

2021 Transparency Report

Deloitte DOO Skopje

31 March 2022

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Deloitte DOO Skopje leadership message¹

This report sets out the practices and processes that are currently employed by the Company for audit, consulting, and tax services Deloitte DOO Skopje (hereinafter: the "Company"), in accordance with the requirements of the provisions of the Law on Audit (Official Gazette of the Republic of Macedonia no. 158/10, 135/11, 188/13, 43/14, 138/14, 145/15, 192/15, 23/16 and 83/18 and Official Gazette of the Republic of North Macedonia no. 122/21).

All information provided in this report relates to the situation of the Company on 31 December 2021, except if indicated otherwise.

In accordance with the Law on Audit (Official Gazette of the Republic of Macedonia no. 158/10, 135/11, 188/13, 43/14, 138/14, 145/15, 192/15, 23/16 and 83/18 and Official Gazette of the Republic of North Macedonia no. 122/21) the Company declares that:

- it implements an effective internal quality control system through internal quality control policies and procedures as the basis for engagement planning and performing.
- it regularly performs independence compliance checks related to the Company's independence practices and independence of the Company's staff in relation to audit clients and audit engagements and confirms that a regular internal review of independence compliance has been conducted.
- the licensed certified auditors attended professional continual education.



Aleksandar Arizanov, Director
Deloitte DOO Skopje
31 March 2022

¹ Throughout 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 <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/about-the-network.html>



Deloitte network

Deloitte North Macedonia: legal structure and ownership

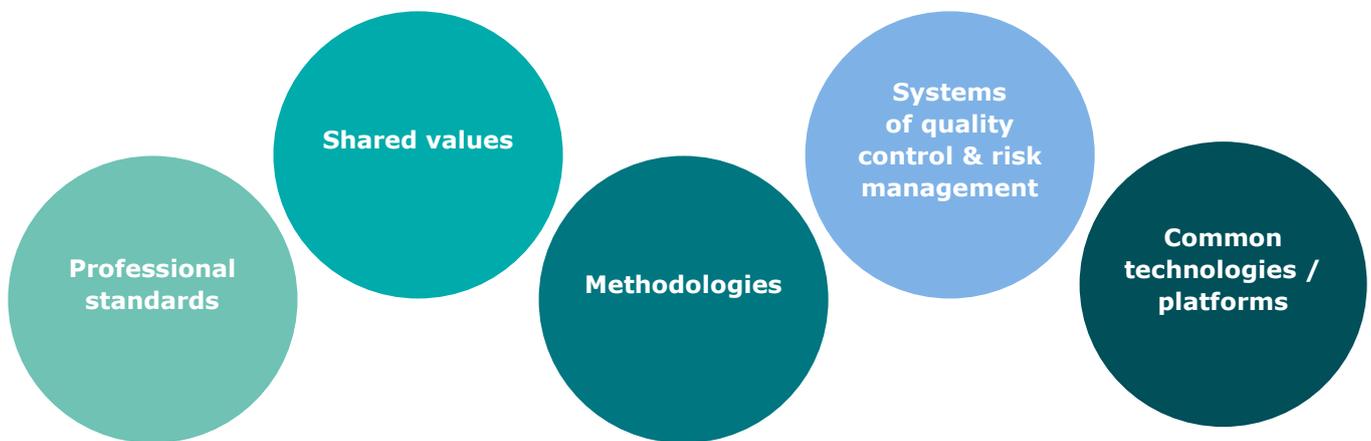
Deloitte DOO Skopje is connected to the Deloitte network through Deloitte Central Europe Holdings Limited, a member firm of Deloitte Touche Tohmatsu Limited. Deloitte Central Europe, together with Deloitte France, Deloitte Germany, Deloitte Luxembourg, Deloitte Austria, Deloitte Portugal and Deloitte Turkey is a shareholder in Deloitte DCE GmbH (“DCE”), which is as well a member firm of Deloitte Touche Tohmatsu Limited. The object of DCE is fostering of the collaboration among its shareholders as members of the global Deloitte network. DCE neither provides any professional services nor engages in commercial activities.

Deloitte DOO Skopje is referred to throughout this report as “Deloitte North Macedonia”. Deloitte Central Europe, as an organization of entities organized under the umbrella of Deloitte Central Europe Holdings Limited is referred to throughout this report as “Deloitte Central Europe”. Deloitte Central Europe Holdings Limited holds practice rights to provide professional services using the “Deloitte” name which it extends to Deloitte entities within its territory (Deloitte Central Europe), including Deloitte North Macedonia. Deloitte North Macedonia is authorized to serve as an auditor for clients in North Macedonia.

Network description

The Deloitte network

The Deloitte network (also known as the Deloitte organization) is a globally connected network of member firms and their respective related entities 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 related entities 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 related entities.

“Deloitte” is the brand under which approximately 345,000 dedicated professionals in independent firms throughout the world collaborate to provide audit and 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 organization. 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 organization is a global network of independent firms and not a partnership or a single firm. DTTL does not provide services to clients.

Deloitte North Macedonia: governance – leadership in action

Deloitte North Macedonia operates as a limited liability company, established under North Macedonia law, with registered office at Blvd. Sveti Kliment Ohridski 52-11, 1000 Skopje and registration number 4881427.

Deloitte North Macedonia Management is responsible for the governance and oversight of the Audit & Assurance practice. Specific responsibilities include: approving local audit and assurance business strategy and approving the financial aspects of local business plans.

