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Deloitte Audit Limited leadership message¹

Welcome to Deloitte's Audit Transparency Report for the year ended 31 May 2020. This report sets out the practices and processes that are currently employed by Deloitte Audit Limited, in accordance with the requirements of article 18 of the Accountancy Profession Act (Cap. 281) and of the European Union's Regulation 537/2014 on specific requirements regarding statutory audits of Public Interest Entities.

I have taken over the role of Chief Executive of Deloitte Malta at a time when the world is facing significant challenges. The COVID-19 outbreak has been a major shock to global economies with countries adopting measures to support sectors that are particularly impacted. Malta of course is no exception.

These represent disruptive times for our audit practice as we operate in an environment characterised by economic uncertainty and business disruption. The implications of the current environment on audit engagements are complex from both a technical and a practical perspective. We are responding effectively to the assessed risks so as to continue to perform high quality audits of financial reports. At the same time we are continuously adapting our work practices in order to safeguard the safety and wellbeing of our audit professionals.

Despite the disruption, our commitment to audit quality remains steadfast. We believe that audit is more than an obligation but represents an opportunity to deliver value

to our stakeholders and to instil trust and confidence in our profession, the business community and the economy as a whole by acting in the public interest.

Our relentless pursuit of continuous improvement defines not just what we do but who we are. It is a guiding principle that is core to our vision and which encourages the right behaviour. It requires a continuous investment across our audit practice as we focus on developing our professionals, leveraging technology solutions and adopting transformative practices.

I am honoured to have taken on the leadership of Deloitte Malta and I look forward to working with our clients, our profession and other interested stakeholders. My priority as I begin my tenure as Chief Executive is that of sustainable evolution in order to enhance client experience, respond to needs in the market and deliver confidence in the audit profession. I am excited about our future and passionate about what we will accomplish.

I hope that you find this report interesting and insightful.



A handwritten signature in black ink, appearing to read 'M. Alden'. The signature is fluid and cursive, written on a white background.

Marc Alden
Chief Executive Officer (CEO)
Deloitte Malta
23 September 2020

¹Throughout this report, the terms "Deloitte, we, us and our" refer to one or more of one or more of Deloitte Touche Tohmatsu Limited, its network of member firms and their related entities. For more information about the Deloitte network, please see p. 3 or click [here](#).

Deloitte network

Deloitte Malta

The term 'Deloitte Malta' is used to refer to Deloitte Audit Limited, a Maltese entity authorised to practise as an audit firm in Malta, together with its connected undertakings in line with the definition of 'audit firm' set out in article 2(1) of the Accountancy Profession Act (Cap.281). Unless the context requires otherwise, use of the term 'firm' also refers to Deloitte Malta.

Deloitte Audit Limited operates as a limited liability company, established under Maltese law, with registered office at Deloitte Place, Triq L-Intornjatur, Central Business District, CBD 3050, Malta and having registration number C 51312.

On 1 June 2019, the Deloitte Central Mediterranean member firm (comprising the Deloitte practices in Italy, Greece and Malta) combined with the Deloitte North West Europe LLP to create Deloitte North and South Europe (NSE) LLP. With effect from June 1, 2019, Deloitte

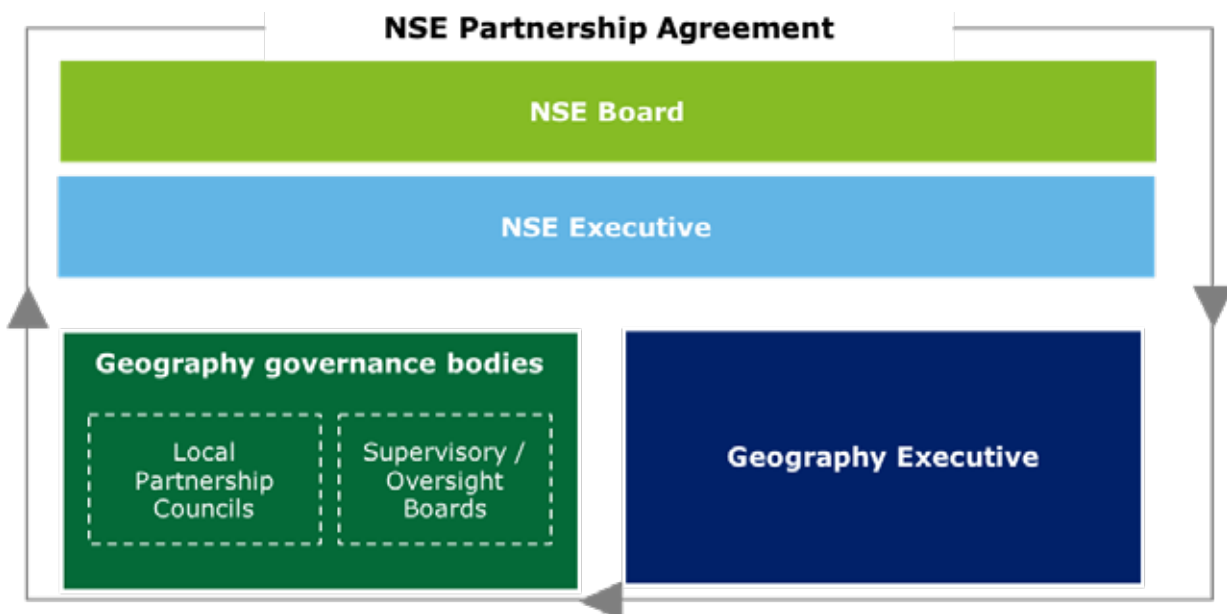
NSE LLP is the member firm of DTTL for Belgium, Denmark, Finland, Greece, Iceland, Ireland, Italy, Malta, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom.

Deloitte Central Mediterranean S.r.l. (DCM) is the affiliate of Deloitte NSE LLP for Italy, Greece and Malta. It does not provide services, but it holds minority stakes in Deloitte & Touche S.p.A., in the Greek company Deloitte Certified Public Accountants S.A. and in the Maltese company DCM Limited and, directly or indirectly, in other operating entities of the Deloitte network in Italy, Greece and Malta.

The aforementioned interests grant DCM rights and powers with respect to the aforementioned entities that are similar to those that it holds in Deloitte & Touche S.p.A.

NSE Governance

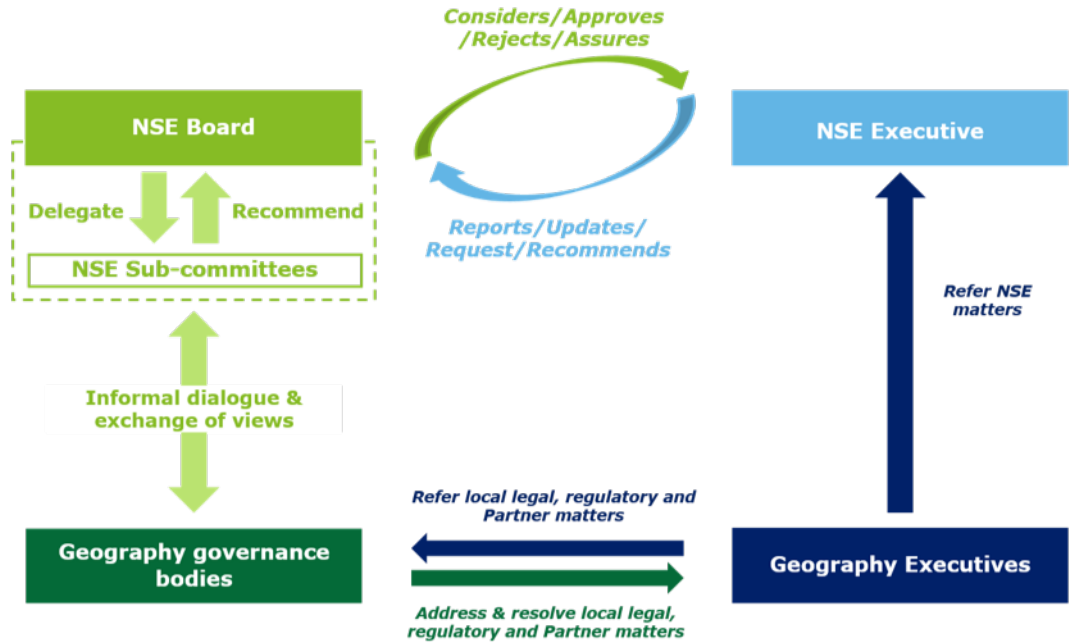
The Deloitte NSE governance structure consists of the NSE Board, NSE Executive, Geography governance bodies and Geography Executives, underpinned by the NSE Partnership Agreement:



