of experience working in professional services the majority of which in Russia and the CIS. Before joining Deloitte CIS, he led a large CIS Advisory practice and focused on advising clients in various industries on their M&A and capital markets transactions. Over the last 12 years, he specialised in the Financial Services sector, working with some of the largest Russian, Kazakh and European banks.



John Roberts

Managing Partner Quality & Risk
Management

John is the firm's Risk and Reputation Leader and has nearly 25 years of audit and advisory experience with Deloitte working with a wide variety of public companies in the CIS, the UK and the US. He has principally worked with our TMT clients during the majority of his career as well as leading our services to many of our clients undertaking international IPOs during his 12 years in the CIS.



Anastasia Osipova

Managing Partner, Consulting

Anastasia has over 20 years of in-depth experience in strategic consulting underpinned by a background in accounting. She is a co-founder of the Russian Association of Corporate Treasurers (RACT) and is a regular speaker at industry events and conferences.



Alexander Sokolov

Managing Partner, Financial Advisory

Alexander has over 15 years of forensic experience. He has led a number of large scale and complex fraud and bribery investigations, corporate intelligence, money laundering and fraud risk management engagements in Russia and the CIS. Alexander is a frequent speaker on fraud and corruption and has been quoted in Russian press and other media



Grigory Pavlotsky

Managing Partner, Tax & Legal

Grigory's key focus is on working with global clients across a range of sectors on advisory, due diligence and transaction structuring projects related to the acquisition of CIS companies. He joined Deloitte in New York, in the International Tax Department. He led the Tax & Legal practice in the West region before being appointed Managing Partner of CIS Tax & Legal.



Jacques Strydom

Managing Partner, Audit & Assurance

Jacques joined Deloitte in Moscow in 2005 and in 2011 transferred to the UK firm in London. He returned to Moscow in 2013 to lead the audit practice in Russia, assuming his current role in December 2014. Jacques has over 17 years of audit and capital market experience in South Africa, Russia, the UK, South East Asia and India, including FTSE 100 energy and resource companies and mining clients.



Andriy Bulakh

Managing Partner,
West region

Andriy has more than 15 years of audit experience. He leads the firm in the West region and the CIS Innovations team. Andriy is an ACCA member and has U.S. GAAP and IFRS experience, gained working with multinational, large state-owned and public enterprises across a number of industry sectors.



Mark Smith

Managing Partner,
Caspian region

Mark joined Deloitte in Almaty to lead its regional Financial Services audit group in 2007. He was appointed Managing Partner of the Caspian region in 2012. Mark works with clients in the banking, insurance and manufacturing sectors and provides audit services under IFRS, U.S. GAAP and UK GAAP.

Visit www.deloitte.ru for full information about the Deloitte CIS leadership

Appendix 3. Legal entities of Deloitte CIS

Name of entity	Country	Type of legal entity	Office locations	Key service lines
ZAO Deloitte & Touche CIS	Russia	Closed Joint Stock Company	Moscow, St. Petersburg, Ufa, Yekaterinburg, Yuzhno-Sakhalinsk, Novosibirsk	Audit, Financial Advisory
Deloitte Consulting LLC	Russia	Limited Liability Company	Moscow, St. Petersburg, Ufa, Yekaterinburg, Yuzhno-Sakhalinsk	Consulting, Tax
Deloitte & Touche Regional Consulting Services Limited	Cyprus	Company limited by shares	Moscow, Baku, Tbilisi	Tax
Deloitte LLP	Kazakhstan	Limited Liability Partnership	Almaty, Astana, Atyrau	Audit
Deloitte TCF LLP	Kazakhstan	Limited Liability Partnership	Almaty, Astana, Aktau, Atyrau	Financial Advisory, Consulting, Tax
Deloitte Services LLP	Kazakhstan	Limited Liability Partnership	Astana	Financial Advisory, Consulting, Tax
PJSC Deloitte & Touche USC	Ukraine	Private Joint Stock Company	Kyiv	Audit, Tax, Financial Advisory and Consulting
DELOITTE & TOUCHE Ltd.	Ukraine	Limited Liability Company	Kyiv	Audit, Tax, Financial Advisory and Consulting
Deloitte Armenia CJSC	Armenia	Closed Joint Stock Company	Yerevan	Audit, Tax, Financial Advisory and Consulting