The following are the founders and owners of equity interests in Deloitte North Macedonia:

Deloitte North Macedonia – Governing Board

Deloitte Central Europe Holdings Limited, with its registered address at Lampousas 1, P.C. 1095, Nicosia, Cyprus – holding a 24% equity interest (3,888 EUR);

Deloitte d.o.o. Belgrade, with its registered address at Terazije 8, Belgrade, Republic of Serbia – holding a 25% equity interest (4,050 EUR);

Aleksandar Arizanov, Certified Auditor from Skopje – holding a 51% equity interest (8,262 EUR);

Priority activity: Accounting, bookkeeping and audit activities, tax consulting (Code: 69.20)

Annual Responsibility Insurance in accordance with the Law on Audit:

Issued by: Eurolink Insurance AD

Minimal amount of coverage: 24.600.000 MKD

Policy no.: 130310002766/00 **Period of insurance:** 01.02.2022 – 01.02.2023

Number of employees:

Number of employees in accordance with the Labor Law as of 31.12.2021. 7 full time employees on indefinite time period

2 full time employees on definite time period

Number of employees on the date of submission of the Report (31.03.2022) 7 full time employees on indefinite time period

2 full time employees on definite time period

The Company for audit, consulting and tax services Deloitte DOO Skopje with its registered address at Blvd. Sveti Kliment Ohridski 52-11, was founded on July 8th, 1994 and entered into the Central Register of Republic of North Macedonia under no. 4881427. The Company is also registered in the Institute of Certified Auditors of Republic of North Macedonia under no. DR011 and has a license issued by the Council for Advancement and Oversight of the audit of the Republic of North Macedonia no. 09 from 02 July 2013. The Company’s legal form is that of a limited liability company.

The Company for audit, consulting and tax services Deloitte DOO Skopje is a company registered and authorized to perform audits of financial statements in the Republic of North Macedonia. The Company was entered in the Auditing Company Register maintained by the Republic of North Macedonia Ministry of Finance and was issued an operating license no. 09-32635/1 from 28.01.2005.

In accordance with the provisions of the Company Law in Republic of North Macedonia, the Company is governed by the Assembly comprised of all Company members.

The Company has two directors: Olivera Andrijašević and Aleksandar Arizanov.

In all of their activities, Deloitte North Macedonia senior leaders are responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements. Deloitte North Macedonia strategy is developed in alignment with the overall strategic direction established for the Deloitte network.

Our purpose and commitment: instilling trust and confidence

At Deloitte North Macedonia, 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

Entities Deloitte North Macedonia audits

As part of Deloitte North Macedonia Audit & Assurance's commitment to supporting the capital markets, Deloitte is focused on auditing entities where it serves the public interest and where Deloitte North Macedonia has the capabilities to perform a quality audit with objectivity and in compliance with applicable ethical and professional standards.

Deloitte North Macedonia 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 North Macedonia 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 & 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 North Macedonia.

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

The Deloitte Way: standardization of audit processes supported by our 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

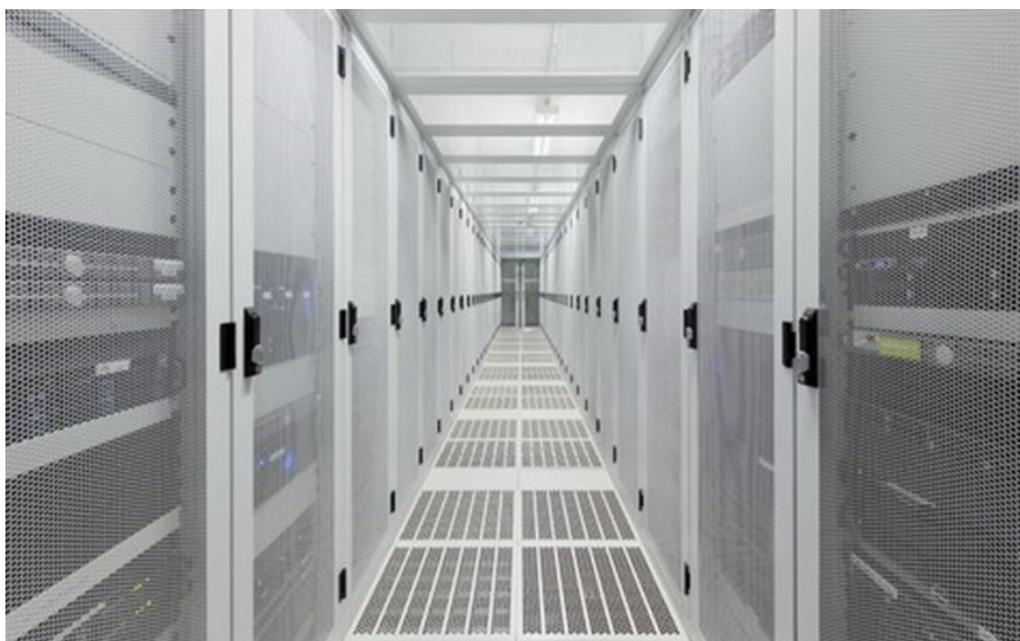


Audit innovation

With The Deloitte Way, Deloitte North Macedonia 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. Deloitte North Macedonia 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 North Macedonia to stay in front of technological advances used by the entities that we audit.