- The **NSE Partnership Agreement** underpins the governance of NSE
- The **NSE Board** is the primary governance body of NSE, responsible for ensuring high quality governance and stewardship of NSE. The NSE Board works with the NSE Executive to set and approve the long-term strategic objectives of NSE and the markets in which it operates. The NSE Board comprises the NSE CEO, NSE Chair and elected members, as well as Independent Non-Executives (INEs) and a Deloitte Global Representative. The latter do not have voting roles
- The **NSE Board** oversees the risk appetite in each business area; is responsible for the oversight of the executive function, ensuring alignment with Deloitte Global obligations; and is responsible for the promotion and protection of NSE Equity Partner interests generally
- The **NSE Executive** is responsible for developing NSE strategy and vision as well as NSE policies, and overseeing their implementation and execution
- **Geography governance bodies** exist where this is required for legal and/or regulatory purposes and to oversee local Partner matters. Examples include the UK Oversight Board and Dutch Supervisory Board
- The **Geography Executive** works with the NSE Executive to reflect the Connected+ Autonomy operating model (balancing local and central requirements), including the development and delivery of approved plans, in line with the NSE strategy, tailored to reflect local market conditions

The NSE governance and leadership structure provides clear paths of communication from a Geography to NSE level:

Governance Structure



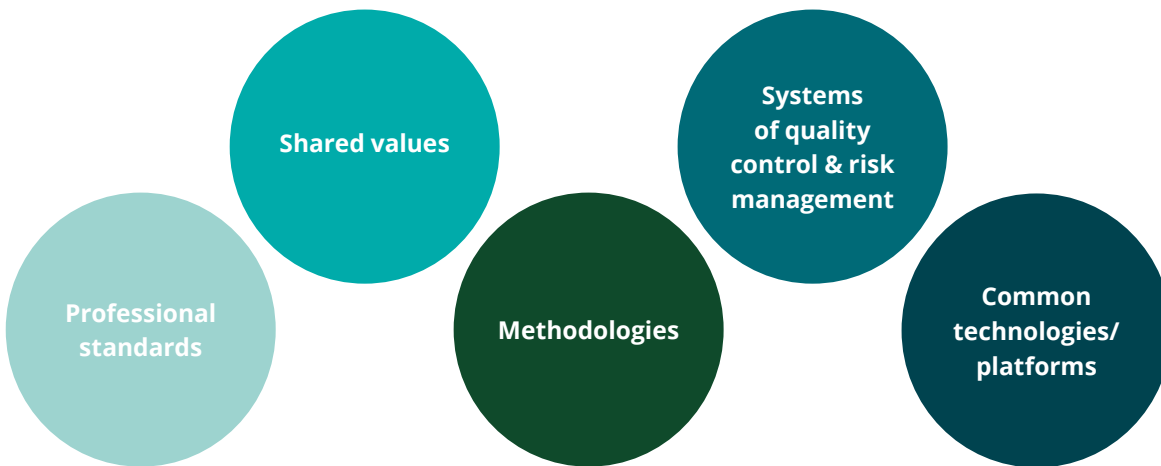
Deloitte NSE Board sub-committees

<p>Audit & Risk (Standing)</p> <ul style="list-style-type: none"> Oversee the appointment of internal and external auditors to the firm Oversee audit quality in accordance with applicable regulations Oversee the level of risk acceptable in each business area Provide oversight and support to the national practices in the delivery of audit quality and local legal and regulatory compliance
<p>Public Interest Oversight (Standing)</p> <ul style="list-style-type: none"> Oversee public interest matters as they affect NSE
<p>Partner Matters & Fairness (Standing)</p> <ul style="list-style-type: none"> Make recommendations to the Board regarding the admission, suspension, retirement of NSE Equity Partners, and make determinations in relation to any NSE Equity Partner's long term ill health Ensure fairness between NSE Equity Partners across all Geographies
<p>Nomination (Standing)</p> <ul style="list-style-type: none"> Produce a shortlist of potential candidates and recommend to the Board a final list of candidates to stand in Board elections Ensure diversity requirements are met in the composition of the Board
<p>Elected Leader (event driven)</p> <ul style="list-style-type: none"> Oversee selection of candidates for NSE Chair and NSE CEO roles Run the election process and present proposals for NSE Chair and NSE CEO candidates to the full NSE Board for approval
<p>Governance & Composition (event driven)</p> <ul style="list-style-type: none"> Review the composition and size of the Board whilst both respecting the minimum number of elected Board members representing each Geography and seeking to ensure the firm's diversity requirements are met in the composition of the Board
<p>Remuneration (event driven)</p> <ul style="list-style-type: none"> Seek feedback, conduct appraisals, and make recommendations to the Board with regard to the proposed assignment of Equity Groups and the allocation of NSE Units to the NSE Chair, the NSE CEO and holders of such other senior management positions as the Board may determine
<p>Compensation & Partner Units (event driven)</p> <ul style="list-style-type: none"> Review and discuss with the NSE CEO the processes established and applied for the determination of NSE Units and Equity Groups to NSE Equity Partners (other than the NSE Chair and NSE CEO), to ensure that the principles set out in the Profit Sharing Memorandum proposed to the Board by the NSE CEO are consistently applied and the NSE Unit allocation process results in fairness between NSE Equity Partners and groups of NSE Equity Partners (other than the NSE Chair and NSE CEO) provided that the Committee shall not duplicate the work of the NSE CEO and/or the Remuneration Committee
<p>Transactions & Major Projects (event driven)</p> <ul style="list-style-type: none"> Consider on behalf of the Board and provide recommendations to the Board on proposals from the NSE CEO to borrow money, make investments, give undertakings and enter into contracts on behalf of the firm subject to agreed thresholds Oversee major projects as directed by the Board and ensure that the interests of the firm are protected Consider, report to the Board on and make recommendations to the Board on major transactions or other significant investments

Network description

The Deloitte network

The Deloitte network is a globally connected network of member firms and their affiliates operating in more than 150 countries and territories across the world. These separate and independent member firms operate under a common brand.



Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)

Deloitte Touche Tohmatsu Limited is a UK private company limited by guarantee incorporated in England and Wales. DTTL serves a coordinating role for its member firms and their affiliates by requiring adherence to policies and protocols with the objective of promoting a consistently high level of quality, professional conduct and service across the Deloitte network. 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.

"Deloitte" is the brand under which approximately 334,000 dedicated professionals in independent firms throughout the world collaborate to provide audit & assurance, consulting, financial advisory, risk advisory, tax and related services to select clients. These firms are members of DTTL. DTTL, these member firms and each of their respective related entities form the "Deloitte organisation". Each DTTL member firm and/or its related entities 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 respective territories through related entities. Not every DTTL member firm or its related entities 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 and each of its related entities, are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and their respective related entities, are liable only for their own acts and omissions and not those of each other. The Deloitte organisation is a global network of independent firms and not a partnership or a single firm. DTTL does not provide services to clients.

Deloitte Malta : governance – leadership in action

The leadership and management of the firm are underpinned by strong governance structures that provide oversight of the Audit & Assurance practice.

It is by maintaining robust and accountable governance and leadership structures that we seek to achieve the highest levels of quality and integrity and that we earn the trust of our clients, our people, the capital markets and the public.

The Board of directors & principals (Board)

During the year under review, the firm's Board was responsible for protecting the broader interests of the firm and its directors & principals and for overseeing management and operations at a strategic level.

The Board is comprised of the Chief Executive Officer and all of the firm's directors & principals and met on a quarterly basis.