Name of entity	Country	Type of legal entity	Office locations	Key service lines
Deloitte & Touche LLAC	Azerbaijan	Limited Liability Audit Company	Baku	Audit, Tax, Financial Advisory and Consulting
FUE Deloitte & Touche	Belarus	Foreign Private Unitary Audit Enterprise	Minsk	Audit, Tax, Financial Advisory and Consulting
Deloitte Legal UE	Belarus	Unitary Enterprise for Provision of Services	Minsk	Tax
Deloitte & Touche LLC	Georgia	Limited Liability Company	Tbilisi	Audit, Tax, Financial Advisory and Consulting
Deloitte & Touche LLC	Kyrgyzstan	Limited Liability Company	Bishkek	Audit, Tax
Deloitte & Touche LLC	Tajikistan	Limited Liability Company	Dushanbe	Audit
Deloitte LLC	Tajikistan	Limited Liability Company	Dushanbe	Consulting
Deloitte LLC	Uzbekistan	Limited Liability Company	Tashkent	Financial Advisory
Audit Organization Deloitte & Touche LLC	Uzbekistan	Limited Liability Company	Tashkent	Audit, Tax
Deloitte Turkmenistan ES	Turkmenistan	Economic Society	Ashgabat	Audit, Tax, Financial Advisory and Consulting

Appendix 4.

Public interest entities audited by Deloitte CIS

The following is a list of public interest entities, as defined by Directive 2006/43/EC of the European Parliament and Council of 17 May 2006, listed on recognised stock exchanges outside the CIS, as well as public interest entities listed in the U.S., for which the firm has signed an audit opinion during the year ended 31 May 2017. Please note that entities that could be regarded as public interest entities but are not listed on the above stock exchanges are not included on this list.

Russia

- Brunswick Rail Group
- Cherkizovo Group OJSC
- Mobile Telesystems OJSC
- MTS Bank
- Novorossiysk Commercial Sea Port NCSP
- Polyus Gold International Limited
- Sistema JSFC
- Yandex N.V.

Kazakhstan

- Halyk Bank JSC
- Kazakhstan Temir Zholy National Company JSC
- Kazkommertsbank JSC
- Kcell JSC

Ukraine

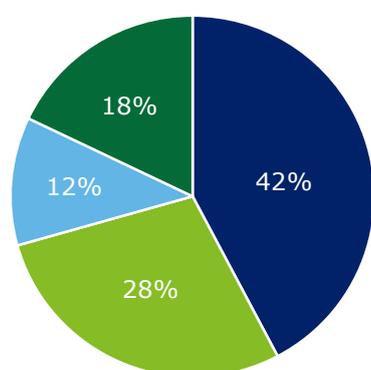
- MHP S.A.

Appendix 5. Financial information

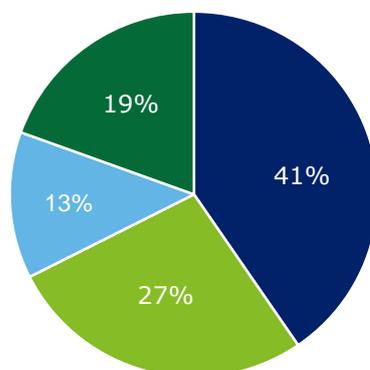
The following table summarises the revenues of Deloitte CIS:

Fiscal Year Ended 31 May	2017	2016
Revenue (thousand USD)	153,473	148,997

2017
Revenue



2016
Revenue



■ Audit ■ Tax & Legal ■ Consulting ■ FA ■ Audit ■ Tax ■ Consulting ■ FAS

The fees earned by the firm's largest audit practices in the fiscal year ended 31 May 2017 are as follows:

Type of services	ZAO Deloitte & Touche CIS (Russia)	Deloitte LLP (Kazakhstan)	Deloitte & Touche USC PJSC (Ukraine)
Audit services	54%	86%	51%
Other assurance services	1%	4%	2%
Tax and other non-audit services	45%	10%	47%

Appendix 6.

Partner remuneration

Deloitte CIS operates a remuneration model that evaluates each partner's contribution towards the achievement of the strategic goals of the firm as a whole, as reflected in the fulfillment of certain Key Performance Indicators, which also reflect the attainment of personal goals.

The remuneration of our partners reflects their ability to develop and grow our people and our business, as well as their focus on quality and risk management. Performance metrics for quality and risk management are weighted to reflect the variety of activities undertaken by a partner, including compliance with risk management policies, professional training, quality, and risk management practices. Performance metrics also reflect financial indicators, such as top and bottom line growth, and the effective management of receivables and work-in-progress.

Based on this assessment, the Board of Directors of Deloitte CIS approves partner performance remuneration.

Equity partners share the aggregated profits of Deloitte CIS. The rate of capital contribution is determined from time to time based on financing requirements. Upon ceasing to be a partner, they receive reimbursement of their partnership interests in installments over the ensuing one-year period.

Salaried partners do not contribute capital and are remitted a share in the profit of the business to a certain extent.



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About Deloitte

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