Deloitte North Macedonia 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. Deloitte has released Deloitte Omnia, our next-generation cloud-based audit delivery platform, as well as Deloitte Levvia, a tailored solution to support our very small audits. Further development, enhancement, and broad deployment of both solutions will continue over the next several years. Deloitte North Macedonia also has an analytics platform, as well as an integrated suite of enabling innovation tools all connected in the cloud.





Environmental, social, and governance (ESG) reporting²

Financial reporting today

To better assess the resiliency of corporate strategies to climate related and other ESG matters, investors and stakeholders are seeking reliable and comparable information on the potential impacts of these matters. These matters could have implications on a company's financial accounting and reporting, in the context of the existing accounting standards and the financial statement audit. Companies follow financial reporting standards such as the International Financial Reporting Standards (IFRS) and US Generally Accepted Accounting Principles (GAAP). Auditors follow auditing standards such as those established by the International Auditing and Assurance Standards Board (IAASB), International Standards on Auditing (ISA), and Public Company Accounting Oversight Board (PCAOB) related to the audit of the financial statements. These standards require auditors to identify and assess the risks of material misstatement in the financial statements of the companies they audit, and design and perform audit procedures responsive to those risks. Deloitte North Macedonia is increasing awareness of the potential impacts of climate related and other ESG matters on financial reporting through guidance, tools, templates, learning, and leading practices.

Corporate reporting of the future

In addition, market participants and broader stakeholders are calling for greater insight into corporate performance, specifically demanding enhanced transparency around ESG impacts and dependencies of a company's business model and strategy. Over time, many standard setters and other organizations have developed frameworks or standards for reporting metrics and ESG information for use by companies. However, currently there is no global enforcement mechanism or assurance requirements for consistent adherence or adoption. Deloitte North Macedonia supports the International Financial Reporting Standards Foundation's (IFRSF) proposal to establish an International Sustainability Standards Board (ISSB) that, alongside the International Accounting Standards Board and under the governance and oversight of the IFRSF, would provide a set of global standards.

There is a growing interest for companies to integrate climate-related and other ESG considerations into systems of internal control, enhancing the maturity of systems, processes, and governance over climate-related and other ESG information. Those charged with governance (e.g., Audit Committees, Boards) are moving toward incorporating ESG considerations in their

oversight responsibilities of companies' management— companies' readiness, companies' management skillsets, and implementation of processes and controls to collect data.

Deloitte North Macedonia supports efforts to make publicly disclosed ESG information consistent, comparable, and reliable. Assurance provides a greater confidence in ESG information. Deloitte North Macedonia believes that there is a benefit of ESG assurance being provided by an audit firm. Objectivity, credibility, and integrity are qualities valued most in assurance providers. These are in addition to independence, professional scepticism, commitment to quality, and appropriate training that are equally critical. All of these are covered under the typical infrastructure of audit firms and will be further reinforced with the adoption of ISQM 1, which becomes effective in December 2022.

Deloitte supports the continued collaboration of all participants in the financial reporting ecosystem, working together to develop and implement common standards upon which to measure, disclose, and ultimately assure ESG information.

Further, to help the world achieve the goals of the Paris Agreement, Deloitte has launched [WorldClimate](#), a strategy to drive responsible climate choices within the Deloitte network and beyond.



² For more information about Deloitte's alignment with ESG, please refer to Deloitte [Global Impact Report](#).



Coronavirus disease 2019 (COVID-19)

Deloitte North Macedonia'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. Deloitte North Macedonia remains committed to this critical role and delivering the highest quality audits.

Entity management and auditors alike are affected by restrictions on travel and requirements to stay at home. With travel restrictions affecting entities' personnel and auditors, companies may obtain information in new or different ways. In addition, 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 analyzing 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 North Macedonia welcomes the public statements and guidance issued by regulators that recognize the current uncertainties and emphasize 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. 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 North Macedonia's overarching strategic objectives are principles-based and remain unchanged (e.g., investments in quality people, and technology),

however, some related processes have been modified or prioritized to factor in unanticipated changes due to the pandemic. Deloitte firms were required to implement monitoring and consultation processes to maintain high standards of quality and reinforce key areas of focus impacted by the implications of COVID-19.

Deloitte North Macedonia has been focused on setting the necessary tone for the historically challenging period that followed. From an audit risk perspective, the fluid economic and health environments globally continue to put pressure on the risk of fraud, asset impairments, and going concern in certain industries. Operational challenges in some industries can manifest into financial reporting challenges, while other industries may be benefiting from the current environment.

The professional standards, Deloitte North Macedonia policies and guidance, strong consultation and specialist networks, and steadfast diligence continue to be the basis for Deloitte North Macedonia's execution of high-quality audits. Deloitte North Macedonia's technology and infrastructure allowed for an agile and rapid response to the various impacts of the COVID-19 pandemic.

Deloitte North Macedonia prepared for various contingencies in order to support changing needs and to support professionals during periods when they have been required to work remotely. Deloitte North Macedonia continues to utilize the Deloitte Audit & Assurance Technical Delivery Resource Center—a central location for all Deloitte North Macedonia professionals to access globally relevant and locally adaptable COVID-19-related audit resources and guidance. These responses have allowed us to continue to reinforce execution of the Deloitte North Macedonia audit approach throughout the pandemic.

