

Transparency report Financial year ended 31 May 2016

June 2016

Introduction

As a consequence of the adoption of the EU's 8th Directive on transparency reporting along with the requirements in Swedish auditor's act (2001:883) and the Swedish auditor's ordinance

(1995:665), the following pages describe how we have addressed the areas in these regulations which require auditors of public interest entities to publish on their websites annual reports and set out minimum requirements that such report must meet, including information about themselves, system of quality controls and independence procedures and practices.

Approved by the Board on June 20, 2016

Jan Berntsson
Chief Executive Officer/Managing Partner
Deloitte AB



Deloitte Network Description

Deloitte AB is the Swedish member firm (herein referred to as the "Firm") of Deloitte Touche Tohmatsu Limited (DTTL). DTTL is an English company, limited by guarantee, whose member firms provide services in particular geographic areas and are each legally separate and independent of one another. Member firms operate under the Deloitte brand and related names. These names include "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," "Tohmatsu," and others.

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 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 across the Deloitte Network. 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.

Governance structure of Deloitte AB

In Sweden, the Firm provides services to clients. The principle services are Audit, Tax, Consulting and Financial Advisory. The Firm operates from 25 offices located in Sweden.

The Firm is a limited liability company owned by 79 auditors and specialists in the Firm, directly or indirectly through Swedish limited liability companies. The Firm is a registered audit firm.

The Firm is the parent company of its wholly owned subsidiaries Deloitte & Touche ATR AB and Deloitte & Touche Sverige AB.

The partner meeting is according to agreement the supreme governing body whereas the shareholders' meeting is the supreme governing body of the Firm according to the Swedish Companies Act.

Partner meetings are held annually and whenever necessary. In addition, there are four partner information meetings scheduled annually with comprehensive information to partners on the activities and substantive issues.

The Board of Directors and the Chief Executive Officer for the Firm are elected for a period of three years.

The Board of Directors work to ensure that all embracing principles are fulfilled and handle for a limited liability company customary governance issues. The Board of Directors shall hold 6 – 9 meetings per year. Two employee representatives are permanently invited to board meetings. The Board of Directors consisted as of May 31, 2016 of the following members:

Daniel de Paula,

Maria Ekelund,

Frida Haglund,

Kim Hallenheim,

Olle Kinnman,

Therese Kjellberg,

Anders Rinzén and

Hans Warén, Chairman.

Sara Gustafsson and Erik Edéen are employee representatives.

Jan Berntsson is the Chief Executive Officer/ Managing Partner.

The Executive Group provides operational leadership and has authority and accountability for strategy execution and management of the Firm's operations. The Executive Group shall hold 9 meetings per year and whenever necessary. The Executive Group consisted as of May 31, 2016 of the following executives:

Chief Executive Officer Jan Berntsson,

Chief Operating Officer Morten Nielsen,

Head of Audit Birgitta Lööf,

Head of Tax Magnus Larsson,

Head of Consulting Victor Kotnik,

Head of Financial Advisory Andreas Marcetic,

Head of Clients & Industries Thomas Strömberg,

Large companies – Advisory Christina Bergman,

Local companies – Audit Richard Peters and Human Resources and Talent Partner Anna Pontén.

Overview of Quality Control Procedures

When taken as a whole, this Overview provides a summary of the Firm's quality control procedures related to those engagements, and is organized into the following sections:

Leadership
Responsibilities for
the System of Quality
Control

Client and Engagement
Acceptance and
Continuance

Ethical Requirements

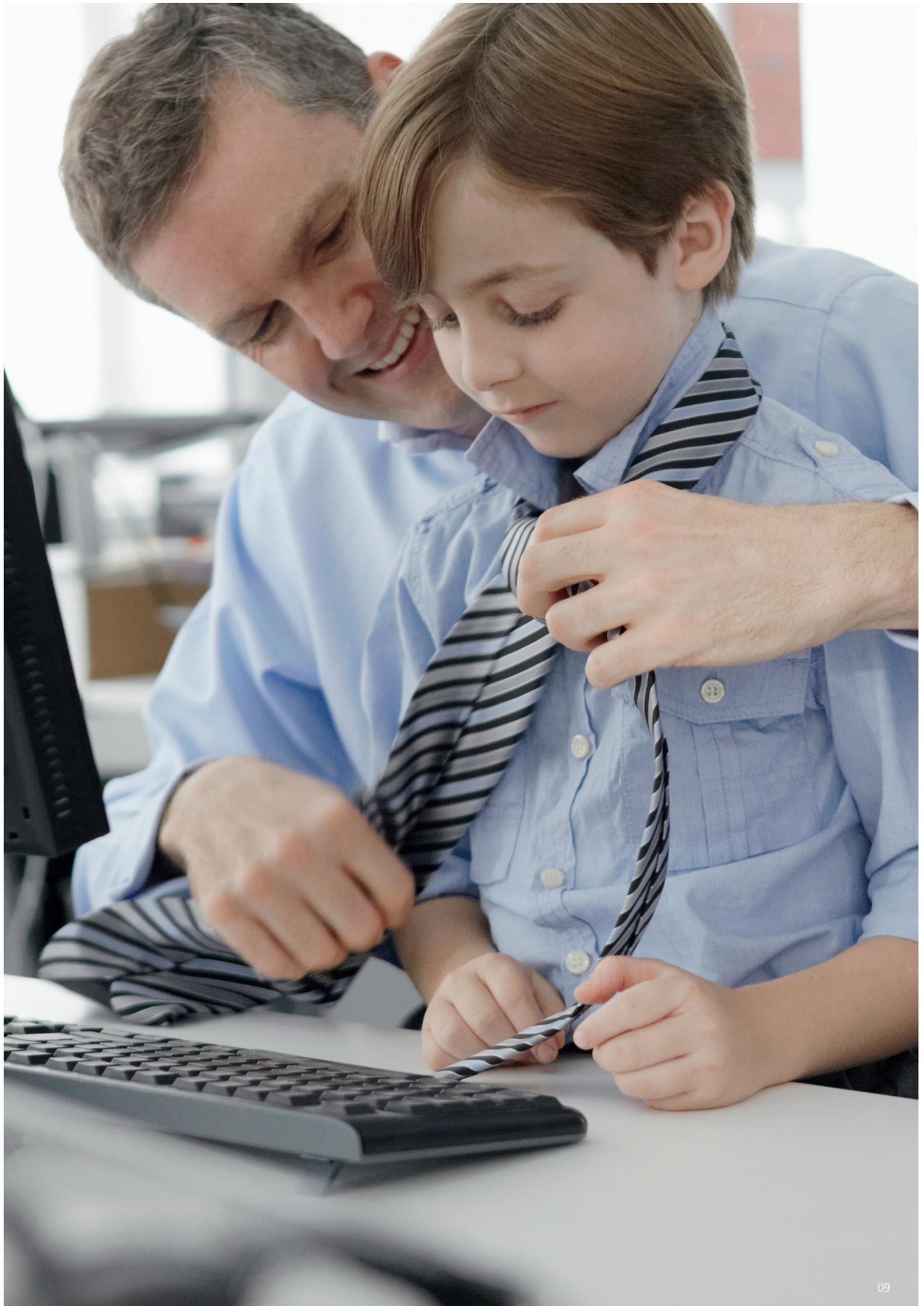
Engagement
Performance

Human Resources

Monitoring

Leadership Responsibilities for the System of Quality Control

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 outstanding audit quality on a consistent basis. While the Firm's leadership assumes ultimate responsibility for the system of quality control, the Reputation and Risk Leader is assigned operational responsibility for the Firm's quality control system and has the necessary experience and authority to assume those responsibilities.



Ethical Requirements

Ethics

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 relevant ethical requirements. The ethical requirements for audit and related assurance services provided by the Firm are FAR's (the professional institute for authorised public accountants, approved public accountants and other highly qualified professionals in the accountancy sector in Sweden) Ethics Standards. The Firm also complies with the DTTL policies and procedures which align with the requirements and guidance set out in Parts A and B of the Code of Ethics for Professional Accountants ("Code") issued by the International Ethics Standards Board for the Accountants, a standard-setting body of the International Federation of Accountants (IFAC). When FAR's Ethics Standards are more restrictive than the DTTL policies and procedures, the Firm follows the applicable Ethics Standards of FAR.