The Operations and Management Committee

The Deloitte Malta Operations and Management Committee was responsible for the governance and oversight of the firm's different businesses, including the Audit & Assurance practice. Specific responsibilities included approving audit and assurance business strategy and approving the business plans.

During the year under review, Marc Alden was the firm's Chief Executive Officer (CEO).

The following are the members of the Deloitte Malta Operations and Management Committee, who were appointed by the CEO to serve for the period in which he is in office:

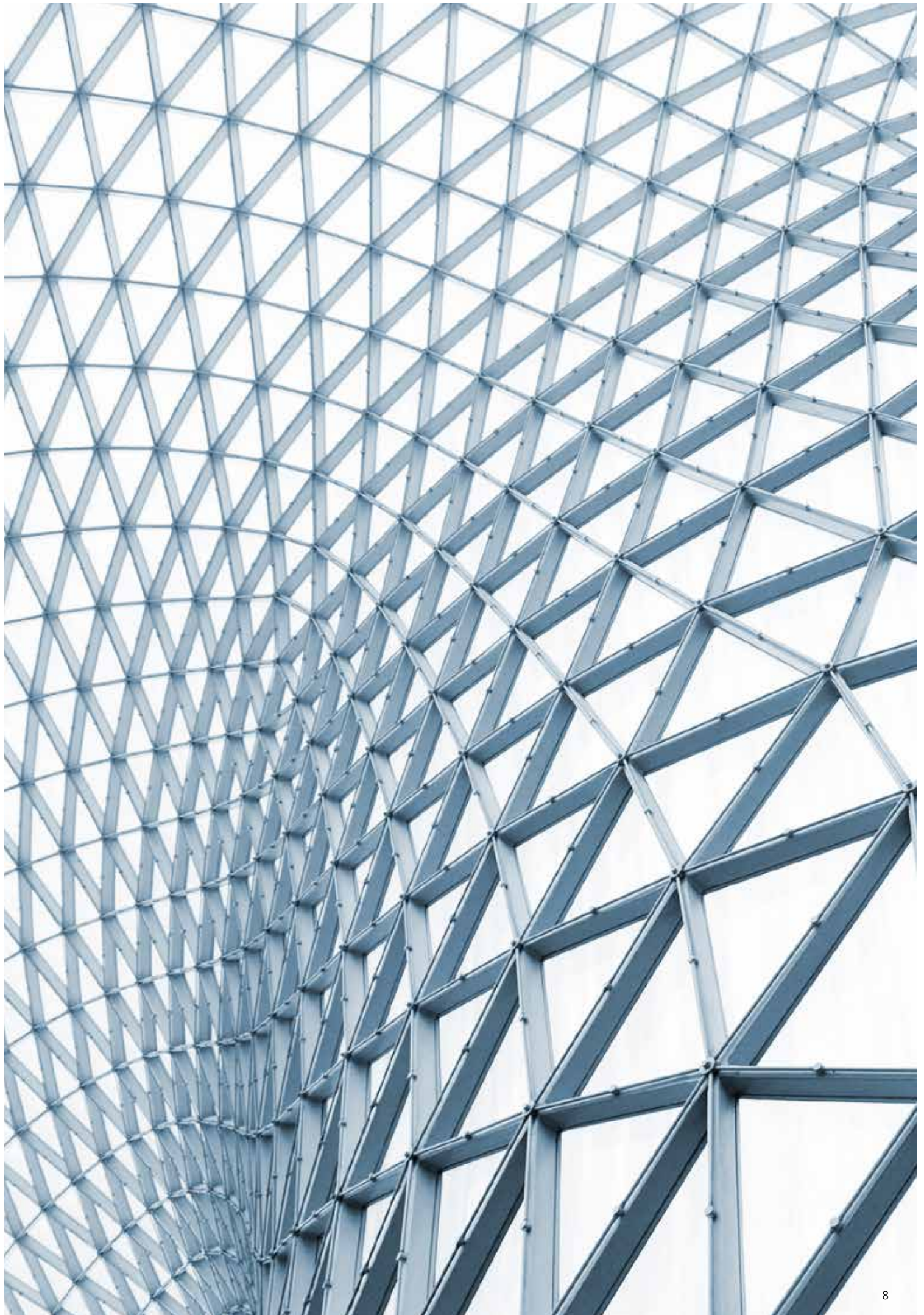
Marc Alden (CEO) - Committee Chair
Raphael Aloisio (Financial Advisory Business Leader)
Claudine Cassar (Consulting Business Leader)
Conrad Cassar Torregiani (Tax Business Leader)
Ian Coppini (Risk Advisory Business Leader)
Sarah Curmi (Audit and Assurance Business Leader)
Malcolm Booker (Clients & Industries Leader)
Caroline Cassar Reynaud (People & Purpose Leader)
Angela Fleri Soler (Risk & Reputation Leader)

Sarah Curmi and senior management develop and implement the strategy for the Audit & Assurance practice, including related policies and procedures. In all of their activities, Deloitte Malta senior leaders are responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements. Deloitte Malta strategy is developed in alignment with the overall strategic direction established for the Deloitte network.

Deloitte Malta Audit & Assurance leaders participate in Deloitte network groups that set and monitor quality standards and from which a number of audit quality initiatives emanate.

Compliance Principal

For the purpose of the Accountancy Profession Act (Cap.281), Angela Fleri Soler is the firm's Compliance Principal.



Directors & principals of the firm

The individuals who were authorised to sign audit reports on behalf of the firm during the year ended 31 May 2020 are set out in the table below:

Name	Authorised to sign audit reports on behalf of the firm
Marc Alden	
Raphael Aloisio	
Michael Bianchi	✓
Malcolm Booker	
Roseanne Bonello	
Antoine Carabott	✓
Chris Borg	
Nick Captur	
Claudine Cassar	
Caroline Cassar Reynaud	
Conrad Cassar Torregiani	
Giselle Cini	
Ian Coppini	✓
Chris Curmi	
Sarah Curmi	✓
David Delicata	✓
Emanuel Farrugia	✓
Angela Fleri Soler	
Craig Schembri	
Bernard Scicluna	✓
Annabelle Zammit Pace	✓

Deloitte Malta: legal structure and ownership

During the year under review, the firm's core operating entities, namely Deloitte Audit Limited, Deloitte Services Limited, Deloitte Technology Solutions Limited, Deloitte Digital & Technology Limited, Deloitte Digital Limited, Deloitte Technology Limited and Malta International Training Centre Limited were beneficially owned by a partnership comprising 11 limited liability companies, hereinafter referred to as the "Ownership Entities". These entities are also the partners in the Deloitte Malta civil partnership. The activities of the Deloitte Malta civil partnership comprise solely of the governance, treasury, compliance, human resources and all logistics and support activities required by the operating entities.