Deloitte North Macedonia has also led global initiatives to understand the implications of working virtually for professionals, to provide them with support to enhance team collaboration and to consider new ways of working in a remote environment. Despite the virtual working environment, learning was successfully delivered to Deloitte North Macedonia professionals through virtual programs, and we are using this experience to drive continuous improvement.

The transformation of audit execution in an increasingly dynamic work environment has led Deloitte North Macedonia to respond to the rapidly changing needs and requirements of the talent landscape. As Deloitte North Macedonia is organizing the return to the workplace in several countries, it is challenging its historical working methods and considering a hybrid working environment.



Going forward, Deloitte North Macedonia will continue to focus its efforts and provide a consistent audit experience in a way that embraces the evolving expectations of clients and professionals.

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. This has been more important than ever as companies' financial statements were required to reflect the uncertainties presented by COVID-19. Financial statements may continue to grow in complexity due to new ESG considerations and other focus areas. Further, as big data utilization 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:

- Possibility to develop industry insights through multiple lenses, which enhances auditors' understanding of business risks relevant to conducting audits.
- Immediate access for the audit practice to specialized resources in other business lines. This promotes audit quality because auditors can leverage the knowledge and experience of advisory professionals who are skilled in subjects beyond audit and assurance.
- A diverse organization helps attract and retain premier talent.
- Availability of intellectual capital within the network to innovate audit processes, technologies, etc.
- Parts of the business grow at different rates during various time periods across markets. Deloitte North Macedonia's MDM provides a safeguard 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 North Macedonia'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. Each non-audit Deloitte North Macedonia business has a shared and vested interest in supporting audit quality initiatives and Deloitte North Macedonia's strategy to deliver high-quality, globally consistent service to clients.





Professional development and performance management

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

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

Deloitte North Macedonia professionals bring diverse backgrounds, knowledge, and skillsets that enhance capabilities as an organization in delivering the highest quality audits.

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

Deloitte North Macedonia is driving a sustainable audit and assurance business that recognizes and rewards its people and ongoing investments in their future.



Learning and development initiatives

Deloitte North Macedonia's transformed approach to audit delivery is changing the audit experience for professionals. Audit teams are empowered by advanced tools and technologies and more extensive use of data analytics within a guided workflow to execute the end-to-end audit cycle. For Deloitte North Macedonia professionals, this means focusing on how the engagement is planned, executed, and managed consistently across the globe using forward looking techniques and capabilities. It also offers opportunities to enhance their technical and professional skillsets and competences. For example, the following skills become more important — enhanced data analytics, project management, critical thinking, communication, enhanced professional judgment, and the application of accounting and auditing principles to work more effectively and deliver higher quality engagements.

Not only does Deloitte North Macedonia deliver value in more areas, but as capabilities and skillsets are enhanced, we build greater confidence and become ever-better evaluators of risk.

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

- At the core, Deloitte North Macedonia has a single, mandatory audit technical learning curriculum for auditors, targeting learners by level, using a dynamic blend of live instructor-led, digital on-demand courses, and on-the-job activities.
- All client service professionals are required to complete at least 40 hours of continuing professional education (CPE) each year and at least 120 hours every three years, through 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).
- All client service professionals have clearly defined role expectations and Talent Standards outline the capabilities that are required of practitioners at each level.

Deloitte North Macedonia 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 programs which provide a blend of technical and soft skill

learning development. The objective of the Deloitte North Macedonia professional development program is to help partners and practitioners maintain and enhance their professional competence and ensure consistency of audit execution. To supplement on-the-job development, Deloitte North Macedonia provides formal continuing professional development programs in relevant subject areas consistent with the Deloitte North Macedonia Audit & Assurance Curriculum.

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

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.

All certified auditors at Deloitte North Macedonia continuously maintain and improve their qualifications through a combination of internal courses and training seminars organized by the Chamber of Certified Auditors.

The Company declares that the licensed certified auditors attended professional continual education in accordance with the Law on Audit of RM (Official Gazette of the Republic of Macedonia no. 158/10, 135/11, 188/13, 43/14, 138/14, 145/15, 192/15, 23/16 and 83/18 and Official Gazette of the Republic of North Macedonia no. 122/21).

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^[3].

Partner remuneration

Execution of high quality audits is expected from all professionals and is embedded across the Deloitte network. Audit quality is recognized through reward and recognition programs and is built into performance standards at every level, against which professionals' overall evaluations are measured.

Deloitte North Macedonia's partners are evaluated on a yearly basis, and depending on the outcome of the evaluation, the remuneration of partners may increase or decrease. Specifically, partner evaluations take the following factors into account: quality, expertise, integrity, professionalism, entrepreneurship, independence and compliance.



Deloitte North Macedonia's priority focus on audit quality

Deloitte North Macedonia's commitment to audit quality is central to everything we do, from instilling a culture of quality and excellence across the network, to business and financial priorities, and the processes, tools and technologies applied in the execution of audits. Making sure audit quality keeps pace with emerging economic, business, and regulatory conditions, as well as technological advances is critical to the continual enhancement of Deloitte North Macedonia's role in protecting the public interest and supporting the effective functioning of the financial ecosystem. Deloitte North Macedonia's brand is defined by the high-quality audits delivered and by the unwavering commitment to continuous improvement.



Leadership commitment and tone at the top

Deloitte North Macedonia's culture of quality and excellence begins with strong tone from the top, starting with senior leadership through to the leaders in all our offices and audit engagements. Deloitte North Macedonia's focus on audit quality is evident through the direct involvement of leaders across activity levels and consistent messaging that reinforces the importance placed on audit quality. Deloitte Serbia's relentless pursuit of quality defines not just what we do, but who we are.