The Firm has appointed an Ethics Partner who is an experienced partner other than the Chief Executive Officer or Managing Partner (collectively referred to as "CEO") of the Firm, who has direct access to the CEO and the Firm's 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 behavior 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 programs, compliance processes, and measurement systems.

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

Independence

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

The Firm's system of quality control related to independence includes 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), Confirmations and Consultation
- 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



- Conflicts of Interest
- “Tone-at-the-top” culture relating to independence

Independence Policies and Procedures

The Firm’s independence policies and procedures cover the Firm, and the Firm’s partners, professional staff 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 its affiliates.

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

and understanding of the independence policies and to highlight changes to entities that are internationally restricted, as relevant.

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

Deloitte Entity Search and Compliance System (DESC), 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 in 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 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.

Deloitte Entity Search and Compliance System (DESC)

DESC is operated by DTTL on behalf of the DTTL member firms. At a minimum, each DTTL member firm reports the names of its audit clients and their affiliates that meet the definition of an international restricted entity. The policy definition of an international restricted entity includes public audit clients, as well as other

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 and/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 online.

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 preapprove services that will be delivered within the restricted entity group. Where such features are enabled, DESC 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 authorizations 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. 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 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 such financial interests and accounts into their individual portfolios in GIMS for monitoring purposes.



In addition, GIMS assists partners and managerial personnel by identifying situations which may not comply with the 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 obtains confirmations from its 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. 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).

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 the Firm determines that additional input or advice is needed under the circumstances.

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. Agreement including larger amounts has to be co-signed by division head and in special cases also by the CEO. Agreements are kept in a searchable database enabling the Firm to perform independence checks. Agreements must go through the Deloitte Conflict Checking System (DCCS), as the first step of the acceptance process. DCCS is designed to support the Firm's conflict checking business process to identify and manage potential conflicts relating to prospective engagements, business or financial relationships. Agreements will not be approved without a positive DCCS assessment. See also section Conflict of Interest below.

Independence Learning

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

Independence learning is provided as an instruction course for all new employees. They are also required to make self-studies which are followed up by a web based training ending with a test. When staff reaches the level of manager or partner they are obliged to take a web based training which is also followed up by a test. In the normal set of courses Independence training is included when necessary.

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 program 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 Firm's Compliance

The Firm is subject to a yearly practice review and for independence at intervals not to exceed three years. Compliance with independence policies at both a firm level and at a client level is reviewed. See further details of engagement and practice reviews in the Monitoring section below.

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.

Assignment of Responsibility for Independence Systems and Controls

The Firm has assigned a Director of Independence who has the responsibility to implement and maintain quality controls over independence. More specifically, the Director of Independence is responsible for taking the lead on all significant independence issues within the 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, (4) use and monitoring of the features of DESC, (5) use and monitoring of GIMS, (6) annual confirmations, (7) testing and inspection programs, and (8) disciplinary processes. Communication channels exist between the Firm's Director of Independence, Firm management, and DTTL's 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.

Conflicts of Interest

Potential conflicts of interests 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 in connection with the Firm either (i) accepting a prospective engagement or (ii) entering into certain business or financial relationships with another entity.

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

"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 and support staff have been adopted, emphasizing each individual's responsibility to understand the independence requirements.



Human Resources

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.

Candidates applying for a Deloitte employment are interviewed at two or three different occasions, both by professionals/partners and by HR managers. In many cases, competency tests or cases are used to assess the candidate. For candidates with any previous experience, at least two reference calls are made. For manager and partner candidates, we perform a background check verifying the candidate's CV as well as assuring that there are no circumstances in the candidate's background that could harm the Deloitte brand.

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 fulfill the responsibilities they will be called on to assume. A few of the policies and procedures are identified below.