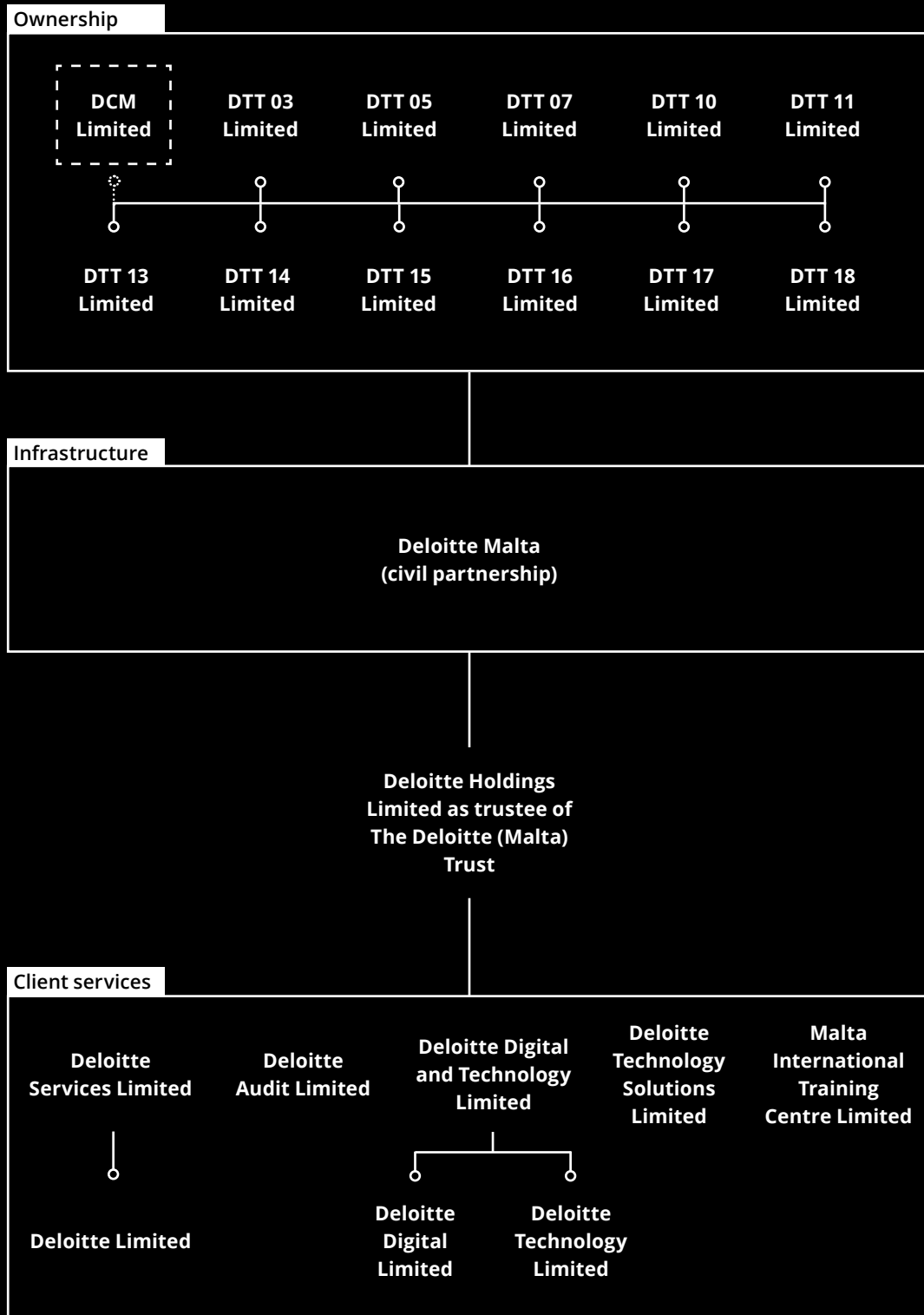
Each one of these 11 Ownership Entities is beneficially owned by the individual who has been appointed as the sole director of the respective Ownership Entity. Ownership Entities participate in the profits available for distribution.

Deloitte Holdings Limited is an intermediate ownership entity which acts as trustee of The Deloitte (Malta) Trust for the benefit of the Ownership Entities in the holding of the shares, directly or indirectly, in Deloitte Technology Solutions Limited, Deloitte Digital & Technology Limited, Deloitte Digital Limited, Deloitte Technology Limited and Malta International Training Centre Limited. The Trust is considered desirable so as to retain the flexibility provided by the civil partnership model, when regulating individual partnership interests and changes therein over time, within the context of limited liability companies and the consequential division of capital/interests into shares.

A diagram of the operating and ownership structure, as at 31 May 2020, is set out on the opposite page.

During the year under review, the Deloitte Foundation continued to support worthy causes in the community as part of its shared values.

The Deloitte Malta organisation chart



Our purpose and commitment: instilling trust and confidence

At Deloitte Malta, our purpose is to make an impact that matters. For Audit & Assurance, this means a focus on delivering independent high quality audits and instilling confidence and trust in the capital markets through the services we deliver. This requires us to continuously build capabilities to support the delivery of high quality audits and make leading contributions to shaping the future of the audit profession.



What Deloitte Audit & Assurance brings to capital markets

Audit & Assurance Transformation

Being a relevant profession of the future and a sustainable practice that evolves with the pace of change in technology and society is critical. Driving this goal is the Deloitte Audit & Assurance Transformation initiative, which is currently being developed and deployed across the Deloitte network, including Deloitte Malta.

Audit & Assurance Transformation is an important shift across the network in the way Deloitte professionals work and includes:

The Deloitte Way: standardisation of audit processes supported by our global technology suite	Real-time audit quality monitoring
Enhanced talent model which includes learning, rewards and recognition, centers of excellence and delivery centers	Agile deployment of tools and technologies to respond to changing environments

Deloitte Global leadership

The Deloitte Global Audit & Assurance Leadership Team is led by Jean-Marc Mickeler, Deloitte Global Audit & Assurance Business Leader. Deloitte Global Audit & Assurance responsibilities include:

- developing and driving Deloitte Global Audit & Assurance strategy
- setting audit methodology standards and approving audit policy and methodology changes with the objective of enhancing audit quality across the Deloitte network
- driving key audit quality initiatives and policies across the Deloitte network.

Audit engagement acceptance and continuance

Deloitte Malta has detailed policies and procedures in place for accepting prospective clients and engagements and assessing engagement risk. These policies and procedures are designed with the objective that Deloitte Malta only accepts engagements where it:

- is able to perform the engagement and has the capabilities, including time and resources, to do so
- can comply with all relevant ethical requirements and professional standards, including independence and conflicts of interest assessments and considerations
- considered the integrity of the potential client's management team.

Audit innovation²

With The Deloitte Way, Deloitte is bringing innovation into the core of how we audit: with automation that improves routine tasks, analytics that yield a deeper and more insightful view into the data and artificial intelligence that enhances human discovery and problem-solving. As a result, clients get an experience that is less burdensome, with more transparency and deeper insight.

Innovation is an expectation in today's fast-changing business environment and this expectation holds true for the audit profession as well. Today's complex business environment requires that the audit be dynamic, multidimensional and insightful. There is a demand for real-time, relevant information and clients expect audits to evolve as they innovate their businesses and processes. While traditional procedures still have a place in auditing, Deloitte Malta auditors are enhancing procedures by making more use of technology-based analytics, Artificial Intelligence (AI), cognitive & cloud-based technologies, etc. This is due in part to the increased automation and effectiveness such data analytics and other tools may provide, but also the need for Deloitte Malta to stay in front of technological advances used by the entities that we audit.

Innovation is an integral part of the entire audit delivery process.

Deloitte is committed to the continued investment in emerging technologies and diversity of thought that enables the delivery of enhanced quality, insights and value to our clients and the markets. This includes Illumia, our global analytics platform, as well as an integrated suite of enabling innovation tools all connected in the cloud. We are also developing our next-generation cloud-based audit delivery platform – Omnia – in addition to Levvia, a solution to support our very small audits.

Deloitte Malta is committed to a journey of local implementation of Deloitte global innovation initiatives and cloud-hosted solutions. This includes use of Deloitte Connect, an online communication, information sharing and progress tracking tool to facilitate exchange of information with client management during the audit process. Deloitte Malta also continues to actively follow progress in the

development of Levvia, which will provide the latest cutting edge technology for the audit of smaller non-complex entities common in the local market.

Coronavirus disease 2019 (COVID-19)

Deloitte's highest priority is the safety and well-being of its professionals. As the impact of COVID-19 unfolds, investors and stakeholders are looking to auditors to provide an independent opinion on companies' financial statements more than ever. Deloitte remains committed to this critical role and delivering the highest quality audits.

Entity management is faced with significant uncertainty in making judgments to project future operating results and cash flows, going concern and developing valuation analysis, etc. The financial reporting process likely requires careful analysis and further considerations of impact from management and auditors given the current environment.

All stakeholders of the financial reporting ecosystem must exercise significant judgment in this unprecedented and uncertain environment—governments, when projecting the length of closures; bankers, when deciding if a loan can be repaid in full; management, when evaluating if a company can continue operating as a going concern and audit committees providing oversight of management; auditors, when assessing these judgments; and investors, when analysing the available financial information in light of these unprecedented uncertainties.