Independence, objectivity, and professional skepticism

The execution of high quality audits requires independence, objectivity, and professional scepticism. This means a continuous and tangible focus on Deloitte North Macedonia's critical role in protecting the public interest, including creating a culture of quality where doing the right thing is of paramount importance. As evaluators, Deloitte North Macedonia consistently reinforces the important role of who must maintain a mindset of professional scepticism throughout the conduct of our work. This approach to the audit is reflected in many aspects of Deloitte North Macedonia policies, methods, procedures, and learning, and is reinforced through quality control and accountability measures.

Audit approach

Deloitte North Macedonia's approach to a high-quality audit involves an audit methodology, common across the Deloitte network, supplemented by audit tools for use by our professionals to plan, perform, supervise, review, document, conclude, and communicate the results of each audit. Deloitte North Macedonia's audit approach is underpinned by professional standards.

This audit methodology is dynamic—it evolves continuously to keep pace with the changing demands of investors, companies, and other stakeholders. It recognizes that advances in the availability and management of large data sets and in statistical science are relevant to continuing to enhance the quality of Deloitte North Macedonia audits.

Deloitte North Macedonia audit methodology is risk-based, focusing on the financial statement account balances, disclosures, and underlying assertions that have a reasonable possibility of being materially misstated.

Processes to support Deloitte North Macedonia professionals in the execution of high-quality audits

The resources applied by Deloitte North Macedonia professionals in the performance of their audits include the proprietary tools, guidance, materials, and practice aids used in conducting audits, which are available to all our professionals in the Deloitte Technical Library, an extensive online library. Deloitte North Macedonia regularly issues accounting and auditing guidance to our professionals and communicates developments that may affect audit quality.

Consultation

Quality and risk management considerations are integral to Deloitte North Macedonia's audit business. That is why Deloitte North Macedonia views consultation as an essential, collaborative process—one that helps determine the most appropriate answers to complex questions. Deloitte North Macedonia consultation policies require that conclusions are documented, understood, and implemented. In addition to formal consultations, whenever engagement partners and teams need additional information or perspectives, they are encouraged to seek assistance from the Audit Quality team, or others in the organization with specialized knowledge.

System of quality control

Deloitte North Macedonia believes an effective system of quality control is crucial for the consistent performance of high-quality audit engagements and we continue to make significant investments in the people, processes, and technologies that underlie Deloitte North Macedonia's quality control processes.

Regulators and standard setters in the Republic of North Macedonia and globally are also focused on driving further improvements in firms' systems of quality control. In December 2020, the IAASB released its new, revised suite of quality management standards, including International Standard on Quality Management 1 ("ISQM 1"). Effective on 15 December 2022, ISQM 1 focuses on quality management at the firm level.

Deloitte North Macedonia's ISQM 1 implementation activities are well underway, working with leaders across Deloitte North Macedonia, as well as the broader network, to further enhance our proactive approach to managing the quality of engagements performed—identifying and addressing risks to audit quality and driving continued advancements in quality control processes.

Consistent with Deloitte North Macedonia's culture of continuous improvement and innovation, these standard setting activities provide the opportunity to challenge ourselves—examining those areas where we can further support and transform the system of quality control. Audit quality is always front and centre, and robust audit quality monitoring and measurement processes play an integral role in our ability to continually improve.

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 North Macedonia audit is consistently executed and of high quality, wherever in the world it is performed.

The objectives of the Audit Quality Monitoring & Measurement (AQMM) program are to:

- Transform the way audit quality is monitored and measured and audit deficiencies are resolved; and
- Enhance the internal system of quality control which all Deloitte network firms follow