- Various professional staff levels within the Firm and descriptions of the related competencies required to perform effectively at each level have been established.
- Advancement policies and procedures that identify the experience and performance qualifications for advancement to each level have been established and communicated to the Firm's professional staff.
- Procedures for periodic performance evaluation have been established.
- A counseling program to assist professional staff in identifying realistic career paths and developing action plans to help realize professional goals has been established.

Professional Development

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

The Firm has developed a competency model, Global Excellence Model (gEm), specific to each function used to express the areas of personal capability for partners and professional staff. The gEm model has three main components: technical competencies which are functionally specific, shared competencies which are common across the functions,

and competencies for specialization. The gEm model is a combination of knowledge, skills, and attitudes that are necessary to perform the various roles within the Firm. As such, this competency model forms the basis for structuring the continuing professional development program. All partners and professional staff take personal responsibility to ensure that their own continuing professional development and education is appropriate to their roles, responsibilities, and professional requirements. However, the Firm establishes minimum levels of continuing professional development to be undertaken by partners and professional staff within a specific period of time. These levels include a minimum of 20 hours of structured learning per year and 120 hours of structured learning in every three-year period (i.e., an average of 40 hours per year). To achieve these levels of development, the Firm offers structured, formal learning programs, such as internal or external courses, seminars, or e-learning covering all areas of the competency model (e.g., shared competencies, function-specific technical competencies, and competencies in areas of specialization).

Assignment of Partners and Professional Staff to Audit Engagements

The Firm assigns responsibility for each audit engagement to an audit engagement partner. The Firm's policies define the responsibilities of an audit engagement partner and those responsibilities are communicated to partners. The identity and role of the audit engagement partner is communicated to key individuals of the client's management team and those charged with governance at the client. The Firm also has policies and procedures in place so that partners and professional staff assigned to all audit engagements have the appropriate degree of proficiency for their role and the responsibilities to be performed.

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

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

- 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 professional staff

Partner remuneration

The partner compensation model for the firm is based on the DTTL Member Firm Partner Compensation and Performance Management Guidelines.

Key principles for the partner compensation model are:

- Transparent
- Fair and equitable
- Be objective and eliminate bias
- An annual process
- Be clearly and concisely documented

Partners are assessed annually on their performance in quality service, professional competency, risk management and protecting our brand, leading people, operational excellence, market leadership and growth.

Instances of non-compliance with our policies and quality standards result in remedial actions, which may include compensation adjustment, additional training, additional supervision, or reassignment. A pattern of non-compliance or particularly serious non-compliance may result in actions that include termination from Deloitte.

The Executive Group evaluates individual partners and proposes remuneration changes. The process is reviewed by the Board's Compensation Committee. The Compensation Committee also proposes compensation to the CEO and Chairman of the Board. The Board of Directors formally approves the final remuneration to all partners.





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 where it:

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

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

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

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

Management characteristics and integrity

Organization and management structure

Nature of the business

Business environment

Financial results

Business relationships and related parties

Prior knowledge and experience

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 is an ongoing process that continues throughout the engagement. Risk assessment tools and programs are encompassed in the audit approach and common documentation to facilitate the comprehensive risk assessment for planning the audit once the engagement is accepted.

Deloitte Risk Management System (DRMS)

The Firm has policies and procedures in place to identify potential risks associated with clients and engagements.

The Global Deloitte Risk Management System (DRMS) is used for new clients and engagements. All clients and engagements are approved according to DPM policies.

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

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

Engagement Performance

Audit Approach

The Firm's audit approach includes requirements and guidance to assist in the planning and performance of audit engagements and is based on the International Standards on Auditing issued by the International Auditing and Assurance Standards Board of IFAC. The Firm has further supplemented these requirements and guidance to reflect local requirements, as applicable. Common documentation and the enabling software technology are tools that enhance the consistent implementation of the Firm's audit approach and promote 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 control, to assess the risks of material misstatement at the financial statement and assertion level is vital to performing an effective audit. The Firm's engagement teams develop this understanding and assess risks of material misstatement in a number of ways, including analyzing financial information to identify trends and unusual balances, holding in-depth discussions with management and those charged with governance, considering the inherent nature of each financial statement component and the risks associated with that component, evaluating the design of relevant internal controls and determine if they have been implemented, assessing the extent to which technology is used

in the financial reporting process, and, if applicable, reviewing internal audit findings. As necessary, based on the nature of the entity's information systems and the extent to which technology plays a role in the transaction processing and financial reporting processes, information technology specialists may be involved in the audit engagement.

