

Deloitte.



Transparency report

Deloitte revizija d.o.o.

Introduction

As an audit Company that carries out statutory audits of the annual accounts of public-interest entities, Deloitte revizija d.o.o. (hereinafter: "Company") is publishing this annual transparency report in compliance with Article 79 of Slovenian Audit Act (hereinafter: "ZRev-2", Official Gazette of the Republic of Slovenia no. 65/2008).

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

1. The Deloitte network

About Deloitte

"Deloitte" is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit, consulting, financial advisory, risk management, tax and legal services to selected clients. These firms are members of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). Each DTTL member firm provides services in particular geographic areas and is subject to the laws and professional regulations of the particular country or countries in which it operates. Each DTTL member firm is structured in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in its territory through subsidiaries, affiliates, and other related entities. Not every DTTL member firm provides all services, and certain services may not be available to attest clients under the rules and regulations of public accounting. DTTL and each DTTL member firm are legally separate and independent entities, which cannot obligate each other. DTTL and each DTTL member firm are liable only for their own acts and omissions, and not those of each other. DTTL (also referred to as "Deloitte Global") does not provide services to clients.

See www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member Firms.

About Deloitte Central Europe

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

2. Legal, ownership and governance structure

Legal and ownership structure:

Deloitte revizija d.o.o. is established as a limited liability company in accordance with the laws of Republic of Slovenia under the registration number 1647105000, with its registered seat in Ljubljana, Dunajska cesta 165. President of the Board of Directors is a partner and certified auditor Yuri Sidorovich, PhD, director is a partner and certified auditor Barbara Žibret Kralj, M.Sc., member of the Board of Directors is Eric Daniel Olcott. Each member of the Board of Directors represents the company solely without limitations.

Further information are available at <https://www.ajpes.si/>.

3. Description of the management structure of Company

The Company is represented by the Management Board. In compliance with the Company's Articles of Association, the Management Board is composed of one or more members. The members of the Management Board are:

- Yuri Sidorovich, PhD, President of the Board;
- Barbara Žibret Kralj, M.Sc., Director; and
- Eric Daniel Olcott, Member of the Board.

Each member of the board of directors represents the company solely and without limitations.

In accordance with Article 65 of ZRev-2 a majority of members of the board of directors (Yuri Sidorovich, PhD and Barbara Žibret Kralj, M.Sc.) hold the certified auditor licence.

4. Internal quality control system

The Company maintains policies and procedures to promote an internal culture based on the recognition that quality is our number one priority and it is set out in the Deloitte Policies Manual (Audit). The Company focuses on professional excellence as the foundation for achieving outstanding audit quality on a consistent basis. The Company policies and procedures addressing leadership responsibilities for the system of quality control within the audit firm, ethical requirements, client and engagement acceptance and continuance, human resources, engagement performance and monitoring.

This internal quality control system has two monitoring systems:

- the engagement quality control review and
- the practice review.



Engagement quality control reviews

Statutory audit reports on the annual accounts or consolidated accounts relating to a public interest entity, among others, are subject to an engagement quality control review by a partner or a director with sufficient and appropriate experience and professional qualifications, prior to issuance of the report. 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.

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.

For engagements that have been identified as having a higher 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 may be assigned to the Company from within DCE to work under the Company responsibility, but 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.

The audit report may only be issued if the reviewer is satisfied that the audit engagement team has made appropriate judgments and conclusions, and has complied with applicable standards and regulations.



Practice Review

The Company is subject to an annual quality assurance review, commonly referred to as a “practice review”, at intervals not to exceed three years.

Normally, the performance of every audit partner is assessed during the three-year cycle, and at least one engagement for each partner is selected to achieve this goal. Consideration is also given to assessing the performance of managers, particularly those managers who are candidate for partner nomination.

The Company is responsible for the practice review. DCE 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 practice review director.

The practice review plan, process, and results are reviewed and concurred by a partner from another member firm (the “concurring partner”) every year. The concurring partner who is assigned this responsibility works closely with the practice review director and the regional practice review director in overseeing 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 are considered.

Scope of Practice Reviews

Reviewers are chosen from regional or international pools or from other practice offices within the Company. 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 Company's policies and procedures contained in the 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 Company 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
- Consultation with Company experts
- Consultation with outside experts
- Engagement quality control reviews

The findings and recommendations resulting from the practice reviews are included in a Company's audit quality plan and presented to the Company's and DCE leadership. The purpose of the audit quality plan is to provide suggestions for improvement in response to findings noted. The Company addresses findings by conducting a root cause analysis and drawing up a detailed action plan setting out the action to be taken, the person(s) responsible, and the timing to implement the recommendations, where applicable.

In addition, the Company 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 Company also communicates 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 DCE.