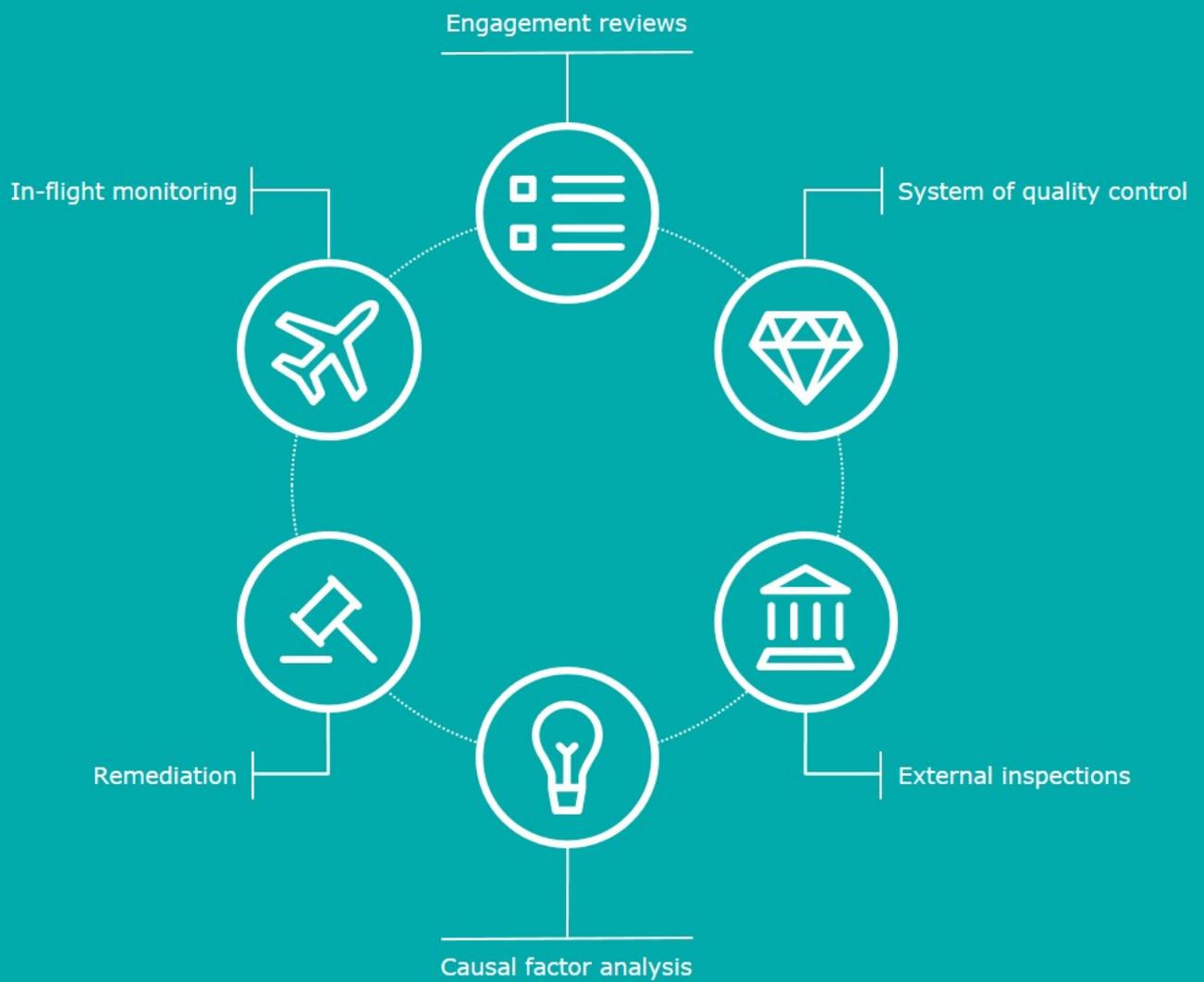
The AQMM program is focused on driving:

- Continuous, 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

Deloitte North Macedonia maintains policies and procedures to promote an internal culture based on the recognition that quality is the number one priority. Deloitte North Macedonia focuses on professional excellence as the foundation for achieving audit quality on a consistent basis.



Audit Quality Monitoring & Measurement



In-flight monitoring

Continuous audit quality monitoring by Deloitte North Macedonia 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 partners and teams, as well as Deloitte North Macedonia audit quality leader(s) to continuously monitor audit quality and take immediate action.
- A program of subject matter specific “health checks” to assist Deloitte North Macedonia audit quality leader(s) in assessing progress and identifying potential issues on in-flight engagements.
- In-flight monitoring results are evaluated overall to determine whether additional communication and support is needed for audit engagement teams with respect to adherence to the audit methodology or updates thereto.

Engagement reviews

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

- Risk-based engagement selection and consideration of all major industries served by Deloitte North Macedonia.
- Mandatory moderation panel to drive consistency in findings and engagement ratings.
- External partners and deputies who oversee practice reviews to increase consistency.
- Identifying appropriate resources (from within Deloitte North Macedonia as well as from other Deloitte geographies) with the right experience and industry knowledge, including establishing central review teams.

System of quality control (SQC) review

SQC review 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 program. Deloitte North Macedonia is also preparing for the future by focusing on readiness activities for monitoring related to implementation of ISQM1. These preparations are further advancing quality control processes and the approach to monitoring, and continually strengthening our culture of continuous improvement.

Audit Quality Indicators (AQIs) used in conjunction with other metrics, further assist Deloitte North Macedonia 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, timing of when work is done, and necessary focus on engagement staffing, including sufficiency and the skills, knowledge, or experience of assigned resources.

Causal factor analysis and remediation

Continuous improvement is essential to Deloitte North Macedonia’s culture of quality and excellence. Understanding why audit deficiencies occur is critical to the design of effective actions to remediate findings. Further, actions are taken when audit deficiencies are identified during the performance of an audit engagement. 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 North Macedonia and provides for effective implementation and monitoring of key audit quality priorities.

External inspections

In addition to Deloitte North Macedonia own monitoring of audit quality, we are subject to external reviews by the Institute of Certified Auditors of Republic of Macedonia. The last external inspection in accordance with article 19-a of the Law on Audit (Official Gazette, no. 158/10) was conducted in November 2020, with no objections noted.

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

Deloitte North Macedonia confirms that we are satisfied that our internal quality controls and systems are robust, operate effectively, and allow us to readily identify any areas of potential enhancement. We continually seek to refine all aspects of our business and we use the findings of the practice review, other internal reviews and external regulatory reviews to enhance our system of quality control.

Independence, ethics, and additional disclosures

Deloitte North Macedonia: Independence



Sets **independence policies and procedures** based upon the *Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants*. Performs full reviews of independence quality controls on a three-year cycle; provides an annual focused review program 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 policies, quality controls, tools, and practice support activities.