Audit procedures

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

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

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

Use of experts

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

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

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

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 (1) 60 days from the date of the report or (2) the period set out in applicable professional standards and regulatory and legal requirements. The Firm's policies and procedures address the retention of documents (in paper and electronic form), including those that address the confidentiality, safe custody, integrity, accessibility, and retrievability of archived documentation.

Engagement Team Reviews

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

Engagement Quality Control Reviews

An engagement quality control review is performed for all audit and related assurance services, 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, to document the procedures the reviewer performed and to conclude, based on all the relevant facts and circumstances of which the reviewer has knowledge, that no matters that have come to his or her attention would cause the reviewer to believe that the significant judgments made and the conclusions reached were not appropriate in the circumstances.

Special Reviews

For 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 specialized industry and technical skills applicable to the engagement and, in certain situations, is independent of the practice unit to enhance objectivity or to provide specialized resources.

Consultation Network and Differences of Opinions

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

To facilitate the technical consultation process, the Firm has a national accounting and auditing consultation structure. A National Professional Practice Director with specialized technical skills and experience is supported by subject matter resources in various areas, for example, such as regulatory filing requirements; technical auditing requirements; complex accounting matters, etc.

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



Monitoring

Annual Quality Assurance Review

In accordance with DTTL policies, the audit practice of the Firm is subject to an annual quality assurance review, commonly referred to as a “practice review”.

Compliance with this policy is achieved by an annual practice review covering the audit practice over a three-year cycle. The annual practice review program is designed to cover a number of practice offices [and/or audit groups] each year. Every practice office [and/or audit group] is subject to a practice review at intervals not to exceed 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 assessing the performance of 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 the practice review plans and procedures. The general coordination and administration of the practice review program 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 by a partner from another member firm (the “external partner”) every year. The external partner who is assigned this responsibility works closely with the Firm’s practice review director and the regional 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 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 (e.g., first-year engagements, situations where there is a change in control, or deteriorating financial condition) are also selected. All major industries served by the Firm or practice office are considered.

Scope of Practice Reviews

Reviewers are chosen from regional or international pools or from other practice 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 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

- Assess the overall quality of service provided to clients

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

- Risk management program, 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
- 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 findings noted, and to drive audit quality within the Firm overall. The Firm addresses findings 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.

In addition, the Firm communicates deficiencies noted as a result of the practice review (if any) and recommendations for appropriate remedial action to the relevant partner and other appropriate personnel. The Firm addresses findings by conducting a root cause analysis and drawing up a detailed action plan setting out the action to be taken, the persons responsible, and the timing to implement the recommendations.