Although the existing accounting frameworks have provisions for uncertainties, it is important for financial statement users and regulators to expect a higher degree of market and economic volatility in the near future.

Deloitte welcomes the public statements and guidance issued by regulators that recognise the current uncertainties and emphasise the importance of high-quality, forward-looking corporate disclosures. Importantly, some regulators have conveyed that good faith attempts to provide investors and other market participants with appropriately framed forward-looking information will not be second-guessed. Deloitte seeks to raise awareness about the areas that pose challenges and require more

²For more information about Deloitte audit innovation, please refer to [Global Impact Report](#).

scrutiny, context-specific judgment and increased skepticism and documentation. There is benefit to the public for greater transparency from various financial reporting ecosystem stakeholders raising awareness about these issues. This includes providing more clarity on the responsibilities of management, audit committees, companies, auditors, regulators and other stakeholders.

Deloitte's global technology and infrastructure has allowed for an agile and rapid response to the various impacts of COVID-19. We have prepared for various contingencies in order to support changing client needs and to keep Deloitte professionals informed

while working remotely. Deloitte's business continuity plans have been updated and we have affirmed that Audit & Assurance products and solutions have the necessary bandwidth to ensure continuity. We have launched the Deloitte Global Audit & Assurance Technical Delivery Resource Center—a central location for globally relevant and locally adaptable Audit & Assurance COVID-19 related resources. In addition, COVID-19 industry disclosures have been added to the Disclosure Analytics tool to provide example disclosures across several areas, including risk factors, subsequent events and management's discussion and analysis.

Multidisciplinary model (MDM)

MDM is an important contributor to high-quality audits. Auditors increasingly use the work of specialists in a number of areas, including to assist in their evaluation of accounting estimates and fair value measurements when auditing companies' financial statements that are increasingly complex as a result of COVID-19. Further, as big data utilisation becomes more pervasive in line with other digital advances, the demand for data analysts and IT specialists will grow accordingly. Among the benefits of the MDM are:

- It is possible to develop industry insights through multiple lenses, which enhances auditors' understanding of business risks relevant to conducting audits.
- The audit practice has immediate access to specialised resources and expertise in other business lines. It promotes audit quality because auditors can tap the expertise of advisory professionals who are skilled in subjects that may not be native to auditors.
- A diverse organisation helps attract and retain premier talent.
- Intellectual capital is available within the network to innovate audit processes, technologies, etc.
- Different parts of our business grow at different rates during different time periods in different markets. Our MDM provides a hedge against market volatility that is important to long-term viability of the network and makes significant investments in audit quality and innovation possible, even in times of financial pressures on the audit business.

Deloitte's response to COVID-19 demonstrates both resiliency in putting audit quality and the public interest first which is further supported by the significant benefits of the MDM. Negative quality events have the potential to impact the Deloitte brand as a whole. As such, each non-audit Deloitte business has a shared and vested interest in supporting audit quality initiatives.

The organisational capabilities we build

Deloitte culture and the design of our learning programmes place our people at the forefront. Deloitte professionals are technically proficient with high levels of ethics, integrity, professional skepticism and objectivity and are continuously enhancing their skillset and experience.

Deloitte is committed to delivering an unrivalled talent experience, developing our professionals and furthering their careers by creating a life-long learning environment. We are advancing audit education, skillsets and flexible career options that appeal to future auditors.

Deloitte professionals bring diverse backgrounds, knowledge and skillsets that enhance our capability as an organisation in delivering the highest quality audits.

In addition, operational discipline, effective management of our business and the development of a singular approach to doing audits known as The Deloitte Way, provide the foundation for our commitment to bring consistency to our audits.

We are driving a sustainable audit and assurance business that recognises and rewards its people and funds ongoing investment in our business.

Learning and development initiatives

Central to the Audit & Assurance Transformation initiative are various enhancements to the Deloitte talent and learning experience:

Deloitte's transformed approach to audit delivery is enabling our professionals to use more advanced analytics, apply the latest tools, technologies and more critical thinking, spend more time



applying professional judgment and gain a deeper understanding of a client's business and industry—all contributing to enhanced audit quality and an improved experience for our people.

Deloitte has made substantial investments in our talent and learning strategies and transformed our technical audit curriculum to build the proficiency required by level:

- at the core, we have a single, global mandatory audit technical learning curriculum for auditors, targeting learners by level, using a dynamic blend of live instructor-led and digital on-demand courses and on-the-job activities
- all client service professionals are required to complete at least 20 hours of continuing professional education (CPE) each year and at least 120 hours every three years, through structured, formal learning programmes, 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 specialisation).

Deloitte has also established specific learning opportunities for specialists working on audit engagements to support their knowledge and understanding of the audit process. Enhanced project management, a key capability for executing audit engagements, has been included in annual development programmes. The objective of the Deloitte Malta professional development programmes is to help directors & principals and other professionals maintain and enhance their professional competence and ensure consistency of audit execution. To supplement on-the-job development, Deloitte Malta provides formal continuing professional development programmes in relevant subject areas consistent with the Deloitte Global Audit Curriculum.

Deloitte Talent Standards provide clear role expectations for a globally uniform level of quality from all Audit & Assurance professionals. Global consistency allows our people to enhance both their personal performance and to ensure that our clients will experience a consistent Deloitte.

Global Audit & Assurance Talent Standards have been developed to be used by member firms as guidelines in the employee lifecycle.

The Talent Standards are broken down into three capabilities namely:

- leadership - common to all Deloitte professionals regardless of business
- professional - common to all A&A professionals in a Talent Model regardless of which specific group they are a part of
- specialised professional - applicable to a specific group within a Talent Model.

Deloitte Malta follows the mandatory Audit Learning Curriculum prescribed globally with local supplementation for changes in laws and regulations. The attendance and completion of training programmes by directors & principals and other professionals are monitored by the HR department using the Deloitte learning platform.

Deloitte Malta establishes minimum levels of continuing professional development to be undertaken by directors & principals and other professionals within a specific period of time. These levels include a minimum of 20 hours of structured learning per year and a minimum of 120 hours of structured learning in every three-year period (i.e., an average of 40 hours per year). Warrant holders and members of the Malta Institute of Accountants must obtain a minimum of 40 hours of CPE per annum, of which at least 25 hours must be structured and at least 10 must be in areas qualifying as Core Competencies. To achieve these levels of development, Deloitte Malta offers structured, formal learning programmes, 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 specialisation).

Over recent years, the firm has introduced further developmental tools to enable staff to check-in regularly on their career progression and technical skills.

All members of staff are assigned to a team leader who is responsible for their development and well-being within the firm. Centralised monitoring is carried out by the HR department to ensure that the required CPE documentation is submitted on an annual basis.

Deloitte University

Deloitte actively cultivates the collective knowledge and skills of Deloitte professionals globally through continued investment in Deloitte Universities (DU). These are state-of-the-art learning and development centers focused on Deloitte culture and rooted in the principles of connectedness and leadership in a highly inclusive learning environment.



Directors' & principals' remuneration

Execution of high quality audits is expected from all professionals and is embedded across the Deloitte network. The firm's appraisal and promotion processes and considerations are designed with the aim of establishing a strong linkage between audit quality and audit remuneration and a principal and director selection process which is thorough and robust.

All directors & principals are evaluated on a yearly basis and depending on the outcome of the evaluation, the remuneration of directors & principals may increase or decrease.

Directors & principals who provide audit services are not evaluated or remunerated on the selling of other services to the entities they audit, or on criteria relating to any specific client sub-grouping. The aim is that this approach should preclude financial considerations from driving actions and decisions having a negative effect on audit quality, objectivity and independence.

The high quality audits we deliver

The experience of a high-quality audit, delivered well, will provide the audit committees, investors and other stakeholders of the companies with (but not limited to):

- an audit report that is appropriate to the circumstances
- innovation in how we do the audit
- more insights about their company than they had at the outset of the process.

Deloitte is proud of its role supporting the capital markets, protecting investors and the public trust.