Delivers **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 North Macedonia Independence

Deloitte North Macedonia 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 Independence policy, and are supplemented, as appropriate, to reflect additional national or regional requirements that may be more restrictive than the code. Deloitte North Macedonia 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 North Macedonia. Strategies and procedures to communicate the importance of independence to partners, other professionals and support staff have been adopted, emphasizing 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 North Macedonia implemented in accordance with its policies include the following:

- Engagement acceptance and monitoring;
- Monitoring long association of partners 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, the Service Request Monitoring (SRM) application, and the Deloitte Independence Monitoring System (GIMS);
- An Inspection & Testing program, and annual and special purpose independence confirmations, to monitor individuals' compliance with independence requirements;
- Consultation processes including the identification of individuals who are to be contacted for independence matters;
- 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 15 December 2021.



DESC

Deloitte Entity Search and Compliance

Cross-country, searchable database containing specific entity information relevant in determining personal and professional independence restrictions



SRM

Service Request Monitoring

Application integrated with DESC that provides a standard business process workflow for submitting and reviewing preapproval requests to provide services to clients



GIMS

Global Independence Monitoring System

Application that contains financial relationship data with relevant independence compliance indicators

Banking Law, Law on Investment Funds and Law on Insurance Supervision.

While it is the primary responsibility of the individuals serving as key audit partners to ensure they comply with the rotation requirements, Deloitte North Macedonia implemented a monitoring process that includes among other analysis of client portfolios and individuals assigned in various roles to statutory audits and considering appropriate competence, capability, workload and availability of statutory auditors so as to enable these individuals to adequately discharge their responsibilities as key audit partners.

Long association requirements of audit partners and professionals

Deloitte North Macedonia maintains policies and procedures requiring rotation of key audit partners and staff. These are in line with the rotation requirements set for a public interest entity as defined in Law on Audit (Official Gazette of the Republic of Macedonia no. 158/10, 135/11, 188/13, 43/14, 138/14, 145/15, 192/15, 23/16 and 83/18 and Official Gazette of the Republic of North Macedonia no. 122/21) (the “PIE”).

For PIE, licensed certified auditors, individuals responsible for carrying out a statutory audit should not serve PIE for more than seven consecutive years in the position of a licensed certified auditors. They shall not participate again in the statutory audit of the audited PIE entity before two years have elapsed following cessation of such service. During the cooling-off period of two years, the key audit partner should not participate in the audit of the audited entity, perform the engagement quality control review, consult with the engagement team or the audited entity regarding technical or industry-specific issues, transactions or events or otherwise directly influence the outcome of the statutory audit.

In addition, audit firm rotation is required for the banks, investment funds, funds management companies and insurance companies after five consecutive year followed by one year cooling-off period in accordance with the local

Ethics

All Deloitte North Macedonia's professionals are expected to act with integrity in accordance with high ethical standards as described in the Deloitte North Macedonia Code of Conduct (the "Code") and defines the commitments that all Deloitte North Macedonia professionals make regarding ethical standards, as well as explaining each individual's responsibilities to their clients, colleagues, and society.

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

Deloitte North Macedonia maintains policies and procedures that are designed to provide reasonable assurance that its professionals comply with relevant ethical requirements.

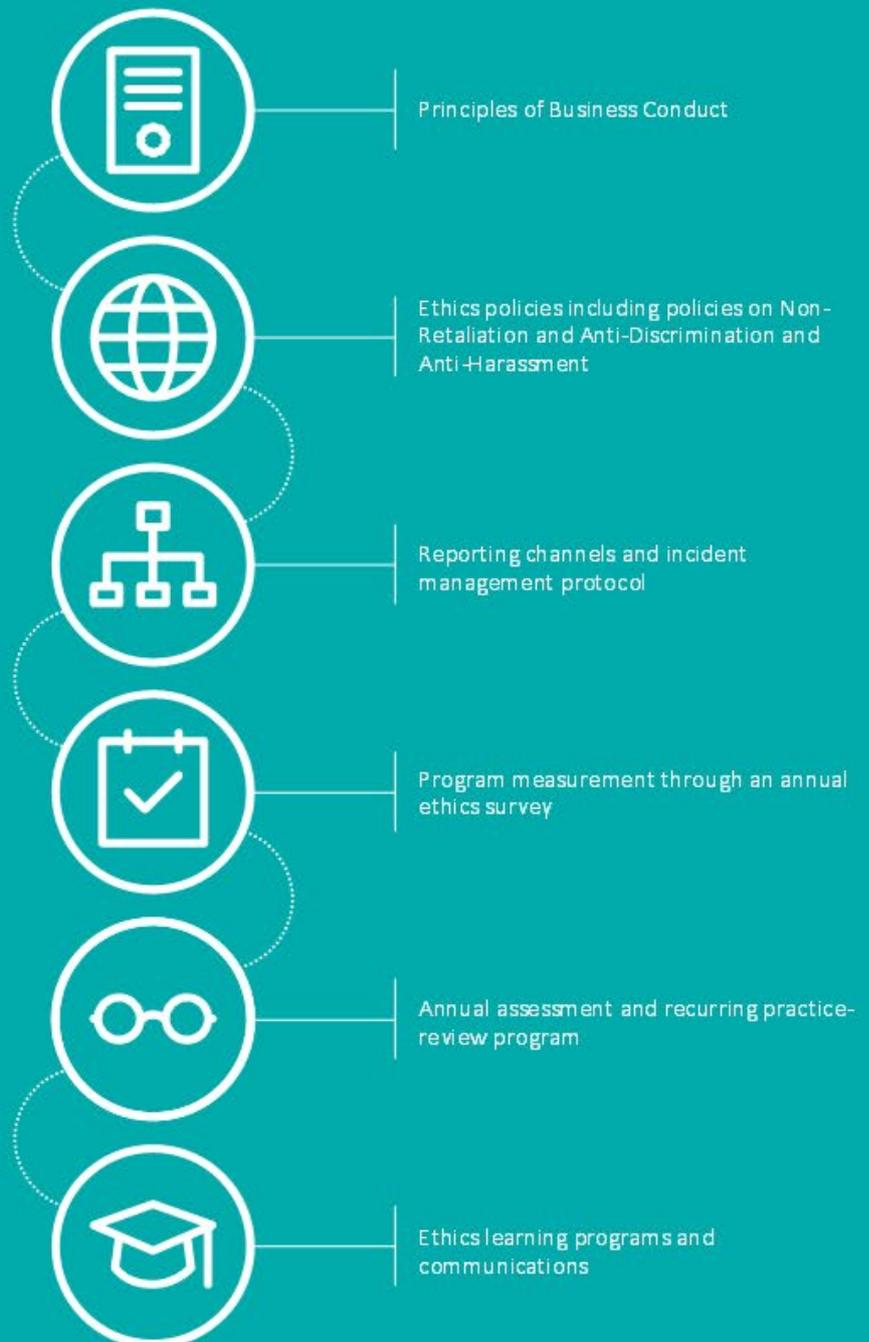
The ethical requirements for audit and related assurance services provided by Deloitte North Macedonia are in accordance with the Law on Audit and other industry-specific legislation. Deloitte North Macedonia also complies with Deloitte North Macedonia's own policies and procedures, which align with 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 North Macedonia's policies and procedures, Deloitte North Macedonia follows the applicable national requirements.