Management Statement

The managing directors of the audit Company are satisfied that the internal control system, as described above, is effective in providing reasonable assurance that the audit Company and its personnel comply with applicable professional standards and regulatory and legal requirements and that audit reports issued are appropriate in the circumstances.

5. The date when the last independent quality assurance review took place

Last independent quality assurance review was conducted by Slovenian Institute of Auditors and Agency for Public Oversight of Auditing between 14 January and 28 February 2013. Final notification on the results of the independent quality assurance



6. List of public-interest entities audited by the registered auditor during the last financial year

Enclosed as an Appendix to this report.

7. Independence confirmation

DCE maintains written independence policies and procedures, which include the performing of certain independence compliance checks on an annual basis and which are applicable to the Company as a part of DCE.

- ✓ Each professional should sign an individual independence confirm each year. In addition, similar independence confirmations are obtained from new employees and employees leaving the Company.
- ✓ All managerial personnel and above should enter their financial interests to a global independence monitoring system. Each person's portfolio is checked against an electronic list of audit clients to check whether this ownership is allowed under the relevant independence rules;
- ✓ All professionals should complete an e-learning on independence rules and;
- ✓ Client and engagement acceptance processes are used to verify that independence is not impaired.

In addition to the continuous monitoring of compliance with independence policies, independence inspection and testing procedures are performed annually on a sample of professionals and senior officers.

An internal confirmation of independence compliance by employees of the Deloitte revizija d.o.o. was performed as of 31 May 2016 and an internal Independence compliance Testing and Inspection for selected employees was finalized by 30 November 2016.

8. Continuing education

All registered auditors in the Company maintain their continuous professional qualification through a mixture of internal courses as well as educational courses organized by the Slovenian Institute of Auditors in accordance with Paragraph 2 Article 48 of ZRev-2.

Continuing education is a key policy of the Company, as this is an important means of developing knowledge and maintaining and improving the quality of our services. A learning intranet provides a starting point, including technical training, management and interpersonal skills, business economics and industry-specific courses.

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

During the first years, most training is comprised of mandatory courses on technical topics including Deloitte methodologies and processes but afterwards the optional part increases given that individual needs become more diverse. An individual learning programme is required as from approximately four years' experience.

More experienced auditors are expected to update and deepen their technical knowledge. Developing management and interpersonal skills are also very important for this group. There is also the possibility to follow longer term education, such as MBA programmes. There is also a system of accreditation whereby a training course needs to be completed before an auditor may perform certain tasks.

Through an automated monitoring system it is possible to check the status of internal and external courses followed by an individual auditor. Continuing education is also a factor taken into account for the yearly evaluation of audit staff and the assessment of their growth potential within the Company.

9. Financial information

Type of services	Amount in EUR
Statutory audits	3.123.282,73
Other assurance engagements	215.030,01
Other revenue	1.048.180,86
Total for business year from 1 January to 31 December 2016	4.386.493,60

10. Partner remuneration and remuneration of other certified auditors

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

Remuneration of other certified auditors, who are not partners, depend on remuneration agreed in individual employment agreements.

11. Licensing requirement for statutory compliance

Employees of Deloitte revizija d.o.o. must comply with the provisions and requirements regarding professional licences in Republic of Slovenia in the field of audit. Deloitte revizija d.o.o. ensures that employees performing audit services hold the necessary expertise and knowledge in the fields of audit, accounting, and are compliant with local and international standards and Deloitte internal policies. Employees of Deloitte revizija d.o.o., working on projects, are adequately trained, hold necessary knowledge and experiences and dispose with necessary licences. Employees of Deloitte revizija d.o.o. must obtain and maintain necessary licences in accordance with applicable laws of Republic of Slovenia and professional standards.

Appendix to the report

List of public-interest entities audited by the registered auditor during the last financial year

List of public-interest entities

Abanka d.d.	Poslovni sistem Mercator d.d.
Addiko Bank d.d.	Poštna banka Slovenije d.d. (on 1 January 2016 merged to Nova KBM d.d.)
Cinkarna Celje, d.d.	Raiffeisen banka d.d. (renamed to KBS Banka d.d. on 1 July 2016; merged to
DARS d.d.	Nova KBM d.d. on 3 January 2017)
Deželna banka Slovenije d.d.	Salus d.d.
Gorenje gospodinjski aparati, d.d.	Sava, d.d.
Gorenjska banka d.d., Kranj	SID – Prva kreditna zavarovalnica d.d.
Hranilnica Lon d.d.	SID banka, d.d., Ljubljana
Hranilnica Vipava d.d.	SIJ d.d.
Istrabenz d.d.	SKB Banka d.d.
Modra zavarovalnica d.d.	Skupna pokojninska družba d.d.
Moja naložba d.d.	Slovenski državni holding, d.d.
Nika investiranje in razvoj d.d.	Unicredit banka Slovenija d.d.
Nova KBM d.d.	Unior kovaška industrija d.d.

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