External and internal audit quality monitoring

Audit Quality Monitoring & Measurement

A continued focus on audit quality is of key importance to the Deloitte brand. It is critical that a Deloitte audit is consistently executed and of high quality, wherever in the world it is performed.

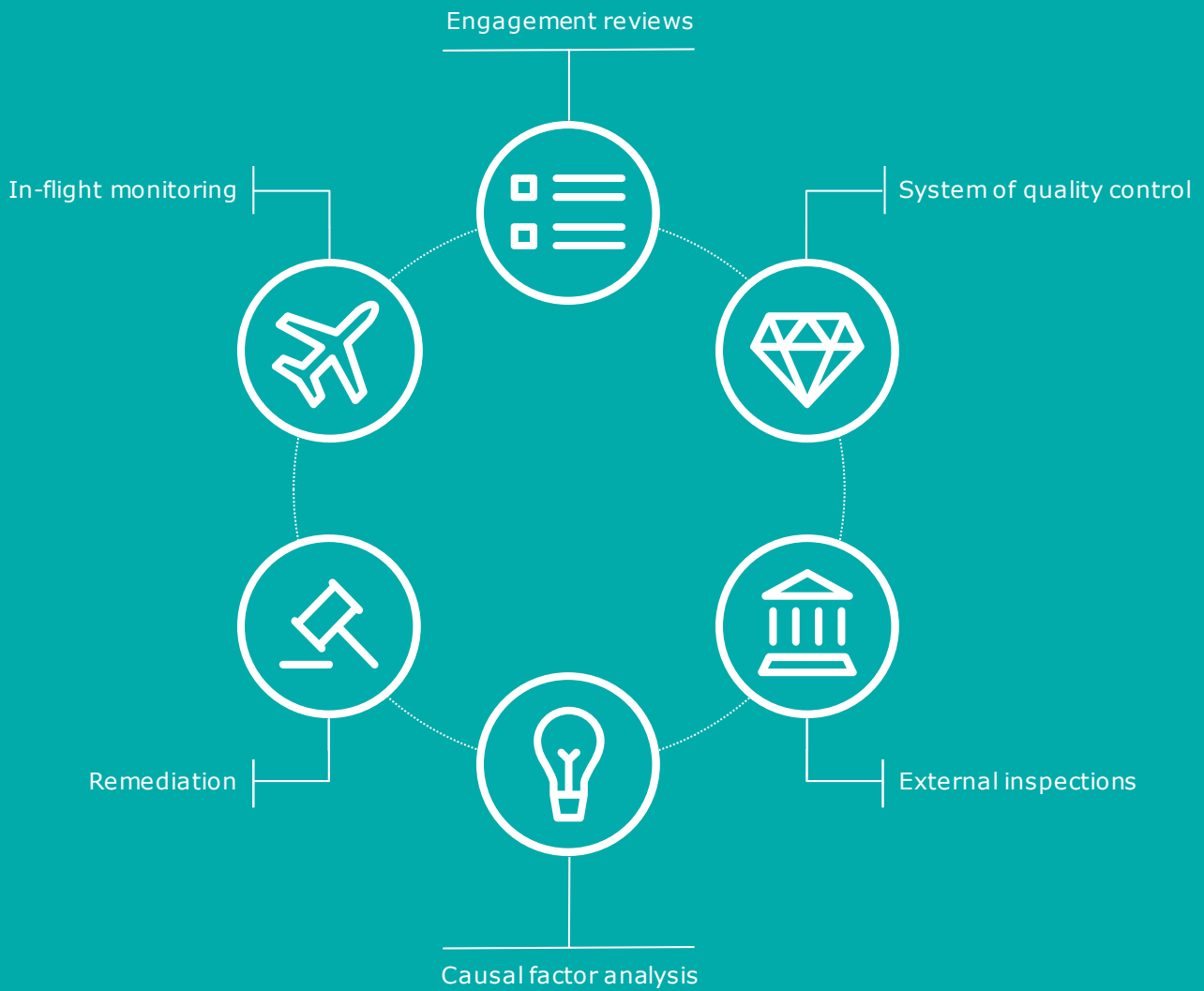
The objectives of the Deloitte Global Audit Quality Monitoring & Measurement (AQMM) programmes are to:

- transform the way audit quality is monitored and measured and audit deficiencies are resolved
- enhance the internal system of quality control which all Deloitte network firms follow.

The AQMM program is focused on driving:

- ongoing, consistent and robust monitoring of completed and in-flight engagements
- fundamental understanding of deficiencies and timely execution of corrective actions by all member firms consistently
- greater transparency and consistency in reporting key measures of audit quality.

Audit Quality Monitoring & Measurement



 **In-flight monitoring**

Ongoing audit quality monitoring by Deloitte Malta drives a faster response to audit issues on “in-flight” engagements, driving identification, timely solutions and real time corrective actions achieved by:

- Deployment and monitoring of a series of core Diagnostics, enabling engagement directors & principals and teams, as well as Deloitte Malta audit quality leaders to regularly monitor audit quality and take immediate action.
- A programme of subject matter specific “health checks” to assist Deloitte Malta audit quality leaders in assessing progress and identifying potential issues on in-flight engagements.

 **Engagement reviews**

Key components of engagement reviews (internal practice reviews) include:

- risk-based engagement selection and consideration of all major industries served by Deloitte Malta
- mandatory moderation panel to drive consistency in findings and engagement ratings
- external partners and deputies who oversee practice reviews to increase global consistency
- identifying appropriate resources, principally from other Deloitte geographies, with the right experience and industry expertise.

 **System of quality control (SQC)**

SQC includes numerous elements such as documenting key areas of the SQC processes and controls and performing procedures for testing the operating effectiveness of the SQC, including execution of a comprehensive SQC review programme.

Used in conjunction with other metrics, Audit Quality Indicators (AQIs) further assist Deloitte Malta in developing and monitoring audit quality action plans and reporting on the progress in its audit quality journey. AQIs are integrated with ongoing AQMM activities.

In addition, proper timing and sequencing of audit activities, including timely reviews of work performed and the resolution of matters identified, are closely

associated with high quality audits. Audit Quality Milestones are intended to drive consistency of engagement teams in project management of public interest entity audit engagements, timing of when work is done and necessary focus on engagement staffing, including sufficiency and expertise of assigned resources.

 **Causal factor analysis and remediation**

Focusing on continuous improvement is essential to driving improvements in audit quality. Understanding why audit deficiencies occur is essential to the design of effective actions to remediate findings. Further, actions are taken when audit deficiencies in the performance of an audit engagement are identified. Engagement level remediation is imperative to drive continuous improvement in audit quality and avoid future similar findings. An Audit Quality Plan is prepared by Deloitte Malta and provides for effective implementation and monitoring of key audit quality priorities.

 **External inspections**

In addition to Deloitte Malta’s own monitoring of audit quality, we are subject to external reviews by the Quality Assurance Unit of the Accountancy Board within the Ministry for Finance.

Internal inspections	External inspections
Last inspection report issued in November 2019 covering the year ended May 2019.	Last inspection report issued in April 2017, generally covering the year ended September 2016.
Practice review for the year ended May 2020 in final stages of completion.	

Statement on the effectiveness of the functioning of the internal quality control system

We confirm that we are satisfied that the firm’s internal quality controls and systems are robust, operate effectively and allow the firm to readily identify any areas of potential enhancement. The firm continually seeks to refine all aspects of its practice and uses the findings of the practice review, other internal reviews and external regulatory reviews to enhance its system of quality control.

Independence, ethics and additional disclosures

Deloitte Global Independence



Sets **independence policies and procedures** based upon the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and the independence standards of the US Securities and Exchange Commission and the Public Company Accounting Oversight Board. Performs full reviews of independence quality controls on a three-year cycle; provides an annual focused review programme to be performed by member firms as part of their Audit Practice Review for the off-cycle years; and performs in-depth follow-up reviews as needed.



Performs **on-going monitoring** activities of firms—enabling continuous enhancements to global policies, quality controls, tools and practice support activities.



Delivers **global systems** to provide professionals with entity information to support compliance with personal and professional independence requirements, including financial interests and scope of service approvals.