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

Deloitte Ethics

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

Deloitte's Principles of Business Conduct outlines Deloitte's ethical commitments and expectations, giving a strong, principled foundation. The foundation of the network's ethics program is comprised of the following elements:





Shaping the future of the audit profession

Deloitte North Macedonia is proactively engaging with a range of stakeholders – including policy makers, regulators, investors, company directors, audit committee chairs and industry bodies – to help to ensure audit and the corporate governance and reporting regime continues to evolve to meet the needs of society and to serve its purpose in promoting confidence and trust in the capital markets. All of these stakeholders play a critical role in supporting the provision of relevant information in the public interest. The drive to bring innovation to the audit reflects Deloitte North Macedonia’s commitment to enhance the audit of today as well as establish a long-term vision for the future of audit.



Appendices

Appendix A | Financial information

In 2021 Deloitte North Macedonia made turnover totalling **MKD 61,983,691.00** broken down per type of services rendered in the table below:

Turnover	MKD
Audit of separate and consolidated financial statements	28,622,875.00
Additional Quality Assurance services (in accordance with IFAC publications, accepted and published in North Macedonia)	493,106.00
Tax consulting services (accounting, internal audit and other services)	7,214,551.01
Other non-audit services (training and other services)	22,707,890.99
Other income	2,945,268.00
Total	61,983,691.00

Appendix B | Entities list

List of entities audited for statutory purposes and contractually by Deloitte DOO Skopje in the Financial Year 2021:

Name
1. DOO Sinpeks Bitola
2. ITHR Macedonia DOOEL Skopje
3. Wienerberger DOOEL Vinica
4. HALK Insurance AD Skopje
5. ITD Distribucija DOO inport-export Skopje
6. Alkaloid AD Skopje
7. DS Smith AD Skopje
8. HALK BANKA AD Skopje
9. AD Pecatnica "Kiro D. Dandaro" zastitno drustvo - Bitola
10. AD ALLIANCE ONE MAKEDONIJA Kavadarci
11. Alkaloid KONS DOOEL Skopje
12. NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA
13. NETCETERA DOOEL SKOPJE
14. HTL MAKEDONIJA DOOEL Skopje
15. LIMAK DOO Skopje
16. MASTERBET DOOEL Skopje
17. MA GAMING DOOEL Skopje
18. Makoten DOOEL Gevgelija
19. Gen-I DOOEL Skopje
20. MI-DA Grand Motors DOO Skopje
21. Asseco SEE DOOEL Skopje
22. Pejten DOOEL Skopje
23. MVM Partner DOOEL Skopje
24. TELAMON-EVROPA DOOEL Skopje
25. Triglav Insurance AD Skopje
26. Triglav Insurance Life AD Skopje
27. Triglav Pension Company AD Skopje
28. HSE MAK ENERGY DOOEL Skopje
29. Gerresheimer Skopje DOOEL Ilinden
30. Krashkomerc DOOEL - Skopje

31. STUDIO MODERNA DOOEL Skopje

32. MINISTRY OF TRANSPORT AND COMMUNICATIONS

33. Secretariat for European Affairs

34. MICROSOFT DOOEL Skopje

35. FLOROZON Skopje

36. AMPHENOL TECHNOLOGY DOOEL Skopje

37. Ericsson telecommunications Macedonia DOOEL export – import

38. VOLVO Macedonia DOOEL Skopje

39. TELEPERFORMANCE DOOEL Skopje

40. TOYOTA AVTO CENTAR DOOEL Skopje

41. Liberty AD Skopje

Deloitte.

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