Complaints and Allegations

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

External quality assurance review

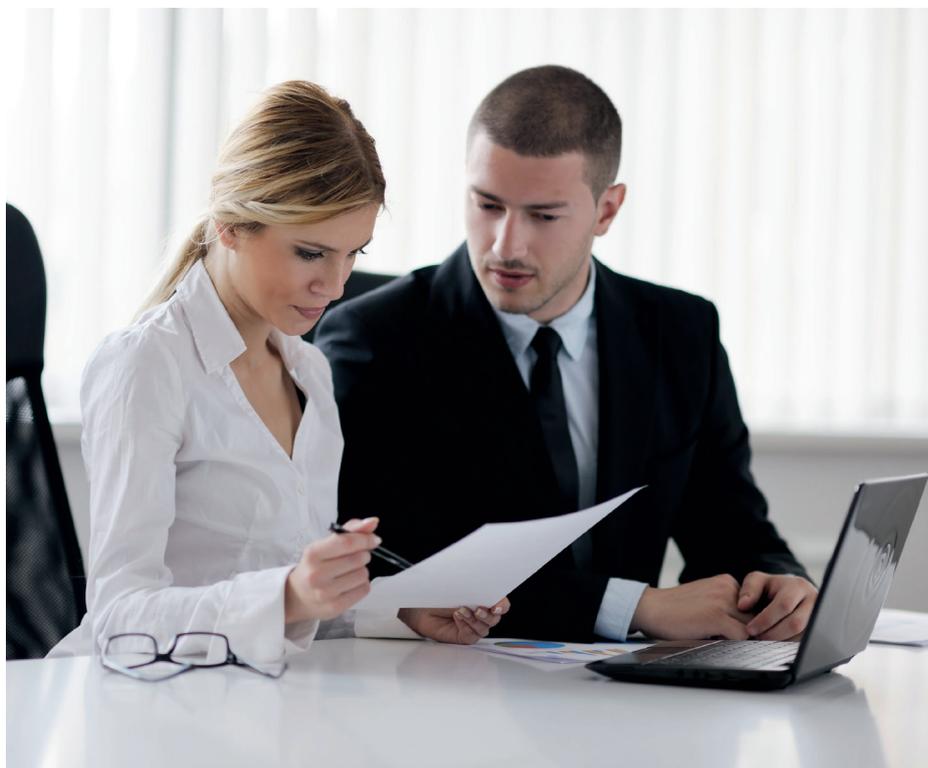
The Firm's audit practice and its registered statutory auditors are subject to regular inspections by the Revisorsnämnden (Swedish Supervisory Board of Public Accountants). As part of its inspections, Revisorsnämnden, evaluates the Firm's quality control systems and reviews selected engagements. The last quality assurance inspection by Revisorsnämnden took place in 2015. Final reports from previous inspections are available on the Revisorsnämnden homepage.

Information on the above mentioned regulator, can be found on its website. www.rn.se.

Effectiveness of quality control system

The results of the Practice Review program and external inspections are evaluated and communicated within the Firm to provide the basis for continuous improvement in audit quality, consistent with the highest standards in the profession.

The results of such monitoring, together with the feedback from independent regulatory inspections, provide the Firm with a basis to conclude that the internal control systems are designed appropriately and are operating effectively.



Financial information

Financial information below stated for Deloitte AB per business area refers to the financial year ended on May 31 2016. Revenues disclosed include revenues from both audit and non-audit clients.

Business area	Revenue 15/16
Audit	1,058
Tax	328
Consulting	516
Financial Advisory	120
Total	2,022

For more detailed financial information we refer to The Annual Accounts of Deloitte AB.



Public interest entity audit client

In the financial year ended on May 31 2016, Deloitte AB performed statutory audits of the following public interest entities that had issued transferable securities admitted to trading on a regulated market:

AB Fortum Värme Holding samägt med Stockholms Stad	Lindab AB
Anoto AB	LKAB Luossavaara-Kiirunavaara AB
Atlas Copco AB	MB Finance AB
Bactiguard AB	Micro Systemation AB
BioGaia AB	Midsona AB
Biotage AB	Mölnlycke Healthcare AB
Björn Borg AB	NetEnt AB
Boliden AB	Obducat AB
Castellum AB	Poolia AB
Cella Vision AB	Probi AB
Clas Ohlsson AB	Rejlerskoncernen AB
CLX Communications AB	Rezidor Hotel Group AB
Dedicare AB	Semcon AB
Delarka Fastighets AB	Skandiabanken AB
Diös Fastigheter AB	Svensk FastighetsFinansiering AB
Fabege AB	Svensk FastighetsFinansiering II AB
Fast Partner AB	Sparbanken Öresund AB
Fysikhuset Stockholm KB	SPP Pension & Försäkring AB
Gunnebo AB	Stronghold Invest AB
IAR Systems AB	Sveaskog AB
Ikano Bank AB	Swedbank AB
Ikano Bostad Stockholm AB	Tele2 AB
Image Systems AB	TeliaSonera AB
Investor AB	Wallenstam AB
Kinnevik AB	Wihlborgs Fastigheter AB
Koleje Mazowieckie Finance AB	VitroLife AB



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