Supports **independence awareness** across the Deloitte network through active engagement with independence and business leadership groups, periodic communications and alerts and development of guidance, learning and instructions.

Deloitte Malta Independence

Deloitte Malta has policies and procedures designed to address compliance with applicable professional standards that relate to independence. These policies and procedures are based on the Deloitte Global Independence policy and are supplemented, as appropriate, to reflect additional national or regional requirements that may be more restrictive than Deloitte Global policies. Deloitte Malta 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 Deloitte Malta. Strategies and procedures to communicate the importance of independence to directors & principals, other

professionals and support staff have been adopted, emphasising each individual's responsibility to understand and meet the independence requirements. The Director of Independence is responsible for overseeing independence matters within the member firm, including the design, implementation, operation, monitoring and maintenance of the system of quality control related to independence.

The key elements of the system of quality control that Deloitte Malta implemented in accordance with global independence policies include the following:

- engagement acceptance and monitoring
- monitoring long association of directors & principals and professionals with audited entities

- business relationship assessments and monitoring
- use of independence business process tools, including the Deloitte Entity Search and Compliance (DESC) system and the Global Independence Monitoring System (GIMS).
- an Inspection & Testing programme, annual and special purpose independence confirmations and consultation procedures to monitor individuals' compliance with independence requirements
- procedures to identify and analyse non-compliance with independence requirements and apply related disciplinary measures and actions
- independence-related learning and communications
- an internal review of independence compliance was conducted during the year and the report was issued on November 2019 covering the year ended May 2019.



DESC

Deloitte Entity Search and Compliance

Global, searchable database containing specific entity information relevant in determining personal and professional independence restrictions



GIMS

Global Independence Monitoring System

Application that contains financial relationship data with relevant independence compliance indicators

Long association requirements of audit directors & principals and professionals

Key audit engagement directors & principals cease their participation in the statutory audit of a public interest entity after having served seven cumulative years in a key audit director & principal role with respect to the audit of that public interest entity. They do not participate again in the statutory audit of that audited entity before the required cooling-off period has been completed. In assigning the most senior personnel, other than key audit directors & principals, to audit engagements of public interest entities, attention is paid to ensure a gradual rotation mechanism on the basis of individuals rather than of the entire engagement team.

Ethics

All Deloitte professionals are expected to act with integrity in accordance with high ethical standards as described in the Deloitte [Global Principles of Business Conduct](#) ("Global Code"). The Global Code is embedded into each member firm's Code of Conduct and defines the commitments that all Deloitte professionals make

regarding ethical standards, as well as explaining each individual's responsibilities to their clients, colleagues and society.

In addition to the Global Code, other foundational elements of Deloitte's ethics programme include global policies, a programme of training and communications and established reporting channels supported by defined incident management protocols. For continuous improvement, regular programme assessments and reviews are conducted and feedback is collected from our professionals through an annual ethics survey.

Ethics at Deloitte is led by the Deloitte Global Chief Ethics Officer at the global level and by member firm Ethics Officers at the local level, who are experienced directors & principals with direct access to the member firm's CEO and governing body. Deloitte Global and member firm ethics leaders work together to continually monitor risk and to reinforce compliance with the Global Code.

Deloitte Malta maintains policies and procedures that build on the global policies and are designed to provide reasonable assurance that its professionals comply with relevant ethical requirements.

The ethical requirements for audit and related assurance services provided by Deloitte Malta are in accordance with national requirements embodied in the Accountancy Profession (Code of Ethics for Warrant Holders) Directive (Directive Number 2) issued in terms of the Maltese Accountancy Profession Act (Cap.281). Deloitte Malta also complies with Deloitte Global policies and procedures, which align with the requirements and guidance set out in the international Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, a standard-setting body of the International Federation of Accountants (IFAC). When the national professional requirements are more restrictive than the Deloitte Global policies and procedures, Deloitte Malta follows the applicable national requirements.

Deloitte Malta reinforces its commitment to ethics and integrity through communication tools, learning programmes, compliance processes and measurement systems. In addition, Deloitte Malta requires all directors & principals, other professionals and support staff to confirm annually that they have read and comprehended the member firm's Code of Conduct and understand that it is their responsibility to comply with it.

Deloitte Global Ethics

Deloitte is committed to conducting business with honesty, distinctive quality and high standards of professional behaviour.

Deloitte's Global Principles of Business Conduct ("Global Code") outlines Deloitte's ethical commitments as a network and expectations for Deloitte's approximately 344,000 people, giving a strong, principled foundation. The foundations of the network's ethics programme is comprised of the following elements:





Shaping the future of the audit profession

Management teams, audit committees, investors, regulators and standard setters all play critical roles in shaping the environment in which audits are performed. We strive to engage with these parties, both formally and informally, to share, offer and debate ideas with the objective of ensuring the relevance of audit and assurance to the capital markets.

Appendices

Appendix A | EU EEA audit firms

Disclosure in accordance with Article 18.2(b)(ii)-(iii) of the Accountancy Profession Act (Cap. 281) and Article 13.2(b)(ii)-(iii) of the EU Audit Regulation ¹

EU/EEA Member State (Sub-Article (b)(iii): the countries in which each audit firm that is a member of the network is qualified as a statutory auditor or has its registered office, central administration or principal place of business).

Name of audit firms carrying out statutory audits in each Member State (Sub-Article (b)(ii): the name of each audit firm that is a member of the network).

EU/EEA Member State	Name of audit firms carrying out statutory audits in each Member State
Austria	Deloitte Audit Wirtschaftsprüfungs GmbH
	Deloitte Burgenland Wirtschaftsprüfungs GmbH
	Deloitte Niederösterreich Wirtschaftsprüfungs GmbH
	Deloitte Oberösterreich Wirtschaftsprüfungs GmbH
	Deloitte Salzburg Wirtschaftsprüfungs GmbH
	Deloitte Tirol Wirtschaftsprüfungs GmbH
	Deloitte Wirtschaftsprüfung Styria GmbH
Belgium	Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises CVBA / SCRL
Bulgaria	Deloitte Audit OOD
Croatia	Deloitte d.o.o. za usluge revizije
Cyprus	Deloitte Limited
Czech Republic	Deloitte Audit s.r.o.
Denmark	Deloitte Statsautoriseret Revisionspartnerselskab
Estonia	AS Deloitte Audit Eesti
Finland	Deloitte Oy
France	Deloitte & Associés
	Deloitte Marque & Gendrot
	Audalian Commissaire
	BEAS
	Cisane
	Constantin Associés
	Constantin Entreprises
	D.B. Consultant
	ECA Audit
	Jacques Serra et Associés
	Laurens Michel Audit
	Opus 3.14 Audit et Conseil
Pierre-Henri Scacchi et Associés	
Revi Conseil	
Germany	Deloitte GmbH Wirtschaftsprüfungsgesellschaft

EU/EEA Member State	Name of audit firms carrying out statutory audits in each Member State
	Deutsche Baurevision GmbH Wirtschaftsprüfungsgesellschaft
	SüdTreu Süddeutsche Treuhand GmbH Wirtschaftsprüfungsgesellschaft
Greece	Deloitte Certified Public Accountants S.A.
Hungary	Deloitte Könyvvizsgáló és Tanácsadó Kft.
Iceland	Deloitte ehf.
Ireland	Deloitte Ireland LLP
Italy	Deloitte & Touche S.p.A.
Latvia	Deloitte Audits Latvia SIA
Liechtenstein	Deloitte (Liechtenstein) AG
Lithuania	Deloitte Lietuva, UAB
Luxembourg	Deloitte Audit
Malta	Deloitte Audit Limited
Netherlands	Deloitte Accountants B.V.
Norway	Deloitte AS
Poland	Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa
	Deloitte Audyt spółka z ograniczoną odpowiedzialnością
Portugal	Deloitte & Associados, SROC S.A.
Romania	Deloitte Audit SRL
Slovakia	Deloitte Audit s.r.o.
Slovenia	Deloitte Revizija d.o.o.
Spain	Deloitte, S.L.
Sweden	Deloitte AB
United Kingdom	Deloitte LLP
	Deloitte Limited
	Deloitte N.I. Limited

Disclosure in accordance with Article 18(2)(b)(iv) of the Accountancy Profession Act (Cap. 281) and Article 13.2(b)(iv) of the EU Audit Regulation

The total turnover achieved by the audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements: €2.1 billion².

¹ EU Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities .

² Amount represents an estimate determined based upon best efforts to collect this data. Certain Deloitte audit firms registered to perform statutory audits in respective Member states provide statutory audit services as well as other audit, assurance and non-audit services. While Deloitte endeavored to collect specific statutory audit turnover for each EU/EEA Deloitte audit firm, in certain cases turnover from other services has been included. The turnover amounts included herein are as of 31 May 2020, except for a limited number of instances where a Deloitte audit firm has different financial year-end or has not finalised its reporting for such period. In these cases, turnover amounts are for the relevant financial year or preceding financial year. Where currency other than Euros is used in the Member state, the amount in Euros was translated using an average exchange rate in effect for the period 1 June 2019 to 31 May 2020.

Appendix B | Financial information

Disclosure in accordance with Article 18(2)(k) of the Accountancy Profession Act (Cap.281) and Article 13.2 (k) (i)-(iv) of the EU Audit Regulation

Breakdown of Deloitte Malta's turnover for the financial year ended 31 May 2020:

Turnover	€ '000
Statutory audit (PIEs or PIE subsidiaries)	1,403
Statutory audit (non-PIEs or non-PIE subsidiaries)	6,580
Non-audit services (audited clients)	3,336
Non-audit services (other entities)	18,849
Total	30,168

Appendix C | Public interest entities

Disclosure in accordance with Article 18(2)(f) of the Accountancy Profession Act (Cap.281) and Article 13.2 (f) of the EU Audit Regulation

Deloitte Audit Limited issued statutory audit reports during the financial year ended 31 May 2020 on the entities listed in the table (as indicated) that fell within the definition of Public Interest Entity (PIE) during the financial period covered by the audit report.

The Maltese Accountancy Profession Act (Cap.281) defines PIEs as entities governed by the law of an EU Member State whose transferable securities are admitted to trading on a regulated market of any EU Member State, a credit institution (e.g. a bank) or an insurance company. Full definitions referencing applicable EU legislation are set out in Article 2(1) of the Accountancy Profession Act (Cap.281).

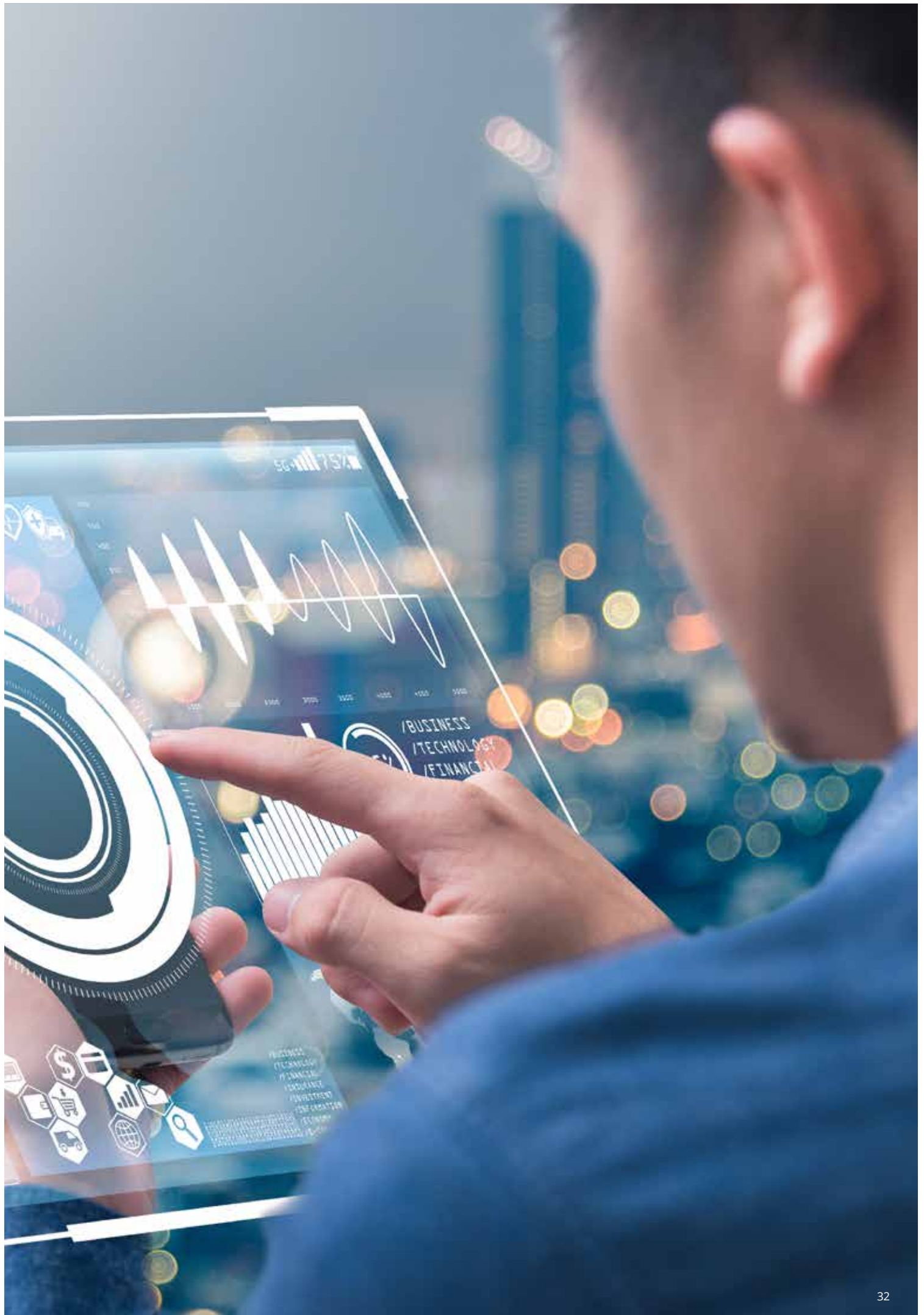
Any entity that would otherwise fall within the definition of PIE but which was not governed by the law of an EU Member State and / or whose transferable securities were admitted to trading on a market other than a regulated market of any EU Member State, has been designated as an Other Entity of Public Interest.

The Maltese Minister for Finance may from time to time designate other entities as PIEs, for instance entities that are of significant public relevance because of the nature of their business, their size, or their number of employees. To date, there are no such other entities that have been designated as PIEs.

Company	Audit Report Issued between June 2019 and May 2020	Credit Institution	Insurance Company	Listed Equity	Listed Debt	Listed Funds
Advent Insurance PCC Limited	Yes		•			
AgriBank plc	Yes	•				
AGRIHOLDINGS PLC*	Yes				•	
APS BANK P.L.C	Yes	•				
APS Funds SICAV p.l.c.	Yes					•
AQA Funds SICAV p.l.c.	Yes					•
CC FUNDS SICAV PLC	Yes					•
CALAMATTA CUSCHIERI FINANCE PLC*	Yes				•	
FORTEGRA EUROPE INSURANCE COMPANY LTD	Yes		•			
HIGHDOME PCC LIMITED	Yes		•			
IDA INSURANCE LIMITED	Yes		•			
LIME STREET INSURANCE PCC LIMITED	Yes		•			
MALTA INTERNATIONAL AIRPORT P.L.C.	Yes			•		

Company	Audit Report Issued between June 2019 and May 2020	Credit Institution	Insurance Company	Listed Equity	Listed Debt	Listed Funds
MANGROVE INSURANCE EUROPE PCC LIMITED	Yes		•			
MARINER FINANCE P.L.C.	Yes				•	
ORLEN INSURANCE LTD	Yes		•			
RS2 Software p.l.c.	Yes			•		
TravelJigsaw Insurance Limited	Yes		•			

* Denotes other entity of public interest



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